

S.t Mary's University



MASTERS OF BUSINESS ADMINISTRATION (MBA)

**DETERMINANTS OF EMPLOYEE ENGAGEMENT IN THE BANKING
INDUSTRY IN ETHIOPIA: A CASE STUDY IN ZEMEN BANK**

By: - SAMRAWIT MULUGETA

ADDIS ABABA, ETHIOPIA

July, 2023

**A THESIS SUBMITTED TO THE DEPARTMENT OF BUSINESS
ADMINISTRATION IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR MASTER OF BUSINESS ADMINISTRATION**

By: - SAMRAWIT MULUGETA

ADVISOR: ADERAW GASHAYE (PhD)

**DETERMINANTS OF EMPLOYEE ENGAGEMENT IN THE BANKING INDUSTRY IN
ETHIOPIA: A CASE STUDY IN ZEMEN BANK**

BY: SAMRAWIT MULUGETA (SGS/0161/2014)

APPROVED BY THE BOARD OF EXAMINERS

DEAN, GRADUATE STUDIES

SIGNATURE

DATE

ADERAW GASHAYE(PHD)

ADVISOR

SIGNATURE

DATE

INTERNAL EXAMINER

SIGNATURE

DATE

EXTERNAL EXAMINER

SIGNATURE

DATE

DECLARATION

I, the undersigned, declare that this study was original and completed by myself, that the work was not submitted to any other Institute for any degree, diploma, or other professional qualifications, and that all sources of materials used for the study were properly acknowledged by citing them in the text and providing detailed information in the reference.

Declared By:

SAMRAWIT MULUGETA

July, 2023

Name

Signature

Date

CERTIFICATION

This is to certify that the work contained in the thesis titled " DETERMINANTS OF EMPLOYEE ENGAGEMENT IN THE BANKING INDUSTRY IN ETHIOPIA: A CASE STUDY IN ZEMEN BANK "by "Samrawit Mulugeta" was completed under my supervision and that this research study was given for examination with my approval.

ADERAW GASHAYE (PHD)

Advisor

Signature

ACKNOWLEDGMENT

I give God my sincere gratitude for all the blessings he has given me. Second, I want to thank my family for their unfailing love, support, and care throughout my academic career. I want to thank my pals for their support and words of encouragement. I also want to thank my colleagues, the staff at Zemen bank, and everyone else who took part in this study.

Finally, I would like to convey my sincere gratitude to the institute and my adviser, Aderaw Gashaye (PHD) for their guidance and support throughout the course of the year that I conducted this research.

Contents

CHAPTER ONE.....	1
INTRODUCTION.....	1
and lastly organization of the Study.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Research Questions.....	4
1.4. Objective of the Research.....	4
1.5. Significance of the Study.....	4
1.6. Scope of the Study.....	5
1.7. Limitation of the Study.....	5
1.8. Organization of the Study.....	6
CHAPTER TWO.....	7
LITERATURE REVIEW.....	7
Introduction.....	8
2.1. The Conceptual Definition of Employee Engagement.....	7
2.2. Levels of Employee Engagement.....	9
2.3. Employee Engagement Models.....	10
2.4. Conceptual Framework of the Study.....	15
2.5. Engagement & Other Constructs.....	15
2.6. Consequences of Employee Engagement.....	16
2.7. Determinants of Employee Engagement.....	18
CHAPTER THREE.....	29
<i>Research design and Methodology</i>	30
3.8. <i>Data Analysis</i>	31

CHAPTER FOUR	34
4. DATA PRESENTATION, ANALYSIS AND DISCUSSION	34
4.1. Introduction	34
4.2. Response Rate	34
4.3. Reliability test.....	34
4.4. Demographic Characteristics of Respondents	35
4.5. Correlation Analysis	39
4.6. Multiple Regression Analysis	41
4.6.1. Model Summary	43
4.6.2. ANOVA Model Fit	43
4.6.3. Beta Coefficient.....	44
CHAPTER FIVE	50
5. SUMMARY, CONCLUSION AND RECOMMENDATION.....	50
5.1. Summary of the Findings.....	50
5.2. Conclusions	51
5.3. Recommendations	52
5.4. Future Research Directions	53

ABSTRACT

The purpose of this study was to explore the determinants of employee engagement in Zemen Bank. Employee engagement is influenced by many factors including job characteristics, organizational justice, reward and recognition, leadership style, workplace culture, organizational communication and company reputation. In this study, job characteristics, reward and recognition, and leadership style were tested for their predictive role on employee engagement. The study adopted a quantitative research method and a survey research approach with five point Likert scale questionnaire was distributed to the respondents. Random sampling approach was used to select the target respondents of the survey, where 150 Self-administered questionnaires were distributed, out of which all were collected. The data collected was analyzed through descriptive, correlation, & regression analysis using SPSS software. The correlation analysis result showed that job characteristics, leadership style, and reward & recognition have a strong positive relationship with employee engagement. The finding of the study using a multiple linear regression analysis revealed that all the independent variables (job characteristics, leadership style and reward & recognition) have positively predicted employee engagement. Based on the findings, the researcher forwarded recommendations and future research directions.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Employee engagement seems to be more essential than ever in organizational success and creating competitive advantage (Carnegie, 2012). The challenge is entirely engrossing, capturing their minds and hearts at each step of their work life, not just keeping great people at work (Kaye, B., and Jordan, 2003). Employee engagement has received a lot of attention in recent years. According to several (Bates, 2004; Baumruk, 2004; Harter et al., 2002; Richman, 2006), employee engagement predicts employee outcomes, organizational success, and financial performance. According to Baumruk (2004), employee engagement is the best strategy for creating competitive advantage, which every firm aspires to. Employee engagement is actually thought to be the most powerful factor to measure a company's strength and orientation towards greater performance

. Engaged employee value, enjoy and have pride in their work and are more willing to help each other and the organization succeed. LePine, Erez, and Johnson (2002) argue that engaged employees take additional responsibility, invest more effort in their jobs, share information with other employees and remain with the organization than employees who are less engaged. Studies by Bloom and Michael (2002) indicate that although the primary focus of engagement efforts has mostly been on team-building programs and non-financial rewards, democratic pay structures have been found to be affect to employee cooperation, involvement, satisfaction and commitment; all of which have been used as indications of employee engagement. Engaged employees readily give discretionary effort as an integral part of their daily activity at work. They believe it as a synergetic concept that the whole is greater than the sum of its parts. They don't work just for a paycheck, or just for the next promotion, but work on behalf of the organization's goals and objectives. Thus, engaged employees lead to better business outcomes. Engaged employees go beyond the call of duty to perform their role in excellence.

The extent to which people utilize their cognitive, emotional, and physical resources to carry out role-related activities is referred to as employee engagement (Kahn, 1990; May et al., 2004). In recent years the term employee engagement has taken a fundamental role on organizational effectiveness (Saks, 2006).

The study selected the banking industry to investigate the factors that affect employee engagement. The banking sector plays a vital role for overall development of primary and industrial sectors. Banking system is an important integral of overall economic system of a country. It plays a significant role in mobilizing a Savings from the nation are utilized to finance significant investments and enhance the utilization of the available resources. The employees in banking companies take efforts to deliver the multiple needs of its stakeholders. There are a number of reasons for choosing the banking sector for this study. First, in the context of development, the banking sector has become an important pillar of strength in the economy of Ethiopia. (Economic Report, Ministry of Finance, Ethiopia, 2013). The banking sector is one of the major fragments in the financial sectors in the economy. Second, the labor force in the banking sector has grown a lot.

The country's banking sector comprises 26 banks. Among them, 25 are private banks. The entry of private banks in Ethiopia laid foundational stone and passed a mile journey from its start to mobilize the economy.

The case for this study is Zemen Bank. The researcher was selected Zemen Bank because the bank has the average age of 14years of service in the banking. Zemen Bank Share Company is one of the banks established to provide such services. The Bank was established on October, 2008 Savings of the country are being used to fund important investments and improve the use of the resources that are already accessible. business Proclamation No. 84/1994. The bank has staffs. Zemen Bank offers various banking products and services in Ethiopia. It offers deposit products include savings, demand, special savings, and youth-targeted savings programs. The company also provides term loans, overdraft service, and advance Savings from the nation are utilized to finance significant investments and enhance the utilization of the available resources., such as cash payment orders, demand drafts, certified cheques etc. As of June 30, 2022, the company operated 88 branches and sub branches. It also operates 72ATMs and 98 PoS machines Zemen Bank Share Company was founded in 2008 and is based in Addis Ababa, Ethiopia. (Zemen, 2014).

Whereas banks in Ethiopia lay a lot of emphasis on provision of quality service to customers, the challenge basically is to create a motivated and engaged employees who can facilitate that endeavor. Employees are critical to achievement of their goals and therefore, managers must

consider employee engagement as it is connected to service quality and work performance. In order to create an environment for employee satisfaction and engagement, it is vitally important to know which factors most affect employee engagement (Heartfield, 2012). Organizations must spend time, money, and energy on programs, processes, and factors that will have a positive impact on employee engagement.

1.2. Statement of the Problem

A Harvard Business Review Analytic Services study's conclusions (2013) show that an increasing number of top companies are gaining a competitive edge by implementing measures and procedures that accurately measure and enhance the effects of their employee engagement activities on overall business performance. Over the past two decades the great changes in the global economic condition had important implications for the relationship among employees and employers and therefore for employee engagement. For instance the costly and scarcity of resources, increasing global competition, customer demand for high quality, high labor cost have incited for a higher return on equity, the organization should restructure them. Restructuring in some businesses entails a reduction in management and personnel levels. (Corace, 2007). Even Despite the fact that reorganization might help an organization compete, these changes have destroyed the notion of reciprocity and the customary psychological employment “contract” (Corace, 2007).

Engaged employees demonstrate attributes such as loyalty, trust and commitment to the organization. When employees are engaged with their work, they are more creative and innovative and offer advances that allow companies to evolve positively over time with changes in market conditions. Consultant studies reveal that an estimated 14-30% of the employees are engaged in running the business (Schwartz et al., 2007). It has claimed that employee engagement is declining and that workers' disengagement is growing in the modern workplace. (Bates, 2004; Richman, 2006). To highlight how prevalent this issue is and how serious it may be, we can consider the Gallup study (Kim et al. 2008) wherein a survey of hundreds of businesses was conducted. Their studies' findings revealed that 54% of workers were not engaged and 17% were actively disengaged. A 30-year study of the United States workforce by Gallup organization found that, on average, the ratio of actively engaged to disengaged employees in organizations was 1 to 1.83. This is not a small number, but it is one that is

estimated to cost more than USD 300 billion in lost productivity per year (Buckingham and Coffman 2008).

As a result, there exists a gap in knowledge regarding the study of employee engagement within the industry. In order to create an environment for employee engagement, it is vitally important to be aware of the determinants of employee engagement. This research work was specifically aimed at using the determinants of employee engagement to measure and study the concept within the banking industry of Ethiopia. The study was assess three determinants of employee engagement in commercial banks in Ethiopia; using Zemen Bank as case for the study.

1.3. Research Questions

The questions that appear here are:

- 1, How does a job characteristic affect employee engagement?
- 2, How does leadership style affect employee engagement?
- 3, How does reward and recognition affect employee engagement?

1.4. Objective of the Research

The general objective of the study was making meaningful inquiry and investigation into determining employee engagement in Zemen Bank.

The specific objectives of the study were to:

- 1 To study the effect of job characteristics in predicting employee engagement
- 2 To examine the effect of leadership style in predicting employee engagement
- 3 To measure the effect of rewards and recognition in predicting employee engagement

1.5. Significance of the Study

This study was help future researchers who are willing to conduct study on this topic. The study can provide guidance to the employers of banking organizations and be helpful for management and other decision making bodies taking recommendations from the study.

The study was provide insight to HR professionals to gain understanding while planning employee engagement strategies for their organizations and was valuable for policy makers and other practitioners. It was also provide certain direction for future researchers. The consequences of this study can assist the policymakers to draft policies workable at institutional level as well as nationwide.

1.6. Scope of the Study

Different researchers have proposed wide range of drivers of employee engagement, which include a variety of factors (Kahn, 1990; May et al., 2004; Saks, 2006). It is difficult to best conceptualize factors influencing employee engagement. This study however, was focused only on main three determinates of employee engagement i.e. Job characteristics, leadership style; and reward and recognition. The researcher was selected the three determinants based on the finding and model of Kahn (1990) and Saks (2006). The two models was chosen because Kahn's (1990) model is the earliest and influential study on employee engagement and the second model by Saks (2006) is more recent and further tried to study about employee engagement by broadening the aspect to include both job and organization engagement. Geographically the scope of the study were delimited to senior management, branch managers, supervisors and the general staff of Zemen Bank, particularly those who are based in the Addis Ababa Region.

1.7. Limitation of the Study

It is understandable that if the researcher was able to cover all branches that were given a more sufficient result, but due to the time and finance constraints the researcher was limited to undertake the study in selected branches located in Addis Ababa region. And the other expected limitation is that the information that is going to be gathered might be biased by personal issues.

1.8. Definition of key Terms

Job Characteristics: task characteristics that provide challenging work, variety, allow the use of different skills, personal discretion, and the opportunity to make important contributions, (Kahn 1990, 1992).

Leadership Style: Leadership style is a combination of a leader's general personality, manner and communication patterns to guide others toward reaching organizational or personal goals (Hoyle, 2006).

Rewards and Recognition: Methods used by organizations to make employees feel respected and valued by providing psychological as well as financial benefits, (Kahn, 1990).

Employee Engagement: the extent to which people employ & express themselves physically cognitively and emotionally during role performance, (Kahn, 1990).

1.9. Organization of the Study

This research thesis was organized under five chapters. Chapter one deals with introduction, chapter two summarizes the related literature review, while chapter three was presents the methodology of the research. Chapter four was presented data presentation, analysis, interpretation and discussion of results and interpretation of the study. The last chapter, chapter five were stipulates key findings, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Review of theoretical literature

From time to time new ideas or concepts rise that capture the attention of policy makers, managers and the academics (Anitha 2014). Between 1999 and 2005, managers, consultants, and decision-makers in the industry frequently discussed the topic of employee engagement. The phrase "employee engagement" is now widely used and understood (Robinson et al., 2004). The idea that the concept of engagement is founded in role theory is advanced in previous engagement literature by Goffman (1961).. Goffman defined involvement as "a visible investment of attention and muscular effort" and "spontaneous involvement in the role" (as cited in Wildermuth and Pauken, 2008). Since 2006, when a number of studies expanded the concept of employee engagement to job satisfaction, academics have shown a significant amount of interest in the idea (Welch, 2011). Engagement, work engagement, and organization engagement.

It is generally accepted that Kahn (1990) presented the first academic paper about employee engagement. Saks (2006) defined the construct, which includes work and organizational involvement, using Khan's (1990) terminology. A team at Utrecht University refined the idea and, crucially, created and verified a measure of attitudinal involvement (Schaufeli). et al., 2002). The Utrecht Work Engagement Scale (UWES) measure has been extensively used in many countries as the concept of employee engagement, aided by the presence of this measure, has attracted increasing academic attention. Employee engagement is a relatively new concept in the academic community but has been heavily promoted by consulting companies (Wefald and Downey 2009). Employee engagement has been shown to have a statistical relationship with productivity, profitability, employee retention, safety, and customer satisfaction (Buckingham and Coffman, 1999; Coffman and Gonzalez-Molina, 2002). Similar relationships have not been shown for most traditional organizational constructs such as job satisfaction (Fisher and Locke, 1992). In addition, the items used in employee engagement surveys measure aspects of the workplace that are under the control of the local manager.

Many definitions have been provided in the academic literature. It was a major focus of business entrepreneurs as well as academic researchers as it predicts productivity, motivation, employee involvement, and job performance commitment (Baumruk, 2004). The first definition was by Kahn (1990).

Employee engagement, according to Kahn, is "the exploitation of organizational members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances." Employee engagement's cognitive component focuses on how they perceive the company, its leaders, and their working environment.

The emotional part focuses on the attitudes that employees have toward the organization and its leaders as well as how they feel about each of those three components. The physical component of employee engagement refers to the actual effort put out by workers to carry out their responsibilities. Therefore, Kahn (1990) asserts that in order to be engaged, one must be both physically and psychologically present while engaging with an organization, its leaders, and its working environment. organizational role.

Engagement can also be defined as a positive, fulfilling, work- related mind state that is characterized by, high energy levels, mental resilience, enthusiasm, and absorption (Schaufeli, Salanova, Gonzalez-Roma and Bakker, 2002). Engagement was defined by Haudan and MacLean (2002) as a continuous connection and complete attention, where time seems to be of little consequence and the intellect and soul of employees are involved.

In general, psychological qualities and behaviors are what employee engagement is characterized as in academic studies and by practitioners (Macey and Schneider, 2008). According to other well-known concepts like organizational commitment and citizenship, employee engagement is defined (Saks, 2006). In addition, Lockwood (2007) defined Employee engagement as the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment.

On the other hand Frank et al (2004) believed employee engagement is a group of distinctive qualities that produce an emotional bond with an organization. According to Schaufeli and Bakker, an organization's performance of engaged employees directs it to customer satisfaction, which leads to good profitability or business outcomes. (2002). Konard (2006) claimed in his study that how highly effectual work practices can influence effective employee engagement.

Gallup (2016) defines employee engagement as a personal engagement that utilizes itself as an organization member to perform their job roles; in that engagement the employed person expresses himself physically, cognitively and emotionally during his performance. Different from satisfaction, commitment (Saks, 2006), and involvement (Macey and Schneider, 2008), engagement is grounded in an employee's unique experiences of work and represents the behavioral manifestation of a cognitive and emotional interpretation of work-related environmental inputs and outcomes (Shuck, Rocco, and Albornoz, 2011). David Guest considers it is helpful to see employee engagement as a way of working designed to ensure that employees are committed to the goals and values of their organization, interested to contribute to the success of the organization, and at the same time in order to enhance the sense of well-being.

2.2. Levels of Employee Engagement

According to the Gallup Consulting Organization (The Gallup Organization, 2004), there are different types of people in terms of engagement: Engaged, not engaged and actively disengaged.

Engaged

"Engaged" employees are builders. They are more committed to the organization. They are naturally curious about their company and their place in it. They perform at constant high standards. They desire daily employment of their skills and advantages. They put their all into their work, promote innovation, and advance their company. They are less inclined to quit the company.

Not Engaged "Employees that are "not engaged" frequently focus on tasks rather than the objectives and results they are supposed to achieve. Just so they can complete it and claim completion, they want to be told what to do. Instead of obtaining an outcome, they concentrate on completing activities. Non-engaged workers frequently believe that their contributions are being ignored and that the organization is not making the most of their p.

They often feel this way because they do not have productive relationships with their managers or with their co-workers.

Actively Disengaged

The "actively disengaged" employees are the "cave-dwellers." They are "consistently against virtually everything." They are not just unhappy at work; they are busy acting out their unhappiness. They sow seeds of negativity at every opportunity. Every Actively disengaged employees hinder the efforts of their engaged coworkers every day. The issues and conflicts that actively disengaged workers develop can seriously harm an organization's ability to function as workers depend more and more on one another to produce goods and services. They drive up the cost of the company through poor quality, unhappy customers, and lost opportunities. .

The Three Types of Employees	
1	ENGAGED employees work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
2	NOT-ENGAGED employees are essentially "checked out." They're sleepwalking through their workday, putting time -- but not energy or passion -- into their work.
3	ACTIVELY DISENGAGED employees aren't just unhappy at work; they're busy acting out their unhappiness. Every day, these workers undermine what their engaged coworkers accomplish.

Source: <https://www.gallup.com/workplace/231581/five-ways-improve-employeeengagement.aspx>

Figure 1. Gallup Three Levels of Employee Engagement

2.3. Employee Engagement Models

Researchers like Khan (1990), Maslach et al. (2001), Robinson et al. (2004), and Saks (2006) developed numerous models that comprehensively addressed about the various components of employee engagement while developing the notion.

the facilities and environments that keep them committed and engaged to work for a mutual benefit while developing a work-life balance in the daily schedule were mainly highlighted about the engaged employees.

2.3.1. Kahn's Model

Kahn's model (1990) of employee engagement is considered to be the oldest model of employee engagement. In Kahn (1990) spoke with organizational members of an architecture company and summer camp counselors about their moments of engagement and disengagement at work for his qualitative study on the psychological circumstances of personal involvement and disengagement at work. Meaningfulness, safety, and availability are three psychological factors that have been linked to workplace engagement or disengagement, according to Kahn..

In other words, workers were more engaged at work when their surroundings provided them with greater psychological significance and safety as well as when they were more mentally open. Kahn's (1990) model was only empirically tested in one study, and May et al. (2004) discovered that engagement was highly correlated with meaningfulness, safety, and availability.

Additionally, they discovered that job enrichment and role fit were good predictors of meaningfulness; rewarding coworker and supportive supervisor relationships were good predictors of safety, whereas adherence to coworker norms and self-consciousness were bad predictors; and resources available was a good predictor of psychological availability, whereas involvement in extracurricular activities was a bad predictor.

Kahn's work conceptualized employee engagement and is therefore considered influential work on the topic and contributed significantly to developing the concept further.

2.3.2. Maslach, Schaufelli and Leiter Model

Kahn's research was the only published literature on engagement until 2001, when Maslach, Schaufeli, and Leiter (2001) began their study on the "Job Burnout" concept.

This model of engagement is based on research on burnout, which views job engagement as the positive opposite of burnout and notes that burnout entails losing one's sense of purpose at work (Maslach et al., 2001). Inconsistency in six aspects of work-life, including workload, control,

incentives and recognition, community and social support, perceived justice, and values, according to Maslach et al. (2001), leads to burnout and engagement.

They contend that a manageable workload, a sense of control and choice, proper recognition and reward, a supportive work environment, fairness and justice, and meaningful and valued work all contribute to employee engagement. The chance of burnout increases with the size of the gap or mismatch between the individual and these six areas. Workload, control, rewards and recognition, community and social support, perceived justice, and values are six work-life elements that are believed to mediate the relationship between these components and various work outcomes, just like burnout does..

It was discovered that engagement, like burnout, is anticipated to mediate the relationship between the six work-life components and different job outcomes. Additionally, they claimed that burnout has always been linked to certain job features, including feedback and autonomy.

2.3.3. Robinson, Perryman and Hayday Model

Engagement was defined as a two-way relationship between the employer and employees in the Robinson, Perryman, and Hayday (2004) model (hence referred to as Robinson et al., 2004).

They argued that employee engagement is a good attitude held by employees toward the firm and its ideals in the study paper titled "The drivers of employee engagement," which explained their methodology.

According to the concept, an engaged employee is one who understands the business environment and collaborates with coworkers to enhance job performance in order to benefit the company. The model underlines that when a business continues to place a strong emphasis on the growth and development of its workers, employee commitment is feasible.

'Feeling appreciated and involved' is emphasized as a critical factor in this approach to employee engagement. There are various factors that fall under the general category of feeling valued and involved that might have a different impact on how engaged an employee feels..

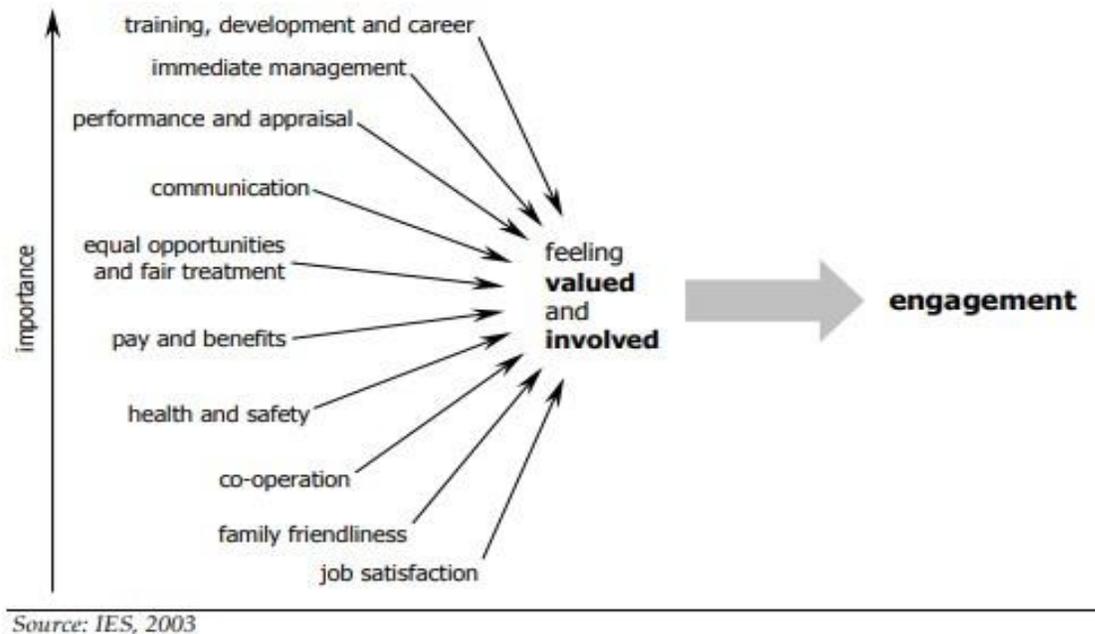


Figure 2. Robinson et al. Model of Employee Engagement

2.3.4. Harter, Schmidt and Hayes' satisfaction-engagement approach

In 2002, Harter et al. presented one of the most widely read and cited works on employee engagement, where he used 7,939 business units to examine the benefits of engagement. He defined employee engagement as an “individual’s involvement and satisfaction with as well as enthusiasm for work” (Harter et al., 2002). In their meta-analysis, they agreed with Kahn’s concept (1990) and saw engagement occurring when the employees are emotionally and cognitively engaged and when they know what is expected of them. They also agreed that engagement was dependent on the employees having the tools necessary to do their tasks, feelings of fulfillment, perceiving themselves as being significant, working with others whom they trust and having the chance for improvement and development. They have found out that there is a positive relationship between employee engagement and several important business outcomes: customer satisfaction, loyalty, profitability, productivity, employee turnover, and safety.

2.3.5. Saks Multidimensional Model

A conceptual model was developed by Saks in the year 2006 in the context of his research work three fundamental characteristics of employee engagement were the focus of a study on "Antecedents and Consequences of Employee Engagement": (i) the employees and their psychological makeup and experience (ii) The employer's capacity to provide an atmosphere that encourages worker involvement; (iii) Interaction amongst workers at all levels. The Social Exchange Theory (SET), upon which this concept was based. He created an evaluation procedure and demonstrated how three factors—antecedents, employee involvement, and consequences—relate to one another. The state of employees' engagement, which can be attributed to factors like commitment, ownership, satisfaction, participation, and so on, has been taken into consideration as being directly impacted by factors like job satisfaction, training and development, reward and recognition, and assertive relationships with peers and supervisors.



Source: Saks (2006)

Figure 3. Saks Model of Employee Engagement

Although both Kahn's (1990) and Maslach et al. (2001) Models point out the psychological preconditions or antecedents required for engagement, but they do not fully address why different people will react to the same conditions in different ways in terms of engagement. Social exchange theory (SET) provides a more compelling theoretical justification for elucidating employee engagement. According to SET, responsibilities are created through a series of exchanges between people who are mutually dependent on one another. As long as the parties uphold certain "rules" of exchange, relationships can develop over time into ones that are trustworthy, loyal, and based on reciprocity (Cropanzano and Mitchell, 2005). Reciprocity or repayment requirements are frequently included in exchange rules so that one party's acts must be followed by another party's response or actions. For SET provides a theoretical foundation to

explain why employees choose to become more or less engaged in their work and organization. Both Kahn's (1990) and Maslach et al.'s (2001) models' conditions of participation can be viewed as SET's economic and socioemotional exchange resources. Employees feel obligated to give back to their company by engaging at higher levels when they receive these resources from it.

Employees feel obligated to invest more of themselves in their role performances, according to Kahn's (1990) definition of engagement, as recompense for the resources received from their organisation. People are more prone to withhold and disengage from their duties if the organisation doesn't give these resources. As a result, the amount of cognitive, emotional, and physical resources that individual is willing to use to fulfil their tasks at work depends on their financial and socioemotional resources.e found in Social Exchange Theory (SET).

2.4. Engagement & Other Constructs

Engagement seems to be related to but distinct from other constructs in organizational behavior. Robinson et al. (2004) states that engagement contains many of the elements of both commitment and organizational citizenship behavior (OCB), but is by no means a perfect match with either. In addition, neither commitment nor OCB reflect the aspects of engagement adequately. The focus of engagement is on one's formal role performance rather than extra-role and volunteer behaviour, while OCB includes informal and voluntary behaviours that can benefit coworkers and the organisation (Saks 2006). Organisational commitment is distinct from employee engagement in that it is a result of employee engagement and deals with an individual's attitude and attachment to their organisation. Engagement is not a state of mind; rather, it refers to how focused and attentive a person is when carrying out their duties. The level of an individual's identification with and dedication to an organization's objectives is referred to as organisational commitment. Engagement, according to researchers like Wellins and Concelman (2004), is a combination of commitment, loyalty, productivity, and ownership. As they put it, "becoming engaged is to cause." Engagement also differs from job involvement. According to May, Gilson and Harter (2004) Job participation, which is correlated with one's self-image, is the outcome of a cognitive assessment of the need-satisfying capabilities of the job. Engagement has to do with how people put themselves to work while doing their jobs. Along with the active use of cognitions, engagement also encompasses the active use of emotions and

behaviors. A further suggestion made by May et al. (2004) is that "engagement may be thought of as an antecedent to job involvement in that individuals who experience deep engagement in their roles should come to identify with their jobs."

In conclusion, while though engagement may be distinguished from a number of related concepts, including organizational commitment, organizational citizenship behavior, and work involvement, there is still some overlap between the concepts, and it is crucial to make this distinction and other constructs so that identifying the key drivers as well as measuring instruments will actually assess employee engagement and its full aspects.

2.5. Consequences of Employee Engagement

According to Saks the consequences of engagement were job satisfaction, organizational commitment, intention to quit and organizational citizenship behavior. Some of the consequences are as follows:

2.5.1. Job Satisfaction

According to Wang (as cited in Davis, 1981) job satisfaction is the feeling of happiness or unhappiness experienced by employees working in an organization. As per Clifford (as cited in Wright and Davis, 2003) job satisfaction is "the representation of employees and their work environment by comparing what they expect to receive versus what actually employees received." Meisinger, (2007) believes that high levels of employee satisfaction translate into increased employee engagement. Employee engagement is directly related with the job satisfaction. Basbous (2011) said an engaged employee is a satisfied employee. According to Harter et al (2002) employees' when satisfied for their jobs and their organization are found to be more engaged towards their work, thus employee satisfaction leads towards employee engagement. Organizations requiring enhanced performance should focus on satisfying their employees. Employees are satisfied when organizations successfully align their individual goals with the organizational goals, such alignment also attracts them to be more engaged towards their jobs because they are satisfied that organizational goal achievement will ultimately result in their own goal attainment (Mokaya and Kipyegon, 2014).

2.5.2. Organizational Commitment

Employee engagement is positively related to organizational commitment. Commitment refers to a person's attitude and attachment towards their organization (Saks, 2006). An engaged employee is fully committed towards the job as well as organizational goals and objectives and gives complete loyalty to the organization (Kumar and Swetha, 2011).

2.5.3. Intention to Quit

According to Clifford (as cited in Kacmar, Carlson, and Brymer, 1999) intention to quit is the extent to which employees are thinking about leaving the company. Intention to resign essentially refers to the reasons why an employee intends to leave their position as well as the circumstances surrounding their departure from the company. The motivated workers do not typically leave the job, but stay in the organization for longer period of time (Swetha and Kumar, 2011). Besides the number of researchers (i.e. Harter et al., 2002; Schaufeli and Bakker, 2004; Hallberg and Schaufeli, 2006), who have presented evidence that engagement has an influence on an employees' intentions to quit. Right Management (2006) found that 75% of engaged employees planned to stay with the organization for at least five years, whilst only 44% of non-engaged employees planned to stay.

2.5.4. Organizational Citizenship Behavior

According to Rasheed, Khan, and Ramzan (2013) employee engagement is also positively related with the organizational citizenship behavior. It is concerned with voluntary and informal behaviors that can help co-workers and the organization. Clifford (as cited in Organ, 1988) defined organizational citizenship behavior "an individual behavior that is voluntary and not tied directly to any reward or recognition system that promotes the effectiveness of the organization." Engaged employee performs the work politely and helps in making effective and sound working environment in the organization.

However, debate revolves around whether engagement is actually a new concept or just a rebranding of old concepts e.g. organizational commitment, job involvement, or job satisfaction. Many writers (Kahn, 1990; Saks, 2006; Macey and Schneider, 2008) have indeed tackled this debate and concluded that employee engagement is as separate as Saks's definition of it (2006, p.

602): "Employee engagement is a distinct and unique construct that consists of cognitive, emotional, and behavioural components that are associated with individual role performance" There would seem to be enough evidence to support the claim that engagement is connected to yet separate from other constructs. in organizational behavior (Saks 2006).

2.6. Determinants of Employee Engagement

Although there is little research on the factors that predict employee engagement, it is possible to identify a number of potential drivers from Kahn (1990), Saks (2006) and Maslach et al. (2001) engagement models. Many researches have tried to identify factors leading to employee engagement and developed models to draw implications for managers. The goal of their diagnosis is to identify the factors that will raise employee engagement. According to Joshi and Sodhi (2011), six factors, including job content (autonomy, challenging learning opportunities), compensation/monetary benefits (attractive salary relative to qualifications and responsibility, adequate compensation for the work, and intra-organizational equality), work-life balance (appreciative of personal needs, able to spend time with family), and top-management employee relations (relations between managers and employees).cooperation in inter- and intra-department teams). Saks (2006) also included job characteristics, perceived supervisor support, recognition and reward, perceived organizational support and procedural justice as an antecedent of employee engagement. But, the literature is unclear as to which variables have the strongest effect on employee engagement. Therefore, variables for this study were chosen by reviewing few data that are available regarding employee engagement.

2.6.1. Job Characteristics

Hackman and Oldham introduced the Job Characteristics Theory (JCT) in 1975. This theoretical framework offered the idea that the design of an employee's job, measured via objective characteristics, can inspire an employee internally to perform better and feel satisfied with the job. Hence, the more enriched the job, the higher the likelihood of that employee experiencing high engagement. When Hackman and Oldham (1975) formulated this theory, they had two goals in mind: to identify jobs to help better redesign them, and to monitor how changes in job design ultimately impacted employee outcomes. Job characteristics incorporating challenge,

diversity and independence are more likely to provide psychological meaningfulness, which is a condition for employee engagement. According to Kahn (1990, 1992), psychological meaningfulness can be achieved from task characteristics that provide challenging work, variety, allow the use of different skills, personal discretion, and the opportunity to make important contributions. Job becomes meaningful and attractive to employee as it provides him variety and challenge, thereby affecting his/her level of engagement. Jobs that are high on the core job characteristics provide employees with motivation to be more engaged (Kahn 1992). Based on Hackman and Oldham's job characteristics model, there are five core job characteristics i.e. autonomy, skill variety, feedback, task identity and task significance. Autonomy refers to the independence and discretion available to the employee in determining the scheduling and procedures to be used in performing job tasks. Skill variety refers to the number of skills required in order for the employee to perform the various activities associated with the job. Feedback is the degree to which the employee receives clear and direct information about how effectively he or she is performing. Task identity is characterized by the degree to which job performance entails the completion of an entire, easily identifiable piece of work, in a way that the employee is responsible for, from beginning to end, tasks that result in a visible outcome. The last characteristic, task significance is described as the impact that the job has on the lives or work of other individuals. It is possible to combine the five characteristics into a single index that reflects the overall motivating potential of a job. In the model below, specific job characteristics i.e. skill variety, task identity, and task significance, affects the individual's experience meaningfulness of work, autonomy influences experienced responsibility for outcomes: and feedback from job to knowledge of the actual results of the work activities.

Job Characteristics and Employee Engagement

Job characteristics play an important role in engaging employees because such employees put more efforts into their work if they are able to identify with it. Job characteristics feature among the most important work characteristic variables in predicting engagement (Saks 2006; Janjhua 2011; Ram and Prabhakar 2011). Schaufelli and Leiter (2001) found in their study that meaningful and valued work in conjunction with the employee having a sense of control over

their work can have a substantial effect on engagement. Job characteristics, especially feedback and autonomy, have been consistently related to burnout (Maslach et al. 2001).

Kahn (1990) relied on the Job Characteristics Theory (JCT; Hackman and Oldham, 1980) to develop his framework. In his seminal study on engagement, one of Kahn's objectives was to evaluate the settings that were necessary for engagement. While this could be interpersonal relations or needs satisfaction, he also recognized the importance of contextual job factors. The JCT is a model that proposes specific characteristics of the workplace lead to motivation. Thus, Kahn used the JCT to hypothesize that certain contextual aspects of the workplace lead to critical psychological states, which in turn result in affective and behavioral outcomes. Kahn (1990) has discoursed that individuals who feel more capability to give and receive from their work tasks are possible to be more engaged. Shantz et al. (2013) have argued that an individual may be connected with a job if he/she is responsible for the entire piece of meaningful work.

Therefore, H1 is the following:

H1. Job characteristics has a significant positive effect in predicting employee engagement.

2.7.2. Leadership Style

Leadership is a complex and multilayered construct. The leadership construct reaches as far back as the recording of human history and includes all forms of leading. From the *Great Man Theories* (Stogdill, 1948) and early Trait Theories (Bass, 1990) to current models of Authentic (Avolio and Gardner, 2005) and Spiritual Leadership (Russell and Stone, 2002); “there are certainly many ways to finish the sentence ‘leadership is . . .’” (Northouse, 2010). Pushing through the fog of leadership definitions, Bass (1990) suggested three dominant perspectives of leadership development that could be viewed as emergent categories encompassing a majority of the leadership perspectives to date: (a) leadership as a group process, (b) leadership as a personality perspective, and (c) leadership as an act or behavior. Hersey and Blanchard (1984) defines leadership as the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation. Leadership is the process whereby a leader inspires individuals to accomplish common goals (Kreitner & Kinicki, 2010:467). According to Kellerman (cited by Kreitner and Kinicki, 2010), the various definitions of leadership has four

shared goals: (1) leadership is a process between a leader and followers, (2) leadership involves social influence, (3) leadership occurs at multiple levels in an organization, and leadership focuses on goal accomplishment.

Leadership Style

Leadership style is a combination of a leader's general personality, manner and communication patterns to guide others toward reaching organizational or personal goals (Hoyle, 2006). Leadership style is considered to be a factor that affects employees in a significant way. It can translate into the achievement of the organization's values, vision, mission, and achievement of organizational outcomes (Nwibere, 2013). According to contingency theory, a leader's achievements are dependent on two factors: the leader's distinctive approach of interaction with followers (leadership behavior) and the extent of power the leader has at his disposal to exercise over the situation (i.e. the group, the task, and the outcome) (Quader, 2011). The degree of control achieved by a leader depends on the relationship between the leader and his followers, the way the task is structured, and the power vested in the position the leader occupies (Quader, 2011). The leadership style needs to be aligned with the situation, in order for the leader to be effective (Quader, 2011). As revealed by Fiedler and Chemers (1984), situations of high control are better managed by task-motivated leaders (transactional leaders), while relationship-motivated and low-control (transformational leaders) are inclined to excel in circumstances of reasonable control (Quader, 2011). The Multifactor Leadership Questionnaire (MLQ) was devised to determine transformational, transactional, and laissez-faire leadership styles (Zineldin and Hytter, 2012). Transactional and transformational leadership were originally seen as opposites. However, later research suggests that instead of these being viewed as independent dimensions, optimal leadership behavior is a mix of different styles (Zineldin and Hytter, 2012).

The organizational climate — a company's beliefs, values, and assumptions that paves the way for interaction between leaders and employees and such interaction, is of critical importance to the overall style of leadership that leaders adopt (Omolayo, 2007).

The Full Range Leadership Model – FRLM

The Full Range Leadership Model describes a full range of influencing styles from ‘nonleadership’ to powerful transformational leadership behaviors. The model captures different kinds of behaviors which make a difference to outcomes for associates of the leader. In other words, the range of behaviors starts with transformational leader behaviors to transactional leader behaviors reaching to the lowest leader interaction of laissez-faire leader behaviors (Bass et al. 2003). The full range model of leadership was developed to broaden the range of leadership styles typically investigated in the field. Its aim is to provide a comprehensive toolbox to the leader so that he/she selects the leadership style or behavior that is most conducive to the situation or context. The model was labeled "full range" to challenge the leadership field to broaden its thinking about what constitutes a much broader range of leadership styles than the paradigms of initiation of structure and consideration (Avolio and Bass, 2004). The full-range leadership theory suggests that there are three types of leadership.

I. Transformational Leadership

Bass et al. (2003) assert that transformational leaders would put their attention on helping their followers grow by maximising their potential, encouraging them, encouraging collaboration, motivating them, and reinforcing positive behaviours. We define transformational leaders.

defined by Kreitner and Kinicki (2010, p. 485) as individuals that “engender trust, seek to develop leadership in others, exhibit self-sacrifice and serve as moral agents, focusing themselves and followers on objectives that transcend the more immediate needs of the work group”. The transformational model consists of four factors: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Bass (1985) describes the transformational leader who exhibits individualized consideration behaviors as providing “Individualized attention and a developmental or mentoring orientation” toward his or her followers (p. 83). The individualized consideration dimension of transformational leadership would seem to be particularly important in fostering emotional, cognitive, and behavioral engagement in followers. Individualized consideration behaviors help the leader and follower build a unique and positive relationship, and help the follower relationally identify with the leader and his or her goals. Relational identification with the leader who exhibits more

transformational leadership behaviors has been shown to be related to increased self-efficacy and performance (Walumbwa and Hartnell, 2011). In particular, the transformational leader's visionary and inspiring competencies are of considerable importance to engagement in that a leader's inspirational motivation reduces employee exhaustion and depersonalization because leader's vision, when clearly and compellingly transmitted, gives followers reasons to reach goals (Densten, 2005).

II. Transactional leadership

Transactional leadership is defined as a set of behaviors that motivate and guide followers in the direction of a goal by providing clear expectations and providing resources for the completion of work (Harter et al., 2002; Robbins and Judge, 2009). Transactional Leaders recognize followers' needs and desires and then clarify how those needs and desires will be met in exchange for enactment of the follower's work role (Waldman et al, 1990). This form of leadership depends on the leader's power to reinforce subordinates for their successful completion of the bargain (Bass et al, 1987). Transactional leadership is often used in business; when employees are successful, they are rewarded; when they fail, they are punished. It is based more on "exchanges" between the leader and follower, in which followers are rewarded for meeting specific goals or performance criteria (Trottier et al. 2008; Bass et al. 2003). Rewards and positive reinforcement are provided or mediated by the leader. Thus transactional leadership is more practical in nature because of its emphasis on meeting specific targets or objectives (James and Collins, 2008; Sosik and Dinger 2007).

According to Hawley (1993), modern leaders should be more concerned with the "spirit" of their workforce rather than job and structure-related concerns. "At work, we all crave for spiritually based traits like honesty, character, inspiration, belief, and even reverence—characteristics important to a business' success. Similar findings were made by Seijts and Crim (2006), who discovered that leadership behaviours and roles can be beneficial as staff members become more invested in the company.

III. Laissez-Faire passive/avoidance leadership

Kirkbride (2006) describes Laissez-faire leaders as managers who tend to withdraw from the leadership role and offer little in terms of either direction or support. They are often "absent" or indifferent to the needs of their followers. James and Collins (2008) describe the laissez-faire leader as an extreme passive leader who is reluctant to influence subordinates' considerable

freedom, to the point of handing over his/her responsibilities. Most ineffective and dissatisfying (leadership style) is laissez-faire leadership, wherein the individual avoids leadership and abdicates responsibility" (Avolio and Bass, 2004). Other researchers have consistently reported that laissez-faire leadership is the least satisfying and least effective style of leadership. That is because these leadership behaviors are accompanied by little sense of accomplishment, little clarity, little sense of group unity, and followers do not hold as much respect for their supervisors (Trottier et al. 2008; Lok and Crawford 1999).

Leadership Style and Employee Engagement

Employee engagement is considered as a key factor for organizational efficiency, success and achievement. Leadership appears to be one of the single biggest factors affecting employee engagement (Wang and Walumbwa, 2007; Macey and Schneider, 2008; Attridge, 2009). Attridge (2009), for instance, emphasizes that leadership style, that is, the relatively consistent pattern of behavior applying to leader-follower interactions, is critical for promoting employee engagement. Existing literature defines drivers of the employee engagement from different angles and commonly relates a portion to leadership skills, especially of the immediate managers.

Previous studies were conducted to investigate the influence of various factors that might contribute to employee engagement. Kahn (1990), as being the pioneer scrutinizing the employee's engagement and the drivers behind, claimed that leaders, in general, play an important role in creating the right context for employees to become engaged. Among these factors, leadership styles have been found to be significant predictors of employee engagement.

According to Hawley (1993), modern leaders should be more concerned with the "spirit" of their workforce rather than job and structure-related concerns. "At work, we all crave for spiritually based traits like honesty, character, inspiration, belief, and even reverence—characteristics important to a business' success. Similar findings were made by Seijts and Crim (2006), who discovered that leadership behaviors and roles can be beneficial as staff members become more invested in the company. According to Yukl et al., (2009), participative leader behavior increases the positive environment of work for subordinates who require more independence, while directive leader behavior is thought to be especially effective with achievement focused

employees, because the leader will clarify objectives and guide their subordinates accordingly (Malik, 2013). Lockwood (2007) also concluded that effective communication between leader and employee could influence employee engagement: a leader who positively conveys strategies to subordinates can inspire employee engagement among those workers. Robbins and Judge (2012) considered the core objective of a leader to be to assist subordinates in achieving their objectives successfully, providing the necessary guidance and assistance to attain these aims in addition to those of the organization. One of the components of employee engagement is the psychological component, which is concerned with the employees' beliefs about the organization, its leaders and the working conditions (Kahn, 1990).

The emotional aspect of employee engagement also concerns how employees feel about their leaders. Employees need to have confidence in their organization and this is most powerfully reflected through the reliability and integrity shown by the leader. According to Melbourne (2007), one of the first requirements of an engaging leader is that he himself is engaged. She adds that if leaders are burned out and focused solely on immediate results, they may not be able to role model or reward non-core innovations. Moreover, overworked leaders are unlikely to tolerate employees who spend time and energy on non-core responsibilities (Wildermuth and Pauken, 2008).

According to studies (Macey and Schneider, 2008; Shuck, Rocco, et al., 2011; Walumbwa and Hartnell, 2011), the characteristics of transformational leadership lead to results like decreased intention to leave the company and improved productivity that are comparable to those arising from employee engagement. Studies by Judge and Piccolo (2004), Lee (2005), Erkutlu (2008), and Gryphon et al (2010) show a link between effective leadership behaviours and follower involvement and attitudes.. A few other studies have attempted to provide direct evidence of association between leadership and employee engagement (Xu and Thomas Cooper, 2010). A study by Atwater and Brett (2006, as cited in Xu and Thomas Cooper (2010) identifies three leadership behaviors, namely employee development, consideration and performance orientation. The first two behaviors are labelled as a relationship-oriented and the third as a task oriented. They go on to say those aspects of the workplace that leaders can influence employee engagement

. Leadership scales and engagement components including job and organizational commitment, motivation, and job satisfaction have a positive link, according to Metcalfe (2008). Papalexandris and Galanki (2009) identified two elements that are positively correlated with engagement, namely management and mentoring behaviours including instilling confidence in subordinates, power sharing, communication, clarifying roles, and articulating a vision that may be described as a "big picture" approach. as inspirational, visionary, decisive and team-oriented. More crucially, their research revealed that only specific leader behaviors—particularly those that improve follower performance and make it possible for followers to relate to organizational goals—are associated with engagement. Studies by May et al (2004), Saks (2006), Bakker et al (2007) show that higher levels of engagement are observed for employees with their supervisors exhibiting more relationship-related behaviors (as cited in Xu and Thomas Cooper (2010).

Therefore,

H2. Leadership style has a significant positive effect in predicting employee engagement.

2.7.3. Reward and Recognition

Rewards and recognition have already been established as an antecedent of engagement in past research (e.g., Saks 2006; Mohapatra and Sharma 2010; Fairlie 2011; Inoue et al. 2012). Reward is defined as: “valuable positive outcomes of work for individuals” (Shermerhorn, 1993). There are two basic types of rewards: extrinsic rewards and natural rewards. Extrinsic rewards are those rewards which are controlled in outside and consists of those valuable outcomes which are given to the individual by another person specifically by a supervisor or a manger. Common examples of these rewards in work environment are salary increment, promotion, incentive vacation, advantages, and oral admiration and so on. Natural or intrinsic rewards which are self-organized, occur when the individual performs something. So, such rewards are created in the job directly. The main source of intrinsic rewards is feeling of competence and personal development. Job enrichment and creation of autonomous work teams are examples of strategies which provide such feelings (Shermerhorn, 1993). All benefits, direct and indirect, intrinsic and extrinsic, that an employee believes to be valuable as a result of their job connection are referred to as rewards. Additionally, granting an employee acknowledgment entails elevating their prestige within the company..

Employees will become more brave and excited about working for the company if they participate in decision-making. According to Maslach et al. (2001), while a lack of rewards and recognition might result in burnout, the right kind of recognition and reward is crucial for engagement.. Rewards can control behavior externally, as they can announce future benefits to those who expect them (Bandura 1977). Rewards can increase the likelihood of a behavior to be repeated over time if delivered depending upon that behavior (Luthans 2002). Previous research (Stajkovic and Luthans 2003) has pointed out that incentive programs deal with rewards, aiming at increasing specific behaviors. Recognition, on the other hand, is an important motivator of behavior beyond any reward being associated with it (Wilches-Alzate 2009). However, recognition is not sufficient in itself and must come along with rewards; similarly, rewards without recognition would saturate employees with physical items that would gradually lose significance (De Lacy 2009).

A study by Saks and Rotman (2006) revealed that recognition and rewards are significant antecedents of employee engagement. They observed that when employees receive rewards and recognition from their organization, they will feel obliged to respond with higher levels of engagement. Kahn (1990) observes that employee's level of engagement is a function of their perceptions of the benefits they receive. It becomes essential for management to present acceptable standards of reward and recognition for their employees, if they wish to achieve a high level of engagement. Kahn (1990) reported that people vary in their engagement as a function of their perceptions of the benefits they receive from a role

H3. Reward & recognition have significant positive effect in predicting employee engagement.

2.8. Conceptual Framework of the Study

Based on the overall review of related literatures and the theoretical framework, the following conceptual model in which this specific study is governed was developed.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The objective of this research is to investigate the determinants of employee engagement in the banking industry in Ethiopia in the case of Zemen Bank.

The research design for this study was explanatory research. Because of the A choice of research design relies on the objective of the research. The objective of this research is to investigate the determinants of employee engagement in the banking industry in Ethiopia. aim of the explanatory design is to collect and analyze quantitative data to provide a general understanding of the research problem.

3.2 Research Approach

This research method includes observations, measurements, surveys, questionnaires, instruments, laboratory and field experiments, statistical analysis, simulations, and case studies. So, using quantitative approach in this study will be the best suit. The study adopted a purely quantitative research approach, where it can use of a questionnaire to provide quantified data Based on a research problem, the researcher used a quantitative approach. According to Creswell (2003) if the research problem is to identify factors that influence an outcome, or understanding the best predictors of outcomes, then a quantitative approach is the best choose.

3.3 Research Method

Survey research method was used in this study. Survey research design involves “acquiring information about groups of people by asking those questions and tabulating their answers. This research study will assess determinants of employee engagement by using a survey questions. A survey is a method of collecting data in which people are asked to answer a number of questions. The survey questionnaire is a suitable tool for a quantitative study as it enables a large amount of data to be gathered to identify the factors that may or may not affect engagement. The major advantages of questionnaires are that they can be managed to groups of people simultaneously, and they are less costly and less time-consuming than other instruments. For this study, survey research method will selected where the questionnaire will used to collect the information.

3.4 Target Population

The target population is clerical and professional employees of the Zemen Bank located at Addis Ababa city branches who are working at different job position with a size of 1280 employees out of the total population (Human Resource Database, Jan 2023). The researcher will excluded employees of non-clerical like janitors and securities who are outsourced from other organizations which may alter the research result. The unit of analysis in the study consisted of 1280 professional staff of Zemen Bank working in 56 branches and Headquarter of Addis Ababa region of the bank who are junior and senior staff.

3.5. Sampling Frame

The sampling frame will employees who are working at different job position in Zemen Bank branches. However, sampling location is a place where a research is conducted or/and a place where information is acquired. Branches of Zemen Bank in Addis Ababa region will be selected for their accessibility and proximity. Since the nature of the business is similar, representativeness of the sample branches for the entire country is mostly preserved. Employees in professional roles (Customer Service Managers, Customer Service Officers, Chief Cashiers, and Customer Service Relationship Officers, among others) will be chosen so that the survey sample reflect a broad range of responsibilities to assist in the generalization of results to other professionals – although with caution.

3.6 Sampling Technique

The study employed convenience and random sampling method. First, Addis Ababa city branches are divided in to four i.e., North, South, East and West Addis Ababa for convenience. From each selected areas, branches will selected randomly. Then, from each selected branches respondents will be selected randomly. Employees who have less than one year service will excluded from target population for the reason that they may have no adequate exposure to the Bank to provide reasonable responses especially about leadership styles. The bank has 1840 permanent professional employees, 320 of them are working on outlying branches which means out of Addis Ababa and 230 of them are professional employees which serve the bank less than a year. The rest 1280 employees are professional employees who serve the bank more than a year. Totally, 150 were approached randomly as sample members.

3.7 Data Collection

Contact was made with top managers from the bank, for endorsement of the study and questionnaire distribution. The bank will support the study objectives and permitted access to their employees. To increase the response rate and conform to accepted ethical procedures, respondents will assured of the confidentiality of their answers. It is authoritative that respondents feel comfortable when answering the questions and can give their honest opinions.

3.8. Data Analysis

It is necessary to employ statistical techniques to analyze the information, as this study is quantitative in nature. All quantitative data collected will entered into statistical package for social science software (SPSS) database (version 21.0 for Windows). The reason for selecting the SPSS statistical package will that it facilitates the calculation of all essential statistics, such as descriptive statistics, reliability test, linear and multiple regression analysis, required for data analysis and present findings. Furthermore, SPSS is easily available and user friendly so it can be learnt within a short period of time.

3.9. Reliability of the Questionnaires

Validity is a necessary but not sufficient condition of a measure. A second consideration is reliability, which is the ability of the measure to produce the same results under the same conditions. Reliability concerns the extent to which a measurement of a phenomenon provides stable and consist result (Carmines and Zeller, 1979). Hair et al. (2007) defines reliability as the extents to which a variable or a set of variables is consistent in what it is intended to measure. To be valid the instrument must first be reliable. The easiest way to assess reliability is to test the same group of people twice: a reliable instrument will procdue similar scores at both points in time (test–retest reliability). Testing for reliability is important as it refers to the consistency across the parts of a measuring instrument (Huck, 2007). A scale is said to have high internal consistency reliability if the items of a scale “hang together” and measure the same construct (Huck, 2007, Robinson, 2009). Reliability differs from validity in that it relates not to what should be measured, but instead to how it is measured. To ensure the inner consistency of the present instrument, it will use the Cronbach’s alpha coefficient. Developed by Lee Cronbach in

1951, the Cronbach's alpha coefficient is a statistical tool that evaluates the confidentiality through the inner consistency of a questionnaire. For the utilization of this coefficient, it is a requirement that all the items of an instrument use the same measurement scale.

The Cronbach's alpha is obtained by the variance of individual components and by the variance of the components sum of each evaluated, aiming to investigate the possible relations between the items. The survey questionnaires tested by computing a Cronbach's alpha coefficient based upon data collected from BOA. According to Zikmund, Babin and Griffin (2010) scales with coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair reliability. The Cronbach's alpha for all questions under each criterion should be above 0.70, indicating that the questions deal with the same underlying construct (Spector 1992) or, as Moss et al. (1998) suggested, an alpha score of 0.7 is generally acceptable. And the study has the sum of the independent variables average Cronbach's alpha value of ($\alpha = 0.78$) and the reliability test of the study is located on "good" range.

Ethical Considerations

Hart (2005, p. 307) states that "ethics in research, as in everyday life, are a combination of socialization, instinct, discretion and been able to put yourself in the position of others to reflect on and see our actions as others may do". There are certain ethical protocols that were followed by the researcher. The first was soliciting explicit consent from the respondents. This ensured that their participation to the study is not out of their own choice. The researcher also ensured that the respondents are aware of the objectives of the research and their contribution to its completion. One other ethical measure that will be exercised by researcher is treating the respondents with respect and courtesy (Leary, 2004). This was done so that the respondents are at ease and more likely to give honest responses to the questionnaire. All participation in this research was voluntary and the researcher included a cover letter accompanied the survey and carefully outlined that the survey questionnaire does not include names and ID numbers on the questionnaire. There were also ethical measures that were followed in the data analysis. To ensure the integrity of data, the researcher checked the accuracy of encoding of the survey responses. This was carried out to ensure that the statistics generated from the study are truthful and verifiable (Leary, 2004).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1. Introduction

This fourth chapter of the study includes Rate of Response, Reliability test, Demographic Characteristics of Respondents, Correlation Analysis, Multiple regression analysis, and Discussion of the Results. The data collected from employees of Zemen Bank Addis Ababa region branches using questionnaires are presented and discussed in this chapter. This section of the study deals with the statistical testing of hypothesis and interpretation of the result using SPSS version 21. Therefore, the findings of the study are presented and analyzed in this chapter. The questionnaire developed for this study was five Likert scale ranging from five to one; where 5 represents strongly agree, 4 agree, 3 neutral, 2 disagree, and 1 strongly disagree. The study used correlation analysis to measure the degree of association between different variables under consideration. Regression Analysis was also used to test the effect of independent variables on the dependent variable, and they are presented as follows;

4.2. Response Rate

Out of a total 150 structured questionnaires distributed to the employees of Zemen Bank Addis Ababa region branches, all 150 (100%) of the questionnaire were found to be completed correctly filled, returned and used for further analysis.

The data collected was presented, analyzed and interpreted given that the objectives of investigation and testing is the effects of independent variables on dependent variable of the study. After collecting the questionnaires verification was done before going to further analysis to check for completeness and consistency.

4.3. Reliability test

In accordance to Churchill's (1979) recommendation, refinement of the scale requires the computing of reliability coefficients (Cronbach's alphas). The Cronbach's alpha for all questions under each criterion should be above 0.70, indicating that the questions deal with the same underlying construct (Spector 1992) or, as Moss et al. (1998) suggested, an alpha score of 0.6 is generally acceptable. As stated by Nunnaly (1978) the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are measured poor; those in the range of 0.60 to

0.80 are considered good and acceptable. Once the answers were collected, Chronbach’s Alpha was conducted to test the reliability of the instrument. In this study, all the independent variables and dependent variable, met the above requirement. The alpha value for each question is identified and summarized in Table-4.1 as shown below.

Table 4.1. Alpha coefficient for each section of Questionnaire

Number	Variables of the study	No. Items	Alpha Value
1	Job characteristics	7	0.757
2	Leadership style	15	0.795
3	Rewards and recognition	6	0.809
4	Employee engagement	17	0.770

Source: SPSS output of the survey

4.4. Demographic Characteristics of Respondents

The first part of the questionnaire consists of six items about the demographic information of the respondents. It covers the personal data of respondents such as gender, age, educational qualification, marital status, year of service and current job position. The following tables depicted each demographic characteristic of the respondents.

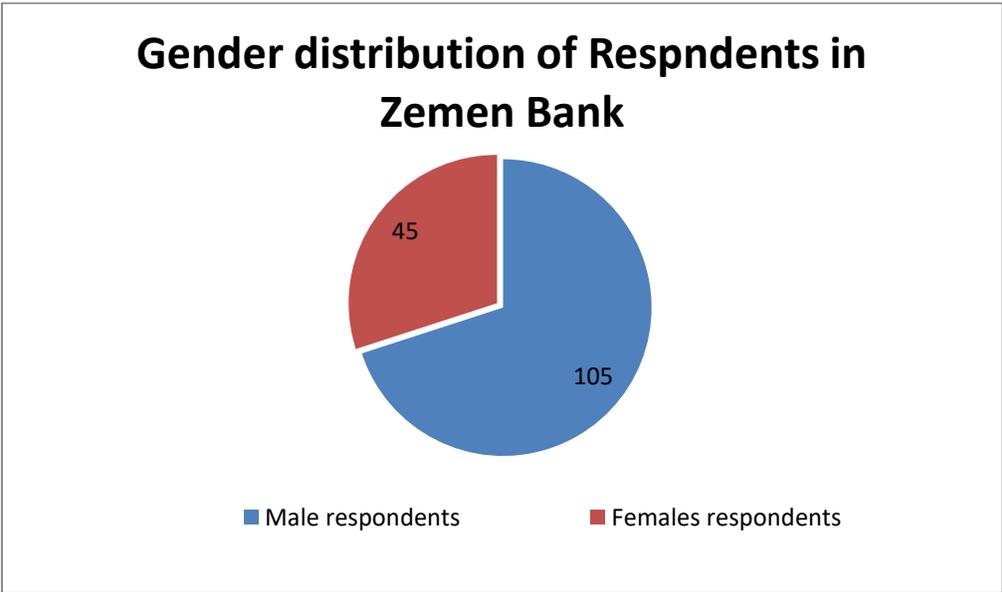
4.4.1. Gender of Respondents

The demographic data for gender shows that out of the 150 respondents, 105 (70 %) of them were males and 45 (30 %) were females as shown in table 4.2.

Table 4.2 Gender distribution of respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	105	70	70	70
	Female	45	30	30	100
	Total	150	100	100	

Source: SPSS output of the survey, 2018.



Pie Chart 4.1. Gender distribution of respondent in Zemen Bank

4.4.2. Age of respondents

The sample population age distribution was clearly depicted at Table. 4.3 below is largely dominated by respondents who are at the age of 25 – 30 years old which accounts 47 (31.3 %) of the total sample. The next higher group was 30 (15.7%) of them in the age category of 31-35. The remaining groups 25 (13.1%), 22 (14.7 %), and 7 (3.7%) were under the age categories of 36-40, of less than age 25, and above 41 years respectively. From this result we can conclude that the majority of employees of the bank are at the young age group.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25	22	14.7	14.7	14.7
	25 - 30	47	31.3	31.3	45
	31- 35	40	26.7	26.7	71.7
	36 - 40	25	16.6	16.6	88.3
	Above 41	16	10.7	10.7	100.0
	Total	150	100.0	100.0	

Source: SPSS output of the survey, 2018.

4.4.3. Level of Education of Respondents

When looking at the educational qualification of respondents, the highest number of respondent, 103 (68.66 %) have Bachelor Degree followed by 31 (20.66 %) Master’s Degree holders and 16 (10.66 %) are Diploma holders as shown in table 4.4. Therefore, it is possible to say that more than 68.66 % of sample respondents hold Bachelor Degree and above.

Table 4.4 Educational Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	16	10.66	10.66	10.66
	Bachelor Degree	103	68.66	68.66	79.3
	Master’s Degree	31	20.66	20.66	100.0
	Total	150	100.0	100.0	

Source: SPSS output of the survey, 2018.

4.4.3. Marital status of Respondents

The table 4.5 below indicates single respondents dominated which covers 78 (52 %), followed by married respondents which stands second highest number 68 (45.3 %) and the remaining 4 (2.7 %) are divorce participate as a respondent in the research.

Table 4.5 Marital status of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	78	52	52	52
	Married	68	45.3	45.3	97.3
	Divorce	4	2.7	2.7	100.0
	Total	150	100.0	100.0	

Source: SPSS output of the survey

4.4.5. Year of Service of Respondents

With regard to year of service in Zemen Bank 49 (32.7 %) of respondents fall under the category of 5-9 years of work experience, 35 (23.3 %) of respondents are in the category of 10-20 years of work experience, 34 (22.7 %) of respondents fall under the category of 1-4 years of work experience, and, 32 (21.3%) of respondents have over 20 years of work experience. According to this figure, employees' of the bank are largely dominated by workers who have been working in the bank for less than nine years. Since most of the respondents are youngsters it seems to be they have few years of work experience.

Table 4.6 Year of Service of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 – 4 years	34	22.7	22.7	22.7
	5 – 9 years	49	32.7	32.7	55.4
	10 – 20 years	35	23.3	23.3	78.7
	Above 20 years	32	21.3	21.3	100.0
	Total	150	100.0	100.0	

4.4.6. Current Job Position of Respondents

Table 4.7 shows that the current job position of respondents and, Customer Service Officer (CSO) job position covers 59 (39.3 %). And, the second higher respondents 45 (30 %) of them were different professional with job title like marketing officer, customer relationship officer, loan officer, secretary, international banking officer, and auditor that were under the category of Other. The remaining 26 (17.4 %) are Cashiers and 20 (13.3 %) are Customer Service Managers. This data indicated that almost all employees of the Zemen Bank were involved in the study, and this might give a good result of study and full representation of respondents.

Table 4.7 Current Job Position of the Respondents.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Customer Service Officer	59	39.3	39.3	39.3
	Customer Service Manager	20	13.3	13.3	52.6
	Cashier	26	17.4	17.4	70
	Other	45	30	30	100.0
	Total	150	100.0	100.0	

Source: SPSS output of the survey, 2018.

4.5. Correlation Analysis

The hypotheses discussed in the first chapter aimed to investigate the determining factors of independent variables (job characteristics; leadership style; and reward and recognition) on the dependent variable (employee engagement) in Zemen Bank. Correlation analysis is done to examine this relationship. The Pearson Product-Moment Correlation Coefficient is a statistic that indicates the degree to which two variables are related to one another. The sign of a correlation coefficient (+ or -) indicates the direction of the relationship between -1.00 and +1.00. The sign shows whether there is a positive correlation (as one variable increase, other also increase) or negative correlation (as one variable increase, other decrease). A positive correlation indicates a direct positive relationship between two variables. Higher correlation value indicates stronger relationship between both sets of data (Coetzee 2003). A negative correlation, on the other hand, indicates an inverse, negative relationship between two variables (Ruud et. al. 2012).

Measure of Association	Descriptive Adjective
> 0.00 to 0.20 ; < -0.00 to - 0.20	Very weak or very low
> 0.20 to 0.40; < -0.20 to - 0.40	Weak or low
> 0.40 to 0.60; < -0.40 to - 0.60	Moderate
> 0.60 to 0.80; < -0.60 to - 0.80	Strong or high
> 0.80 to 1.0; < -0.80 to - 1.0	Very high or very strong

Source: (MacEachron, 1982)

Hence, the correlation output of the dependent and independent variables is interpreted based on table 4.9.

Correlations						
S. No.			Job Characteristics	Leadership style	Reward & recognition	Employee engagement
1	Job Characteristics	Pearson Correlation	1			
		Sig. (2-tailed)				
2	Leadership style	Pearson Correlation	.463**	1		
		Sig. (2-tailed)	.000			
3	Reward & recognition	Pearson Correlation	.397**	.397**	1	
		Sig. (2-tailed)	.000	.000		
4	Employee engagement	Pearson Correlation	.681**	.659**	.525**	1
		Sig. (2-tailed)	.000	.000	.000	

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

Source: SPSS output of the survey, 2018.

Based on the survey result, job characteristics found to have a strong positive relationship with employee engagement ($r=.681$, $p<0.01$). Similarly, leadership has a strong positive influence on employee engagement ($r=.659$, $p<0.01$). Good leader inspires his/her followers to put in their best and also drives a business in a systematic and defined way. It shows leadership style in practice, in any organization, to a large extent, can determine how engaged an employee will be. And finally, reward & recognition was also found to have a moderate positive relationship with employee engagement ($r=.525$, $p<0.01$).

4.6. Multiple Regression Analysis

Multiple regression analysis is used to discover the relationship between one dependent variable and a number of independent variables or predictors (Pallant, 2005). Multiple regression also tells that how much of the variance in the dependent variable can be explained by independent variables. Before running multiple linear regression analysis, the researcher has conducted basic assumption tests before running the regression model. These are normality of the distribution, linearity of the relationship between the independent and dependent variables and multicollinearity tests. Each test is explained below.

Test 1: Multicollinearity

One major assumption that applies in multiple regression analysis the existence of a very high correlation between the independent variables of the study which is termed as Multicollinearity (Burns and Burns, 2008). This may lead to the paradoxical effect, whereby the regression model fits the data well, but none of the predictor variables has a significant impact in predicting the dependent variable. In this research multicollinearity was checked with tolerance and VIF statistics. Andy (2006) suggests that a tolerance value less than 0.1 almost certainly designates a serious collinearity problem. Burns and Burns (2008) also state that a VIF value greater than 10 is also a concern. Field (2009), also underline that, values for “tolerance” below 0.1 indicate serious problems, although several statisticians suggests that values for “tolerance” below 0.2 are worthy of concern. In this study, all of the independent variables were found to have a tolerance of more than 0.1 and a VIF value of less than 10 (see table 4.10 below) which indicates that Multicollinearity is not an issue in this study.

Table 4.10 Result of Multicollinearity test

Coefficients^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Job Characteristics	.731	1.367
	Leadership style	.731	1.367
	Reward & Recognition	.784	1.275
a. Dependent Variable: Employee Engagement			

Test 2: Normality Distribution Test

Multiple regressions require the independent variables to be normally distributed. Verifying the normality of the scales within the sample of study is an essential practice before conducting multiple regression analysis. Skewness and Kurtosis are statistical tools which can enable to check if the data is normally distributed or not. According to Smith and Wells (2006), Kurtosis is defined as “property of a distribution that describes the thickness of the tails”. The thickness of the tail comes from the amount of scores falling at the extremes relative to the Gaussian/normal distribution”. Skewness is a measure of symmetry. A distribution or data set is symmetric if it looks the same to the left and right of the center point.

The skewness and kurtosis test results of the data is within the acceptable range (-1.0 to +1.0) and it can be concluded that the data is normally distributed. The Kurtosis and skewness results are presented in table 4.11.

Table 4.11 Result of normality test Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Job characteristics	150	-.057	.176	.060	.350
Leadership style	150	-.222	.176	-.023	.350
Reward & recognition	150	.361	.176	1.763	.350
Employee engagement	150	-.170	.176	.720	.350
Valid N (listwise)	150				

Test 3: Linearity of the Relationship Test

The third assumption for computing multiple regressions is test of the linearity of the relationships between dependent and the independent variables. As depicted in the below scatter the visual inspections of the scatter plot shows there exists a linear relationship between the employee engagement determinants and employee engagement. The scatter plot is presented in table 4.12.

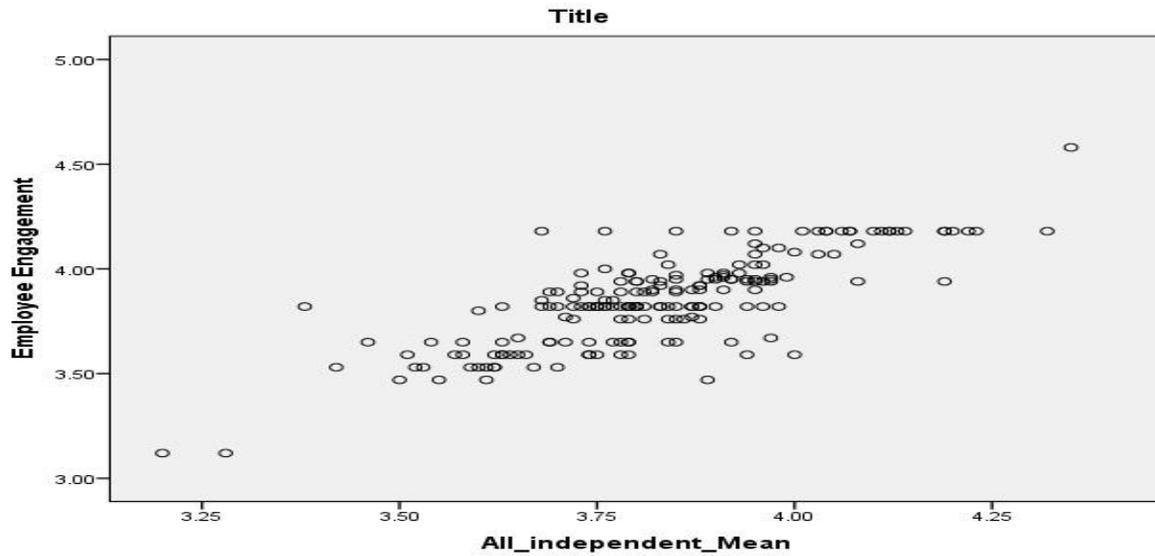


Table 4.12 Linearity of the Relationship Test

4.6.1. Model Summary

In the model summary below (table 4.13), the multiple correlation coefficients R, indicates a very strong correlation of .805 between employee engagement and the three independent variables. $R^2 = .647$ reveals that the model accounts for 64.7% of the variation in the employee engagement and is explained by the linear combination of all the independent variables.

Table 4.13 Model Summary Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805 ^a	.647	.642	.12829

a. Predictors: (Constant), job characteristics, leadership style reward & recognition

Source: SPSS output of the survey, 2018

4.6.2. ANOVA Model Fit

ANOVA analysis is normally used to compare the mean scores of more than two variables. It is also called analysis of variance because it compares the variance between variables (Pallant,

2005). Accordingly, table 4.14 of this study shows that the value of R and R² found from the model summary is statistically significant at (F=114.448), (P<0.001) and it can be said that there is a relationship between employee engagement and the predictors (determinants).

Table 4.14 ANOVA Model Fit ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.651	3	1.884	114.448	.000 ^b
1 Residual	3.078	146	.016		
Total	8.729	150			

Dependent Variable: Employee engagement

Predictors: (Constant), job characteristics, leadership style reward & recognition

Source: SPSS output of the survey, 2018

4.6.3. Beta Coefficient

The coefficients are the coefficients which can explain the relative importance of explanatory variables. These coefficients are obtained from regression analysis after all the explanatory variables are standardized.

As it can be seen from table 4.15 below, the standardized coefficient of job characteristics is the largest value followed leadership style and reward and recognition. The larger the standardized coefficient, the higher is the relative effect of the determinants to the employee engagement.

Table 4.15 Beta Coefficient

Coefficients^a

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.093	.203		.459	.647
	Job characteristics	.433	.052	.423	8.327	.000
	Leadership style	.388	.052	.382	7.521	.000
	Reward & recognition	.166	.040	.205	4.183	.000

a. Dependent Variable: Employee engagement

Source: SPSS output of the survey, 2018

Therefore, based on the result in the regression coefficient table 4.15 and accordingly to the above general mathematical equation the estimated regression model of this study for Zemen Bank is presented below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

$$Y = .093 + .433X_1 + .388X_2 + .166X_3 + .12829$$

$$\text{Employee engagement} = 0.093 + 0.433 \text{ job characteristics} + 0.388 \text{ leadership style} + 0.166 \text{ reward \& recognition} + 0.12829$$

The intercept (β_0) is the point on the vertical axis where the regression line crosses the Y axis. The value of β_0 is 0.093 which means the expected value of employee engagement is 0.093 when all the three variables assume zero value.

4.7. Discussion

The study goal was to analyze the determinants of employee engagement in Zemen Bank. In the next section, the determinants will be discussed.

4.7.1. Job Characteristics

In this study, job characteristics significantly predicted job engagement. This finding supports Saks' (2006) finding that job characteristics predicts employee engagement. The finding is also consistent with many other studies which examine the links between job characteristics and employee engagement. This result add to a growing collection of studies (e.g., Sulea et al. 2012; Shantz et al. 2013) that examine the effect of job characteristics on employee engagement. The literature review looked at the work of Kahn who argued that task characteristics can build psychological meaningfulness (1990). Psychological meaningfulness is one of the conditions which can produce engagement. This work by Kahn built on similar findings by Hackman and Oldham (1980) who maintained that skill variety, task identity and task significance produce a psychological state of meaningfulness at work. In addition, they claim that increased autonomy allows individuals to experience greater responsibility.

Existing studies on engagement show a positive association between engagement and job characteristics (Richardson, Burke, & Martinussen, 2006; Bakker, Hakanen, Demerouti and Xanthopolou, 2007). Wood and Bandura (1989) claimed that there is statistically significant impact of job characteristics on employee engagement. As Brass (1981) explained, persons occupying centralized positions are more likely to receive more feedback from agents than persons occupying peripheral positions. Feedback, one component of job characteristics, increases the employees' capability to engage (Gittell in Grant and Parker, 2009), fosters learning, increases job competence (Bakker, 2009) and stimulates the process of giving and gathering advice. It could be predicted that the more a job requires usage of a variety of different skills, the more the employee should try to seek these skills from coworkers and therefore reach higher centrality in learning and advice networks.

As explained by Hackman and Oldham (1976) the task is more likely to be experienced as meaningful when it requires an employee to engage in activities that challenge or stretch his or her skills and abilities. In addition, it could be claimed that when the employee satisfies the need for a meaningful job, the employee is also more engaged in gaining knowledge and skills from coworkers. So, skill variety increases employee work engagement. In addition, this finding maintains Macey and Schneider's (2008) proposition of trait engagement, which says that engaged employees strive to solve challenging tasks and achieve difficult goals. Derara Tessema

(2014) also found out that this is an important factor in predicting employee engagement. It was also claimed by Macey and Schneider (2008) that an employer, while already having engaged employees, has to create a work environment where the employees' energy could be manifested and sustained. May et al. (2004) suggested managers should foster meaningfulness through job enrichment by designing jobs in line with Hackman and Oldham's (1980) Job Characteristic Model.

4.7.2. Leadership Style

This study has found out that leadership style has a significant effect on employee engagement.

The finding is consistent with the new trend of encouraging employees' autonomy, in accordance with Bandura's (2002) concept of self-efficacy, which is enhanced by emotional support, words of encouragement and positive persuasion. Leaders who provide this support facilitate employees' understanding of organizational goals and enhance employees' work roles. Other previous research reported that leadership style has a direct impact on employee engagement (Babcock-Roberson and Strickland, 2010; Breevaart et al., 2014; Hansen et al., 2014; Popli and Rizvi, 2015; Zhu et al., 2009). Bakker and Schaufeli (2008) found that employees who have positive interactions with their managers have increased levels of engagement. Leadership styles can be linked to engagement as engaged individuals are characterized by displaying high levels of energy, inspiration, enthusiasm, passion (Zigarmi et al., 2009), willingness to reach the extra mile of performance (Macey and Schneider, 2008).

By "projecting the ideals and characteristics that are tied to engagement drivers, such as being supportive, and providing a vision to the employees that goes beyond short-term goals but the long-term goals of the organisation," leaders play a crucial role in the development of engagement (Batista-Taran, 2014). Harris (2007) also demonstrated a strong correlation between leadership effectiveness and workforce engagement.

Hayes (2002) also argue that employees will have higher levels of work engagement when their basic and especially higher order needs are taken care of by their leaders within the organization. Leaders have been proven to influence and motivate employees through demonstrating clear values and fostering positive teamwork in an agreeable manner as indicated by Kouzes and Posner (2012) and Yukl (2012). They have an influential role in improving employee

engagement. For any type of organization to flourish and develop its operations, the organization must make good leadership their main concern.

4.7.3. Rewards and Recognition

Reward & recognition was also found to have a moderate positive relationship with employee engagement ($r=.525$, $p<0.01$). Much of the literature indicates rewards and recognition drive to a better level of employee engagement which is in line with the finding of this study. Crawford et al. (2014) explain that in most cases, rewards and recognition are linked to greater engagement levels.

Similarly, Cook (2008) asserts that fair pay reward and recognition are key drivers of employee engagement. They should be fair in terms of comparisons within the organization and with other organizations in the industry (Robinson et al., 2004). Armstrong and Taylor (2017) also agree with this as rewards and recognition represent direct and indirect returns on the investment of an employee's time in their role. Previous studies discovered that a lack of recognitions or rewards can lead to burnout, therefore proper recognitions or rewards is very important for engaged employee (Gonzalez-Roma et al., 2006; Kahn, 1990; Maslach et al., 2001; Ola, 2011). Reward & recognition is comparatively has the lowest effect on predicting employee engagement. This finding supports a theory which states that engagement is not a merely momentary and specific state, but rather, it is "a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior" (Schaufeli et al., 2002). Williams (2008) held that providing employees with deserved rewards and recognition and involving them in organizational decisions could help boost employee engagement. Smith (2010) maintained that in order to improve employee engagement, management should demonstrate that it cares about the employees' wellbeing, demonstrate genuine interest in their development, and recognize their achievements.

Ram and Prabhakar (2011) study also indicated that when performance receives its due recognition & employees share it in the form of benefits of the organization they become more engaged. Saks (2006) also found out that rewards and recognitions of good work performances are a very good ways to boost employee engagement.

This research finding is also comparable with the result of some previous studies conducted by Hence which is one might expect that employees to be more engaged at work to the extent that they perceive a better amount of rewards and recognition for their role performances.

According to Brick (2012), recognition is critical to the culture and operation within the workplace, which impacts workforce engagement. Haines and St-Onge's (2012) also discovered that rewards and recognition directly affect employee engagement and performance. The findings from the analysis suggests that when employees are been rewarded and recognized for their contributions, their engagement level will increase.

This view was supported by Lavigna (2015). Lavigna's study proposed that good communication, employees' voice as well as reward and recognition are all factors that can lead to increased employees engagement.

Summary of Hypothesis Testing

This sub-topic summarizes each of hypotheses stated previously. The results are displayed in the table below.

Table 4.16 Summary of hypothesis testing

S. No.	Hypothesis	Test result
1	H1. Job characteristics have significant positive effect in predicting employee engagement.	Accepted
2	H2. Leadership style has significant positive effect in predicting employee engagement.	Accepted
3	H3. Reward and recognition have significant positive effect in predicting employee engagement.	Accepted

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary of the Findings

The purpose of this study was to investigate the determinants of employee engagement in Zemen Bank Addis Ababa area by using quantitative data. The findings of the research finally lead to answer the research question discussed in chapter one that are;

- *How job characteristics have an effect on employee engagement?*
- *How leadership style has an effect on employee engagement?*
- *How reward and recognition have an effect on employee engagement?*

In this regard, in order to answer the research question that are mentioned above, out of a total 150 structured questionnaires distributed to the employees of Zemen Bank Addis Ababa region branches, all 150 of the questionnaire were found to be completed correctly filled, returned and used for further analysis having a response rate of 100%. The sum of the independent variables average Cronbach's alpha value is ($\alpha = 0.782$) and the reliability test of the study is located on "Acceptable" range.

With regards to the findings on the demographic data of the employees of Zemen Bank Addis Ababa region branches, on gender shows that 70 % of them were males and 30 % were females, on the age of respondents, the age of respondents who are at the age of 25 – 30 years old and the respondents in the age category of 31-35 which account 47% of the total sample of the respondents, on the educational qualification of respondents, the highest number of respondent, the respondents having Bachelor Degree and Master's Degree in the bank were a total of 89.3 %, on the Marital status of Respondents, single respondents and married respondents make up 97.3 % of the Respondents, on the year of service in Zemen Bank, the Respondents having 5 - 9 years of work experience and having 10-20 years of work experience covers 56 % of respondents from all under the the other age categories, on the years of work experience in Zemen Bank, respondents having 5 - 9 years of work experience and 10 - 20 years of work experience make up 56 % of respondents in the Bank, and lastly on the current job position of respondents working on Customer Service Officer (CSO) job position and the second higher

respondents working on different professional job title such as marketing officer, customer relationship officer, loan officer, secretary, international banking officer, and auditor that were under the category of Other as job title covers 69.3 % of employees' of the bank that participated in this study.

The study discussed the determinants of employee engagement in Zemen Bank. Accordingly, from the regression analysis, it can be concluded that leadership style and reward & recognition have the largest effect on employee engagement.

The study also examined the effect of the three determinants on employee engagement and it is answered by the regression model summary, $R^2 = .647$ which revealed that the model accounts for 64.7% of the variation in the employee engagement is explained by the linear combination of all the independent variables.

The ANOVA test result showed that R and R^2 found from the model summary was statistically significant at ($F=114.448$), ($P<0.001$).

5.2. Conclusions

This study supports the inclusion of job characteristics, leadership style, and rewards and recognition in models of employee engagement. The results have important implications for assisting managers and companies to better understand and control factors that may lead to improved levels of employee engagement.

The study also demonstrated the importance of three variables (namely job characteristics, leadership style and rewards & recognition) in predicting employee engagement in Zemen Bank. This would help the Bank to identify how these determinants are operating currently and work on them to improve the level of its employee engagement.

Job characteristics have a significant effect on employee engagement followed by leadership style. The study revealed that jobs that are high on the core job characteristics provide individuals with the room and incentive to bring more of themselves into their work or to be more engaged.

There is a direct positive relationship between leadership styles and employee engagement. This research has shown that when employees receive rewards and recognition from their organization, they will feel obliged to respond with higher levels of engagement.

5.3. Recommendations

Based on the findings and the conclusions made before the following recommendations are provided:

The bank should assess engagement levels of their employees through employee engagement measurement scales in order to identify gaps and take appropriate measures to bridge gaps.

As job characteristics was found to be the most significant predictor of employee engagement in Zemen Bank, the bank should focus on designing jobs considering the five core job characteristics (i.e. skill variety, task identity, task significance, autonomy, and feedback). Zemen Bank should redesign jobs to increase autonomy, challenge, variety and skill utilization (Guest, 2014). Leaders need to discuss with their direct reports about performance and feedback meetings to learn which parts of the job hold the most interest for each employee and which tasks are most challenging.

To ensure that the employees are fully engaged, leaders must practice employee oriented leadership style. Thus leaders must pay close attention to their followers' needs on a basic level and be willing to respond appropriately. Zemen Bank should focus on implementing leadership skills practices to areas where engagement is low after measuring employee engagement. This will mark quality of work, efficiency in operations, retention of employees, customer satisfaction and to increase competitive advantage.

Since reward and recognition strategies play an important role in reflecting the employee engagement, the organization need to modify their rewards strategy to be aligned with their own particular organization objective. Zemen Bank should maintain the employees to keep doing well on their work by providing a good reward and recognition instead. Zemen Bank should also work more on providing training & development opportunities, career advancement & promotion opportunities among others. The better the reward and recognition in company the

better the employee engagement. This will maintain a good relationship between company and its own employees.

For the bank, it is especially important to be consistent in terms of the distribution of rewards and recognition as well as the procedures used to allocate them.

5.4. Future Research Directions

Future studies that incorporate additional determinants of employee engagement, such as organizational justice, work environment, team and coworker relationships, can further broaden and enrich the study's scope to include more variables under the theoretical framework. Longitudinal studies may potentially be used in future research to examine the factors that influence employee engagement in organizations.

The cross-sectional nature of the data limits the interpretation of the findings. It will be important to do a longitudinal study to get a more reliable result. Multiple measurement methods for justifiability of the theoretical model can include other methods like in-depth interviews, focus group interviews, nominal group technique etc.

The sample size of this study was limited to Addis Ababa area, In this regard, to make the conclusion and recommendation more wide and applicable for more organizations in the industry, future researches may conduct the research in industry wide or nationwide by increasing the sample size and diversify organization types.

The scope of the study can be further broadened to increase various views of employee engagement like job engagement and organizational engagement. There are several studies that have been done on determinants of employee engagement but not so many of them have been conducted in Ethiopia. Other studies need to be done to fill the gap.

Reference

- Kahn, W.A. (1990). 'Psychological conditions of personal engagement and disengagement at work'. *Academy of Management Journal*, 33, 692-724.
- Kaye, B., and Jordan-Evans, S. (2003, August). Engaging talent. *Executive Excellence*
- Anitha, J. (2014). "Determinants of employee engagement and their impact on employee performance", *International Journal of Productivity and Performance Management*, Vol. 63 No. 3, pp. 308–23.
- Antonakis, J. (2011). Predictors of leadership: The usual suspects and the suspect traits. In D. Bryman, K. Collinson, B. Grint, B. Jackson and M. Uhl-Bien (Eds.), *The Sage handbook of leadership* (pp. 269-285). London: Sage.
- Armstrong M and Taylor S (2015). *Armstrong's Handbook of Human Resource Management Practice*, London: Kogan Page.
- Attridge M (2009). Measuring and Managing Employee Work Engagement: A Review of the Research and Business Literature, *Journal of Workplace Behavioral Health* 24: 383-398.
- Avolio, B. J. (1999). *Full leadership development: Building the vital forces in organizations*. Thousand Oaks, CA: Sage.
- Avolio, B. J., and Bass, B. M. (2004). *Multifactor leadership questionnaire: Third edition manual and sampler set*. Redwood City, CA: Mind Garden.
- Bakker A.B. and Schaufeli W. B., (2008). 'Positive organizational behavior: Engaged employees in flourishing organizations', *Journal of Organizational Behavior* 29, 147–154.
- Bandura, A. (1973). *Aggression: A social learning analysis*. Englewood Cliffs, NJ: Prentice Hall.
- Bass, B. M., and Avolio, B. J. (1995). *Multifactor leadership questionnaire leader form*. Redwood City, CA: Mind Garden.
- Banks, M. (2006). "How one federal agency harnessed employee engagement as a tool for transformation", *Journal of Organizational Excellence*, Vol. 25 No. 4, pp. 21-30.
- Bates, S. (2004). "Getting engaged", *HR Magazine*, Vol. 49 No. 2, pp. 44-51.

- Baumruk, R. (2004). “The missing link: the role of employee engagement in business successes. *Work span*”, 47, 48-52.
- Babbie, E. R. (2008). *The basics of social research*. (4th ed.). Belmont, CA: Thomson Wadsworth, Thomson Learning Inc.
- Bloom, M.C. and Michael, J.G. (2002). The Relationship among Organizational Context, Pay Dispersion and Managerial Turnover. *Academy of Management Journal*. 45.
- Bryman, Alan, and Emma, B. (2007). *Business Research Methods*, Second Edition. Oxford University Press.
- Creswell, J. W. (2003). *Research design: Qualitative, quantitative, and mixed methods approaches*. Thousand Oaks, Calif: Sage Publications.
- Creswell J., 2012. *Educational Research* (4th ed). United States: Pearson Education, Inc.
- Cristina de Mello Souza Wildermuth, Patrick David Pauken, (2008). "A perfect match: decoding employee engagement – Part II: engaging jobs and individuals", *Industrial and Commercial Training*, Vol. 40 Issue: 4, pp.206-210.
- Frank, F.D., Finnegan, R.P. and Taylor, C.R. (2004). “The race for talent: retaining and engaging workers in the 21st century”.
- Gallup. (2016). Gallup Q12 Employee Engagement Survey. Gallup Inc. Available from: <https://www.q12.gallup.com/public/en-us/Features>
- Hopkins, W. (2000). *Quantitative Research Design*. University of Otago, Dunedin, New Zealand.
- Jonker, J., and Pennink, B. J. W. (2010). *Essence of research methodology: A concise guide for master and PhD students in management science*. Heidelberg: Springer.
- Kahn, W.A. (1990). 'Psychological conditions of personal engagement and disengagement at work'. *Academy of Management Journal*, 33, 692-724.
- Kaye, B., and Jordan-Evans, S. (2003, August). Engaging talent. *Executive Excellence*
- Robson, M. J., Katsikeas, C. S. and Bello, D. C. (2008). Drivers and performance outcomes of trust in international strategic alliances: The role of organizational complexity. *Organization Science*, Vol.19, pp.647-665.
- Saks, M. (2006). “Antecedents and consequences of employee engagement”, *Journal of Managerial Psychology*, Vol. 21 No. 7, pp. 600–19.

- Saks, A.M. and Rotman, J.L. (2006). “Antecedents and consequences of employee engagement”, *Journal of Managerial Psychology*, Vol. 21 No. 7, pp. 600-619.
- Salanova, M., Agut, S. and Peiro', J.M. (2005). “Linking organizational resources and work engagement to employee performance and customer loyalty: the mediation of service climate”, *Journal of Applied Psychology*, Vol. 90 No. 6, pp. 1217-27.
- Saunders, M. N. K., Lewis, P., and Thornhill, A. (2007). *Research methods for business students*. Harlow, England: Financial Times/Prentice Hall.
- Straub, D., Boudreau, M.-C., and Gefen, D. (2004). "Validation guidelines for IS positivist research," *The Communications of the Association for Information Systems* pp 380-427.
- Suharti, L. and Suliyanto, D. (2012). “The effects of organizational culture and leadership style toward employee engagement and their impacts toward employee loyalty”, *World Review of Business Research*, Vol. 2 No. 5, pp. 128–39.
- Schaufeli, W., Salanova, M., González-romá, V. and Bakker, A. (2002). “The measurement of engagement and burnout: a two sample confirmatory factor analytic approach”, *Journal of Happiness Studies*, Vol. 3 No. 1, pp. 71–92.
- Schneider, B., Macey, W.H. and Barbera, K.M. (2009). “Driving customer satisfaction and financial success through employee engagement”, *People and Strategy*, Vol. 32 No. 2, pp. 23-27.

ANNEX - 1

**S.T MARY'S UNIVERSITY DEPARTMENT OF BUSINESS ADMINISTRATION (MBA)
PROGRAM RESEARCH QUESTIONNAIRE**

Research Topic: Determinants of Employee Engagement in the Banking Industry in Ethiopia

Name of student: Samrawit Mulugeta

Address: Addis Ababa , Ethiopia

Tel: +251925935446

Email: samrawitmulugeta16@gmail.com

Dear respondent: I am a student of Master of Business Administration in S.t Mary's University. Currently, I am undertaking a research entitled

“Determinants of Employee Engagement in the Banking Industry in Ethiopia: The Case of Zemen Bank”. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the determinants employee engagement on Zemen Bank within Addis Ababa region Branches. Your participation is entirely voluntary and the questionnaire is completely anonymous. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone. The data will be kept confidentially and it will be used for study purpose only.

Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

2 Instructions

- No need of writing your name
- For Likert scale type statements indicate your answers with a check mark (✓) in the appropriate box.

SECTION ONE: DEMOGRAPHIC INFORMATION:

Fill in the boxes provided by a means of a cross (✓) by indicating your correct choice.

Please rate your response as follows:

1. Gender:
 Male Female
2. Age
 Less than 25 36 - 40
 25- 30 Above 41
 31- 35
3. Level of education
 Diploma PhD
 Bachelor's Degree Other state here: _____
 Master's Degree
4. Marital Status
 Single Divorce
 Married Widowed
5. Year of service you have work in Zemen Bank?
 1 – 4 years 10 – 20 years

- 5 – 9 years Above 20 years

6. Current job position

- Customer Service Manager
- Customer Service Officer
- Cashier

Other state here: _____

SECTION TWO: THE COMPONENTS OF QUESTIONS RELATED TO DETERMINANTS OF EMPLOYEE ENGAGEMENT

The table in the next pages consists of list of items, Please put (√) mark for every statement based on your level of agreement.

1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree

No.	Description of items	1	2	3	4	5
Job characteristics						
1	There is much autonomy in my job.					
2	My job permit me to decide on my way how to go about doing the work.					
3	There is much variety in my job.					
4	The job require me to do many different things at work, using a variety of my skills and talents.					
5	Managers or co-workers let me know how well I am doing on my job.					
6	Doing the job it provide me with information about my work performance.					
7	The actual work itself provide clues about how well I am doing.					

Leadership Styles						
The person I am reporting to...						
1	Provides me with assistance in exchange for my efforts					
2	re-examines crucial premises to determine their applicability					
3	fails to get involved until issues get out of hand					
4	draws attention to inconsistencies, errors, outliers, and standard deviations					
5	Avoids getting involved when important issues arise					
6	Talks about his/her most important values and beliefs					
7	Is absent when needed					
8	Seeks differing perspectives when solving problems					
9	Talks optimistically about the future					
10	Instills pride in me for being associated with him/her					
11	Discusses in specific terms who is responsible for achieving performance targets					
12	Waits for things to go wrong before taking action					
13	Talks enthusiastically about what needs to be accomplished					
14	Specifies the importance of having a strong sense of purpose					
15	Spends time teaching and coaching					

Rewards and Recognition						
1	A pay raise, job security, and a promotion available for me					
2	I get praise from my supervisor.					
3	Training and development opportunities available for me.					
4	More challenging work assignments available for me.					
5	There is some form of public recognition (e.g. employee of the month).					
6	There is a reward or token of appreciation (e.g. lunch).					

SECTION THREE: QUESTIONS RELATED TO EMPLOYEE ENGAGEMENT

No.	Description of items	1	2	3	4	5
Employee Engagement						
1	I find my work full of meaning and purpose.					
2	I feel strong and vigorous when I am working.					
3	I am enthusiastic about my job.					
4	2.1.1.1.1.1 My job inspires me to do my best.					
5	At my work, I feel bursting with energy.					
6	I feel happy when I am working intensely.					
7	I am proud of the work that I do.					
8	My job is challenging to me.					
9	I get carried away when I am working.					
10	I am physically energized when I am at work.					
11	Time passes quickly when I am at work.					
12	When I am working, I forget everything else around me.					
13	When I get up in the morning I feel like going to work.					
14	I can continue working for long periods of time.					
15	At my job, I am very mentally resilient.					
16	I find it difficult to detach myself from my job.					
17	I always persevere at my job, even when things do not go well					

Thank you very much for your participation! Your efforts are greatly appreciate.