

Training and Development as the most important factor in shaping Employee engagement: The Indonesian Context in the Covid 19 Pandemic

Lukman Supriyadi¹ and Ahmad Adriansyah²

1 Department of Management, Indonesia Banking School, Jakarta, Indonesia,
email:lukbexi@gmail.com

2 Department of Management, Indonesia Banking School, Jakarta, Indonesia,
email:ahmad.adriansyah@ibs.ac.id

ABSTRACT

The company always expects employees who have high employee engagement. But when Covid 19 happened, working conditions changed drastically. Ways and work procedures, targets and work focus changed drastically. Some internal workers and external work partners cannot work because they are affected by COVID-19. This study examines the determinants of employee engagement in these conditions. These factors are training and development, performance management and Corporate Social Responsibility (CSR). The research was conducted at a financial company in Indonesia. The number of respondents is 158 employees. Testing the research model using Structural Equation Modelling and AMOS application. The results reveal that training and development is the most important factor in shaping employee engagement, followed by CSR and Performance Management.

Keywords: Employee engagement, Training and Development, Corporate Social Responsibility, Performance Management

1. INTRODUCTION

Financial Technology (Fintech) services have been growing rapidly and taking over the conventional banks' market portion. They serve not only financial transaction but also financing need for their customers. Their simplicity and fast services become their strength compared to conventional banks. Indonesia Financial Services Authority (OJK) revealed that there were 164 Fintech companies registered with the accumulation of total loan reached IDR81.50 trillion or USD5.8 billion in 2019, increased 259.56% from total loan accumulation in 2018.

As the fast development of technology changed the whole business, conventional banks started to review their plan in expanding their office branches and human resources. Currently, banks put their concern on developing digital technology to accelerate the banking transaction process and reducing their operational cost. The new employees' recruitment is mainly proposed to fulfill the banks' job positions on marketing, customers relation, and experts in technology and data analysis.

The challenge on this efficiency is getting worsen by global COVID-19 epidemic. Work from Home (WFH) policy has been applied to mitigate the spread of the virus. The domino effect caused by this pandemic also affecting on the decreasing performance of the banks. Digital transformation is chosen as a strategy to develop business for banks to respond this force majeure change.

Financial institution XYZ is also the same problem as most banks. To overcome the competition with Fintech companies, Financial institution XYZ must be more efficient and productive. Employees must be productive to give effective and fast service. Employee engagement is believed as a key to increase employee's productivity. The other benefit from Employee Engagement is a lower turnover rate therefore no or less adaptation process or training required for new employees.

1.1. Employee Engagement

Khan (1990) revealed his study on the concept of Personal Engagement that involving physical, cognitive and emotional engagement of a person to his or her job. There were three psychological condition affecting engagement: meaningfulness, safety dan availability. The study become the first and basic theory for other studies on employee engagement (Bhuwaneshwari dan Kumar, 2017). Gibson, Ivancevich, and Donnelly (2000) described Employee Engagement as employees' emotional and intellectual involvement to their jobs, organizations, managers and colleagues that encourages their discretionary effort in their job.

The employee engagement is defined as a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption (Schaufeli dan Bakker, 2004). Saks (2006) found that the employee engagement's level is related to Social Exchange Theory (SET). When employees received economical and socioemotional resources from the organization, they will feel that they have obligations to give response appropriately and payback to organizations.

1.2. Training dan Development

Gaol (2014) distinguishes training from development based on its purpose. Training is designed to increase skill in carrying out certain jobs or education to increase the knowledge needed to carry out current jobs (in short term) and focus more on job / skill requirements. Development is intended to develop employees for future jobs and solve organizational problems that are not only skills or job requirements but also in employees' motivation and attitudes.

Training and Development has a significant influence on employee engagement (Siddiqui, 2019; Azad and Khan, 2018). Training and development increases both employee and organization productivity (Nda and Yazdanifard, 2013). Payambarpour and Hooi (2015) suggest that HR Practices (training and development) should be carried out by organizations to motivate engaged employees and resulting higher organizational performance. Training must be provided regularly to employees for retaining, enabling them to learn faster and adapt to the newest technology and employees get career opportunities and promotion in the organization (Priya and Amutha, 2015).

1.3. Performance Management

An effective performance management will result clear responsibilities and expectations, improves employee capabilities through feedback, mentoring / coaching, communication between employees and managers, increases employee motivation, provides a reward basis for good performance and achievement, increases productivity, and attitude in line with the vision, values and strategy of the organization. Employees with a positive attitude to the organization will be more engaged and staying longer in the company.

Performance Management has a positive influence on employee engagement (Nzewi, Ekene and Raphael, 2018). Performance Management may have a high influence on work engagement (Noronha, Aquinas and Manezes, 2018). Furthermore Noronha, Aquinas and Manezes (2018) found that Performance Management has an influence on Job Performance through mediation role of work engagement.

1.4. Corporate Social Responsibility

Ali and Ali (2011) confirmed a significant relationship between CSR and employee engagement. Kweyama, Cassim, Munapo and Mutambara (2015) found a positive influence between CSR and Employee Engagement. CSR has a significant effect on Corporate Reputation, and both have a significant effect on employee engagement. Abdullah, Ashraf and Sarfraz (2017) found that CSR increases intention to stay in the organization, with higher engagement and loyalty.

Slack, Corlett and Morris (2014) summarized some benefits of CSR for organizations including providing competitive advantage, improving financial performance, and company reputation. The benefits of CSR for employees among others moral responsibility, recruitment, retention and employee productivity. CSR can also attract talents who think that working in a company implementing a good CSR practice may give them satisfaction.

Based on above literature review, the hypothesis proposed is:

H1: Training and Development has a significant positive effect on employee engagement

H2: Performance Management has a significant positive effect on employee engagement

H3: Corporate Social Responsibility has a significant positive effect on employee engagement.

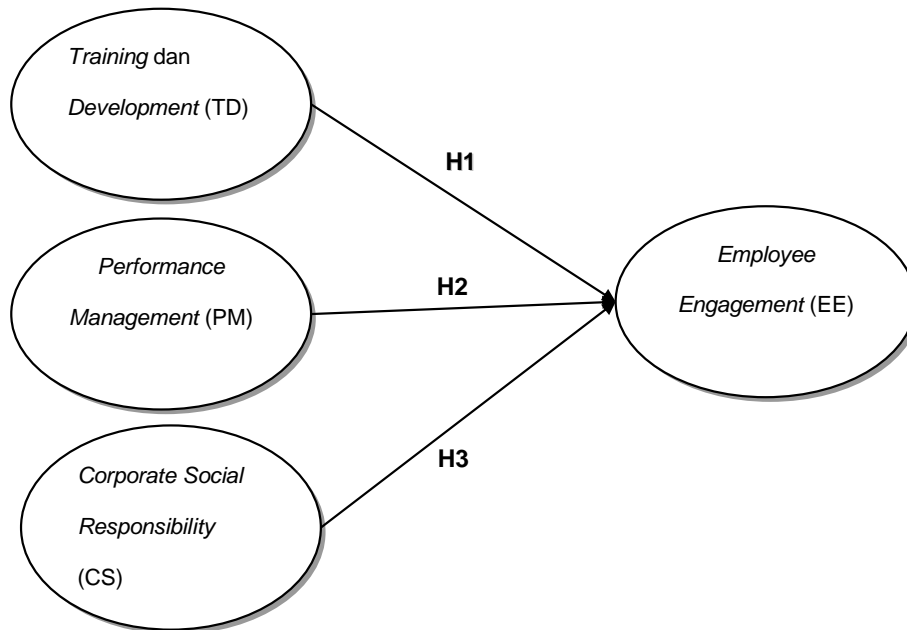


Figure 1. Research Model

2. Method

2.1. Procedure and Participants

This study is conducted in an Indonesian financial institution. The participants were permanent employee who requested to answer an online questionnaire using Google form. Total participants of this study were 158 permanent employees. Our respondents' age ranged from 21 -30 years (29%), 31 – 40 years (52%), 41 – 50 years (14%) and more than 50 years (5%) comprised of 69% male. Their education levels were bachelor degree 62% and post graduate 38% with working experience ranged between 2-5 years (30%), 5-10 years (42%), and more than 10 years (22%).

2.2. Measures

EE was assessed with 5 items (indicators) developed by Ali and Ali (2011). All items were scored on a 6-point scale ranging from 1 = strongly disagree to 6 = strongly agree. Respondents were asked with five statements as follows:

1. The job I have makes me enthusiastic
2. I like to work intensely
3. I often become absorbed in the job I am doing
4. The job gives me energy
5. I persevere when I encounter challenges

TD was assessed with 5 items (indicators) adopted from questionnaire by Siddiqui (2019). All items were scored on a 6-point scale ranging from 1 = strongly disagree to 6 = strongly agree. Respondents were asked with five statements as follows:

1. This organization is much concern about my career development and growth opportunities for the future by performance management
2. Training programs provided by the organization are adequate for my development
3. Staff training allows employees to proactively identify future challenges
4. In my organization employees adapt quickly to difficult situation due to training.
5. With training, I am completely focused on my work

PM was assessed with 15 items (indicators) adopted from the Performance Management Questionnaire by Nzewi, Ekene and Raphael (2018). This variable was divided into three dimensions, including Performance Planning, Performance Development and Performance feedback. All items were scored on a 6-point scale ranging from 1 = strongly disagree to 6 = strongly agree. Respondents were asked with five statements from each dimension as follows:

Performance Planning

1. My organization clarifies goals for the employees.
2. My organization frequently set daily operation of employees according to the performance standard.
3. My organization frequently discusses the set goals which an employee can or would achieve in coming appraisal or review cycle
4. My organization's performance planning system has helped to improve the internal communication of the employees
5. The explicit knowledge of my organization's performance standard has improved my job performance.

Performance Development

1. My organization increases two-way communication between the supervisor and employees to enhance job performance.
2. My supervisor provides support when necessary and gives correction when work is not properly done
3. My organization identifies performance issues as timely as possible to improve employees' performance
4. My organization develops staff member's skills and capabilities for current position and future positions to keep tabs with the set performance standards
5. My organization assists me to clarify my professional development and how they relate to department goal

Performance Feedback

1. My organization effectively uses timely feedback to inform its employees on their job performance.
2. Employees in my organization are effectively given feedback on their job performance
3. The vis-a-vis conversation I have with my supervisor about my job performance has given me adequate knowledge of what are expected from me
4. The vis-a-vis conversation I have with my supervisor about my job performance has given me adequate knowledge of what are expected from me
5. The timely nature of my organization's performance feedback system identifies employees' weaknesses and strengths as well as propels employees to take corrective measures.

CS was assessed with 5 items (indicators) developed by Ali and Ali (2011). This variable was divided into two dimensions, including CS Association and CS Participation. All items were scored on a 6-point scale ranging from 1 = strongly disagree to 6 = strongly agree. Respondents were asked with five statements from each dimension as follows:

CS Association

1. My company is committed to using a portion of its profits to help non-profits
2. My company gives profits back to the communities where it does business
3. My company integrates charitable contributions into its business activities

CS Participation

1. My colleagues and I work together as a team on CSR activities
2. My colleagues and I have ample opportunity to suggest activities

Data Analysis

Data Analysis was performed using IBM SPSS Statistics (Version 24) : descriptive statistics (mean and mode). Co-variance Based structural equation model (SEM) using Amos (Version 20) was performed in order to asses validity and reliability with method of estimation used was maximum likelihood (ML). The validity of the measurement model assessed by Goodness of Fit (Malhotra, Nunan and Birks, 2017).

3. RESULTS

We use *Loading Factor* (LF) $\geq 0,5$ and in Reliability Test, we use *Average Variance Extended* (AVE) $\geq 0,5$, and *Construct Reliability* (CR) $\geq 0,7$. Result show that all items are valid and all variables and dimensions are reliable. Loading factors of variable Training and Development 0,714 – 0,899; variable Performance Management 0,699 – 0,913; variable CSR 0,750 – 0,920; variable Employee Engagement 0,836 – 0,929. AVE of variable Training and Development 0,68; variable Performance Management 0,67 – 0,74; variable CSR 0,59 – 0,74; variable Employee Engagement

0,80. CR of variable Training and Development 0,91; variable Performance Management 0,91 – 0,93; variable CSR 0,74 – 0,89; variable Employee Engagement 0,95.

3.1. Result of Overall Model Fit

Table 1 shows fit index of Goodness of Fit (GOF) based on data analysis using SEM processed by AMOS 20.

Table 1. Result of Goodness of Fit (GOF)

GOF	Cut –off value	Result	Conclusion
CMIN/DF	≤ 3.0 (Good Fit)	2.619	Good Fit
CFI	CFI ≥ 0.90 (good fit) 0.80 ≤ CFI ≤ 0.90 (marginal fit) CFI ≤ 0.80 (poor fit)	0.884	Marginal Fit
RMSEA	RMSEA ^{*)} ≤ 0.08 (good fit) 0.08 ≤ RMSEA ≤ 0.10 (marginal fit) RMSEA ≥ 0.10 (poor fit)	0.102	Poor Fit

^{*)} Root Mean Square Error of Approximation (RMSEA)

Three measurements of GOF i.e. CMIN/DF, CFI dan RMSEA had different fit, CMIN/DF shows good fit, CFI shows marginal fit, meanwhile RMSEA shows poor fit. Thus, the overall model identifies that the data is quite fit with the SEM model, only the RMSEA data is slightly less fit.

Sayin (2016) stated that RMSEA on models with small df and sample sizes should be ignored in the calculations because they tend to be biased. Sayin (2016) revealed that RMSEA tends to decrease in the number of samples up to 250.

3.2. Hypothesis Test Results

The overall model is the relationship between one variable and another, which each variable has a causal relationship between endogenous and exogenous variables. Positive results can be seen through positive estimation values. Significant results can be seen through the p value of the existing causal relationship of the overall model. If the estimated value in the research results is positive and the p value < 0.05, the hypothesis is proven to be significant positive and is supported by the data. If the estimated value in the research results is positive and the p value > 0.05, the hypothesis is proven positive but not significant.

Table 2. Regression Weight Result

Hypothesis	Estimation	p - Value	Conclusion
TD → EE	0.575	***	Supported by data
PM → EE	0.140	0.034	Supported by data
CS → EE	0.336	***	Supported by data

The Impact of Training and Development on Employee Engagement

This study proved that there is a significant positive effect between Training and Development and Employee Engagement. The estimated value of 0.575 with a p value = *** smaller than 0.05 as shown in Table 2 indicates the hypothesis is acceptable. Trough training and development, employees will gain the skills, knowledge and attitudes needed to do their jobs in accordance with performance standards and the opportunity to develop in the organization so as to increase employee engagement. This is in line with the research conducted by Siddiqui (2019) which found a significant relationship between training and development on employee engagement. This research is also supported by previous research conducted by Azad and Khan (2018) which showed that training and development had a significant effect on employee engagement.

The Impact of Performance Management on Employee Engagement

This study proved a significant positive influence between Performance Management and Employee Engagement with an estimated value of 0.140 with a value of p = 0.034 which means a

p value smaller than 0.05 indicates an acceptable hypothesis. This is in line with research conducted by Nzewi, Ekene and Raphael (2018) which found that there is a significant relation between Performance Management and Employee Engagement. Performance Management is the factor that has the least significant positive influence on employee engagement in XYZ Financial Institution. The research was conducted when the performance management process was not running as expected. The working condition due to the COVID-19 pandemic outbreak caused changes to the company's operations and Working from Home policy which also affecting the performance management process.

The Impact of Corporate Social Responsibility on Employee Engagement

This study proved a significant positive influence between Corporate Social Responsibility and Employee Engagement with an estimated value of 0.336 with a value $p = ***$ smaller 0.05 which indicates an acceptable hypothesis. Integration between CSR activities and business activities becomes a major factor in CSR that affects employee engagement. This research is supported by previous research conducted by Abdullah, Ashraf and Sarfraz (2017) which showed corporate social responsibility has a significant effect on employee engagement. The same result is also found by Hejjas, Miller and Scarles (2019) that involvement of employee participation supported by top management in the implementation of CSR will increase employee engagement.

4. Conclusions and Suggestions

4.1. Conclusions

The aim of this research is examining the relationship between the variables of Training and Development, Performance Management and Corporate Social Responsibility on Employee Engagement. The results of data analysis show that all hypotheses have a significant positive effect. Research to test the hypothesis proposed on employee engagement of XYZ Financial Institution employees can be concluded as follows:

1. Training and Development proved to have a significant positive effect on increasing employee engagement.
2. Performance Management proved to have a significant positive effect on increasing employee engagement.
3. Corporate Social Responsibility proved to have a significant positive effect on increasing employee engagement.

4.2. Limitations of Research and Practical Suggestion

There are some limitations in this study, including:

1. The sample size less than 200 respondents with RMSEA of 0.102 (slightly above 0.10) showed a *poor fit model*.
2. Further interviews to explore qualitative information to confirm the results of the questionnaire with respondents were not conducted.
3. There was an outbreak of the COVID-19 pandemic that affecting operational activities including *training and development and performance management*
4. *This study included only three factors that affecting Employee Engagement, namely Training and Development, Performance Management and Corporate Social Responsibility*
5. No further testing of the positive influence of *employee engagement* on employee productivity was carried out.

Based on the analysis and conclusions in this study, it can be proposed as strategic decision to increase *employee engagement* in the organization. The analysis in this study is supported by the data obtained. Some suggestions to be proposed to the organization and future research as follows:

1. For Organization
 - a. The variable that gave the highest influence in increasing employee engagement is training and development. The main concern for improvement in training and development to increase employee engagement are career development and employee development opportunities through Performance Management. In addition, employee must also be involved in identifying skills and knowledge needed for future needs. Providing special training for certain skills and knowledge so that employees can overcome the difficult conditions faced in their work also needs to be a concern. Training provided also needs to be identified in order to meet the needs of employee self-development. Thus, improvements

are needed in training and development by conducting Training Need Analysis and evaluating Return on Training Investment and employee development opportunities based on Performance Management to ensure that the training and development provided are effectively in accordance with the objectives.

b. Develop and implement Performance Management effectively and punctually. Performance management gave the least impact on employee engagement in this study. This shows that performance management has not been effectively running. On the other hand, Performance Management is very important to determine, monitor, direct and evaluate the performance of both teams and individuals so that it will facilitate in monitoring employee productivity. Things that need to be considered for improvements in Performance Management to improve employee engagement are the implementation of feedback performance in a timely manner, providing clarity of employee professional development and in connection to team's goals and implementing employee daily operations based on performance standards.

c. Corporate Social Responsibility (CSR) becomes an added value for organizations. It might support businesses and also increase employee engagement. CSR is the second most influential factor in employee engagement in this study. Future development of CSR needs to focus in synergizing CSR with business activities so that it will make a beneficial for the company but also useful for employees to increase Employee Engagement. Things to be considered for improvement in CSR is to increase employee participation by giving opportunities for employees to provide input and advice on CSR activities and involve employees to involve in the implementation of CSR programs.

2. For Future Research

Based on the result of the study, the advice proposed for future research is:

- a. Increasing the sample number to at least 200 respondents for the processing method using CB-SEM so it will produce a *good fit* RMSEA value.
- b. Conducting further interviews with respondents to get explanations and feedback and suggestions for improvements
- c. Conducting the same research at different times when operational activities back normal to study the difference of the influence from each variable.
- d. Adding the number of exogenous variables to make a deeper research such as organization culture, organizational commitment, organizational image and communication.
- e. Adding employee productivity variables in the research with employee engagement as mediation variable.

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Name : Mr. Ahmad Adriansyah
Institution : STIE Indonesia Banking School
Address : Jl. Kemang Raya No.35, RW.1, Bangka, Kec. Mampang Prpt., Kota Jakarta Selatan, Daerah Khusus Ibukota Jakarta 12730 Indonesia
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Co-Author :
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NOTIFICATION OF ACCEPTANCE

Dear Mr. Ahmad Adriansyah ,
STIE Indonesia Banking School

Greetings from ABRIC 2020/21 Conference.

On behalf of the ABRIC 2022 Secretariat, we are pleased to inform you that your abstract (ABRIC 2022: 023-078) titled "Training and Development as the most important factor in shaping Employee engagement: The Indonesian Context in the Covid 19 Pandemic" has been reviewed and accepted for presentation at the conference.

We understand that you might be tight up with other commitments, thus, your full paper can be submitted **by Thursday, May 26th, 2022. Nevertheless, the Conference Fee should be paid by 25th May 2022.** Failing to do so will result in ineligibility to have your paper submitted in the selected journal. The 4th Advances in Business Research International Conference 2021/2022 will be held on 11 & 12 June 2022 at Mardhiyyah Hotel & Suites, Shah Alam, Selangor, Malaysia (Face-to-face and Online).

Yours sincerely,

Chairman,
Organizing Committee
ABRIC 2022

Tel: +603-3258 5044
Fax: +603- 32587000
Email: abric@uitm.edu.my
Website: <https://submit.confbay.com/conf/abric2022>

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CERTIFICATE

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