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IMPACT OF ORGANIZATIONAL FACTORS ON THE PERFORMANCE OF EMPLOYEES WITH MODERATING ROLE OF MANAGERIAL SKILL

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ABSTRACT: *This study is aimed to analyse the impact of organizational factors on the performance of employees with the moderating role of managerial skill. Organizational size is discussed with its determinants such as wage rates and capital intensity. Primary data have been gathered with the help of structured questions and 5 point Likert scale is used. The results are based on 330 valid questionnaires. Using SPSS, correlation and regression (Linear) analysis of independent variables (wage rates and capital intensity), dependent variable (performance of employees) and moderating variable (managerial skills) have been performed. The results show that organizational factors significantly influence the performance of employees and results become better when managers play their role in designing wage rates appropriately according to skills of the workers and making organizations capital intensive with assurance that the employees become adept at new technology installed in the organization. So, this study presents a distinctive conception of discussing wage rates and capital intensity as organizational size and analyse their impact on the performance of employees with moderating role of managerial skill.*

Keywords: Organizational factors, organizational size, wage rates, capital intensity, performance of employees, managerial skill

1. INTRODUCTION

Previously not too much work has been done on organizational factors as a whole and examining the effect of the organizational factors on employees' performance. Organizational factors influence beahviours and attitudes of employees and subsequently affect performance of employees. Organizational factors if operationalized aptly predict success of organization by enhancing employees' performance [1]. It means that the accurate operationalization of the organizational factors is necessary for every organization. Sometimes organizations do not notice lackadaisical inclination of their managers towards implementation of organizational factors up to their standards and this results in dissatisfaction of employees which leads towards poor performance of employees [2].

For determining the organizational factors, this study is supported with contingency theory, "Any type of misfit between the contingency variables and the structure of organization leads to lower performance of employees" [3] and from contingency theory, there is taken one contingency factor i.e. organizational size [4]. In order to make this study more detailed and profound, wage rates and capital intensity have been added as determinants of organizational size (OS). These contingency factors are independent variables and performance of employees (POE) is dependent variable. Though organizational factors like organizational size have significant value in organization but their best implementation in organization is also necessary. If managers play their role skilfully and expertly, these organizational factors can affect performance of employees in better way [5,6]. So, this study takes the role of managers as moderator to accelerate the effect of organizational factors that enhance the performance of employees.

Therefore, this study has been conducted to evaluate the effect of organizational factors on the performance of employees with the moderating role of managerial skill and resolves following interrogations.

1. What is the impact of organizational size on the performance of employees?
2. How much does managerial skill enhance the impact of organizational size on performance of employees?

2. ORGANIZATIONAL SIZE

Organizational success is associated with its ambition of being bigger and bigger. The firms which desire to be big in size win competitive advantage over other firms in the market. They devise better ways to handle risk and uncertainties of market. They may have powerful access to supplier and can compete their competitors [7]. Big organizations have influential market power. They can charge higher prices for product or services and earn big profit [8]. As larger firms get big profit, they are capable of paying comparatively higher wages to their worker than smaller firms and attract highly skilled and qualified workers for getting better and competitive advantage over smaller firms [9]. After being offered higher wages, workers are attracted toward big organizations and organizations win advantage of acquiring the best lot of workers of market [10]. On the other hand, smaller firms cannot perform well that's why they cannot compete in market. They have to quit their business [11]. Big firms take over smaller ones and expand their size. So, big firms show "superior performance to smaller firms" and prove to be more profitable [12].

Human capital is an asset of organization and the worth of human capital can be enhanced by providing higher wages to workers. Big organization enables itself to be more profitable and gives good wages to workers [9]. There has been discussed in previous researches that firm size really matters in determining success and productivity [13]. So, small to medium sized companies create a spirit of innovation and job growth among workers. This enhances their capabilities to work even in bigger organizations and contribute to productivity [14].

H1: Organizational size has impact on the performance of employees.

There are some factors which determine organizational size; wage rates and capital intensity [9]. This study assesses the impact of these factors, wage rates and capital intensity (independent variables) on the performance of employees (dependent variable).

2.1 Wage rates

Lager firms show great deal in their activities and show good performance as compared to smaller ones [12]. This is only possible because large organizations are capable of paying high wages to workers [9] and this offer of high wages to workers make them able to catch highly skilled lot of workers [15].

Good wages influence performance of employees. They exercise the best of their knowledge and abilities if they are remunerated properly and getting relatively high wages in market [16]. In this regard, compensation managers remain in trouble to remunerate worker because they want satisfaction and contentment among their employees as satisfaction and contentment enrich the performance of employees as well as organizations [17]. But compensation managers of larger firms don't need to be worried in this case because these firms easily pay highly to their employees and win the best performance from them [16].

In another research, it has been discussed that regulation for pays are not considered suitable for bringing forth workers' potential capabilities. Same pay for all employees having diverse kind of capabilities would infirm their morale and they will not show good performance. Another problem, which can be faced by pay regulation, is that organizations will run short of skilled labour. In this case, managers will have to suffer massively if they cut wages of comparatively low performance of workers. The workers will lose their morale and further show lackadaisical attitude in their performance [18].

So, higher wages for all workers are necessary according to their job level and job performance to enhance motivational level in them. If they show good performance and good productivity is there in organization, increase in wages justifies human capital cost and only large firm are supposed to pay appreciably higher wages. Therefore, we cannot deny the point of view that firm size really matters for the success of every organization because it increases worth of organization [7].

H1a: Wage rates have an impact on the performance of employees.

2.2 Capital intensity

Capital structure of the organization is considered a very essential factor for enhancing earning and the overall efficiency of organization. Capital structure is comprised of total assets of organization [19]. Expression total asset is often used to be analogous to fixed capital. "Fixed capital is comparatively easily defined to include land, building, machinery and other assets having relatively permanent existence" [20]. As "Role of capital intensity as an indicator of technology deference" [9] and capital means "machinery" used in organizations [20], we use this term such as capital intensive firms are those which are also equipped with machinery and new technology.

"Higher skilled and hence higher paid workers may be a correlate of higher mechanism" [9] but it is difficult for capital intensive organizations to maintain performance of employees. The question arises that how technology change will make organizations more productive and profitable and how these organizations will ensure employees' performance with advent of new technology. Technological change creates problem for existing employees because they are not acquainted with new technologies [21].

Technology is very essential aspect of getting success in organizational work. Its existence ensures worth, productivity, profitability and ease at task execution. It has been observed that organizations' survival is dependent on employees' mastery over machinery and new technology. So, proper coaching of new technology and machinery, which has been launched in the organization, is necessary for getting better results in performance of employees [21].

Capital intensive organizations, in term of technology e.g. information system, play a significant role in enhancing organizational performance. "Process of technology innovation" makes organization capital intensive & this process leads towards downsizing of workers. So, labour capital intensity decreases because much of labour is not adept at new advancement in technology [22].

Technology is one of the factors of production of goods and services and this plays a significant part in enriching performance of organization. It is also necessary that employees must be given proper training for such machines. The technology ensures te success of organization if technological instruments are properly comprehended by employees. After getting know-how and knowledge of technological instruments, employees would be able to operate them in better way and show excellent performance [23].

H1b: Capital intensity has impact on the performance of employees.

3. ORGANIZATIONAL SIZE AND ROLE OF MANAGERS

Organizational size is determined by many factors but there have been selected two factors for this study, as discussed earlier, which determine the size of firm; wage rates and capital intensity [9]. These two factors influence very much in increasing the worth of organization. But it has been observed that without the support of managerial skill, these two factors cannot be made effective. As wage rates are discussed, it has become a great issue for compensation managers to set pay level for employees. Wage rates affect performance of employees and higher wages attract skilled and able workers to join organizations [17].

Worker abilities can be enhanced by giving them job training. Managers can play a significant role by evaluating performance of employees and observing that where the deficiency is. Managers can select workers and give them proper training for particular skills, they need. In this way workers will display good productivity in their assignment. They will be more profitable and can deserve higher wages [5].

Higher wages motivate workers to show good performance. Good wages increase the worth of organization and compel workers to be effective in their job. The researchers also mention, along with good wages, manager's duty is to maintain congenial atmosphere for employees' confidence level [16].

As far as capital intensity is considered, organizations equipped with modern technology and machinery win good repute in market. But with new technology, challenges have been maximized. Workers sometimes have little knowledge about new machinery and technology. So, proper training and coaching is necessary for every worker in organization. Managers' responsibility is to make their workers good at new technology and machinery installed in organization. Otherwise this modern change will become botheration for employees [23].

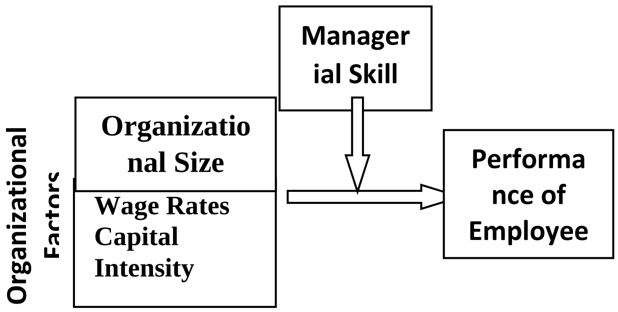

Figure 1 Research model

Technological changes bring many radical improvements in work and increase the value of organization but it has become a great issue for managers also. They have to monitor the proper use of machinery and technology and make sure that all the workers in their supervision are well versed in operating new machinery [21].

H2: Managers play a role of moderator between organizational size and performance of employees.

H2a: Managers play a role of moderator between wage rates and performance of employees.

H2b: Managers play a role of moderator between capital intensity and performance of employees.

4. METHOD

For this study structured and close ended questions were adopted and distributed 400 questionnaires personally amongst the employees of banks in two cities of Pakistan, Multan and Vehari. 350 questionnaires were received back and after scrutiny, primary data for this study found to be based on 330 questionnaires which were sorted out with best suitability for the study. Random sampling technique was adopted to select the banks of the region and respondents were also selected randomly. Using SPSS, statistical techniques like Cronbach's Alpha, descriptive statistics, correlation and regression (Linear) analysis have been executed.

5. ANALYSIS AND FINDINGS

5.1 Respondents' detail

In the study total 330 responses have been added. Among the employees of the banks in Multan and Vehari regions 74.3% are male and 25.7% are female. Their age ranges from 25-60 year and age group ranging from 25-35 is higher with percentage 40 and age group ranging from 55-60 is less with percentage of 9. Graduates are more in number than post graduate with ratio 65% and 35% respectively

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5.2 Descriptive statistics

Table I Means, correlations & Cronbach's Alpha

Variables	Mean	SD	∞	1	2	3	4
1.Wage Rates	3.63	0.69	0.68	1			
2.Capital Intensity	3.93	0.61	0.73	0.288	1		
3.Managerial Skill	4.02	0.44	0.63	0.284	0.401	1	
4.Performance of Employees	4.25	0.45	0.81	0.184	0.307	0.339	1

Table II Impact of wage rates and capital intensity on performance of employees and role of managers

Variables	**R**	**R^2**	**ΔR^2**	**Beta**	**T-Value**	**Sig.**
Wage Rates	0.184	0.034	0.032	0.095	2.189	0.000
Managerial Skill	0.351	0.124	0.120	0.313	7.208	0.000
Capital intensity	0.307	0.094	0.093	0.204	4.567	0.000
Managerial Skill	0.388	0.150	0.147	0.258	5.766	0.000

Dependent Variable: Performance of Employees

Table I shows that there is a significant positive relationship between the variables of the study. The correlation ranges from 0.184 to 0.401 which shows that there is weak positive relationship between wage rates and performance of employees and strong positive relationship between capital intensity and role of managers.

6. DISCUSSION

In table II impact of wage rates and capital intensity on the performance of employees with the moderating impact of managerial skill is shown. The results reveal that there is a positive relation between wage rates and the performance of employees with R= 0.183 and R^2 shows that only increase of 3.4% in performance of employees is predictive with implementation of wage rates. This result shows that wage rates don't have much effect on the performance of employees, but with the inclusion of managerial skill the results seem better. R= 0.351 depicts that the relationship between wage rates and performance of employees becomes stronger when managers play their role positively and skillfully. R^2=0.124 shows that impact of wage rates increases up to 12.4% on the performance of employees when wage rates are designed with the manager's wisdom and skills. Beta value= 0.313, T- value= 7.208 and P=0.000 also reveal that these results are significant and it is apt to say that skillful inclusion of managerial role really enhance the value of independent variable wage rates which cause positive enhancement in performance of employees [7,16]. Hence the hypothesis H1a and H2a are accepted.

On the other hand, capital intensity as an independent variable show comparatively strong relationship with performance of employees as R= 0.307> R=0.184 depicts that relationship of capital intensity with performance of employees is positively stronger than wage rates. R^2= 0.094 tells us that capital intensity can be predictive of the enhanced performance of employees up to 9.4%. But with the inclusion of managerial skill, the results narrate different story. The relationship of capital intensity becomes stronger with performance of employees with R=0.388 and R^2= 0.150 shows that impact of capital intensity increases up to 15% when managers play their role in making employees adept at capitalizing in the organization. Beta value= 0.258, T-value= 5.766 and P=0.000 show that these results are significant and it is aptly quoted that skililful inclusion of managerial skill really enhance the values of independent variable, capital intensity which cause positive enhancement in performance of employees [5,21]. Hence hypothesis H1b and H2b are accepted.

With the acceptance of H1a, H1b, H2a and H2b, H1 and H2 are accepted that organizational size has impact on the performance of employees and this impact becomes more valuable and effective when managers play their role in enhancing the size of firm with respect to wage rate and capital intensity.

7. CONCLUSION

Organizational size matters a lot for employees' motivation and engagement. This study takes wage rates and capital intensity as determinants of organizational size and assess their impact on the performance of employees with a moderating role of managerial skill. Big organizations capture skilled, able and experienced workforce with attraction of higher wages and win competitive advantage and success with better resources such as capital intensity in form of machinery which engages workers valuably in the work for better outcomes from their endeavour. It has also been evaluated through analysis that though the organizational factors ensure an enhanced level of performance but their best implementation is necessary. Organizations cannot neglect the role of managers in enhancing the organizational size. If the managers are skilled, experienced and trained properly, there is no doubt in the success of organizations. This study empirically evaluated that the effect of the organizational factors on employees' performance increases with the moderating role of managerial skill. Therefore, organizations working in Pakistan, especially banks must concentrate on designing the standardized organizational factors and empower and standardize the role of managers for the quality implementation of organizational factors of the organization.

7.1 Limitations and recommendations

1. This study has been conducted in two cities of Pakistan and only 330 questionnaires have been evaluated. The area of the study may be increased with increased number of cities and respondents for accuracy and authenticity of the results.
2. Convenient sampling technique has been used for the study. For making results more accurate and reliable, other sampling techniques may be adopted e.g. stratified sampling technique.

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