

THE ROLE OF EMPLOYEE ENGAGEMENT AS AN INTERVENING VARIABLE IN THE IMPACT OF EMPLOYEE DEVELOPMENT AND EMPLOYEE COMMUNICATION ON EMPLOYEE PERFORMANCE AT BANK INDONESIA LHOKEUMAWE AND BANDA ACEH

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Abstract

This study aims to examine the influence of Employee Development and Employee Communication on Employee Performance through Employee Engagement as an intervening variable at Bank Indonesia Lhokseumawe and Banda Aceh. The data for this study consists of 103 employees who responded to a questionnaire distributed via Google Forms. The data analysis tool used is PLS-SEM, which is operated with the SmartPLS program. The results of the study found that Employee Development and Employee Communication have a significant impact on Employee Engagement and Employee Performance. Employee Engagement also significantly enhances Employee Performance. In testing the mediation effect, Employee Engagement can partially mediate the relationship between the independent and dependent variables. The findings of this study are expected to contribute to stakeholders' formulation of employee development strategies as an essential resource for every organization.

Keywords: *Employee Engagement, Employee Development, Employee Communication, Employee Performance*

INTRODUCTION

Over fifty years of research on employee engagement have found that engaged employees are more likely to achieve better performance outcomes than disengaged employees, regardless of industry, company size, country, or economic conditions. However, employee engagement levels worldwide continue to decline, which contrasts with company standards. The 2017 Global Workplace Analytics Gallup report indicates that approximately 85% of employees globally are not engaged or are disengaged from their work. In Indonesia, Gallup's research also shows low levels, with only 8% of employees being truly engaged, 77% being disengaged, and 15% being actively disengaged with their work (Ratanjee & Emond, 2013). Gallup's findings also highlight that the proportion of engaged employees in Indonesia is very low. Only 8% of workers are truly engaged, 77% are disengaged, and 15% are actively disengaged with their work (Ratanjee & Emond, 2013). A company might face challenges in competing with its rivals in a constantly evolving market if it does not recognize the importance of creating a good work environment through employee engagement.

Effective and open communication can be a key factor in enhancing employee engagement. Employee communication is one of the determinants of how well employee performance aligns with the goals of the company or organization. Femi (2014) researched how communication affects employee performance in Nigerian organizations. The results showed that effective communication helps management and employees understand each other, which can build good relationships within the organization. Additionally, the study indicated that poor communication within an organization can negatively impact employee performance. Positive and significant relationships between employee communication and their performance have been found in several similar studies, such as those conducted

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by Muda et al. (2014) and Rukmana et al. (2018). In addition to effective communication, employee development is a key driver of performance.

According to Mathis and Jackson (2011), development can benefit both the organization and the employees. Development efforts aim to enhance employees' ability to perform various tasks and acquire skills not currently required for their jobs. However, Noe (2017) states that employee development is an essential part of learning because learning helps companies achieve competitive advantage, supports business plans such as growth, and positively contributes to business outcomes such as quality, productivity, new product development, and retention of key employees. Employee development can increase satisfaction and dedication, thereby improving performance, as suggested by Awasthi and Kumar (2016). Additionally, employee development can lead to good performance, as revealed by Hameed and Waheed (2011) and Younas et al. (2018).

To sustain and achieve success, companies must invest in employee training and development (Nda & Fard, 2013). Meanwhile, research by Basbous & Malkawi (2017) and Khalifeh et al. (2013) found that both employee communication and employee development also enhance employee engagement. Their findings indicate that effective employee development programs can increase employee participation. According to Bedarkar & Pandita (2014), employee communication is crucial for improving employee engagement. Effective communication is a vital component of enhancing engagement (Mathis & Jackson, 2011). Referring to the discussion, it can be concluded that employee engagement can be driven by employee communication and employee development; on the other hand, employee engagement can enhance performance. Al-Tit & Hunitie (2015) investigated the mediating effects of employee engagement between antecedents and outcomes. Using twelve antecedents including employee development and employee communication, they found that each mediation was confirmed and significant, indicating that employee engagement should be present in an organization.

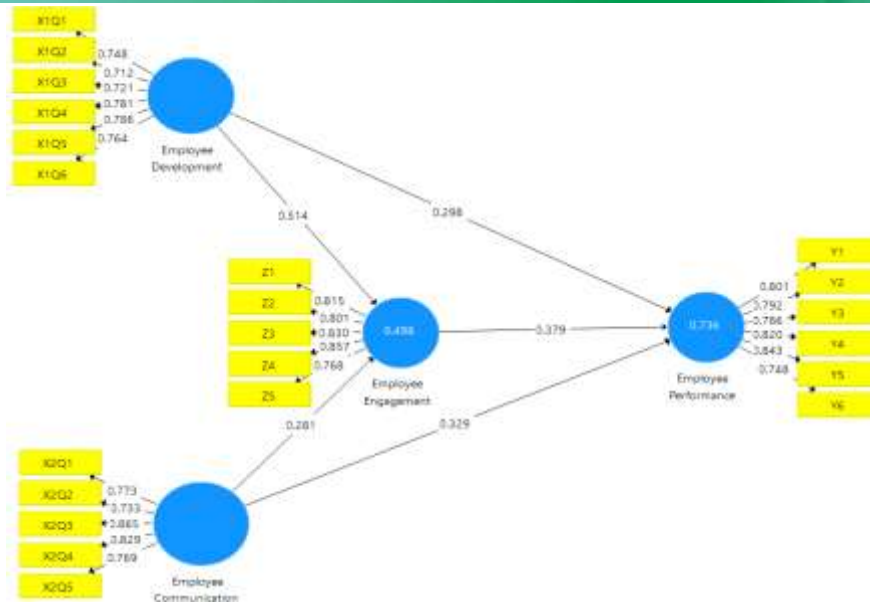
METHOD

The type of research conducted in this study is quantitative research. According to Sugiyono (2005), quantitative research is based on positivist philosophy and is used to study specific populations or samples. This study focuses on 103 organic employees of Bank Indonesia, consisting of 70 employees from Bank Indonesia Banda Aceh and 33 employees from Bank Indonesia Lhokseumawe. The sampling method used is saturated sampling, where the entire population is included in the sample. Data collection is carried out using a questionnaire with a Likert scale. Data analysis uses SmartPLS to test the predetermined hypotheses.

Results and Discussion

Outer Model Test Analysis

The evaluation of the outer model in the research involves analyzing the values of convergent validity, discriminant validity, and composite reliability. This process aims to assess the extent to which questionnaire items effectively measure the attributes and concepts of the variables under study. The results of the outer model evaluation in this research are as follows:



Source: SmartPLS Output, 2024
Gambar 1. Diagram Jalur Outer Model

Based on the results of the convergent validity test analysis in Table 1 and Figure 1, which show that all indicators have loading factor values above 0.70, it can be said that these indicators have good convergent validity. This means that the constructs being measured are accurate, and the measurement tools used are reliable.

Table 1 Reliability Test Analysis Results

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Cut-off</i>	<i>Keterangan</i>
<i>Employee Communication</i>	0.854	0.896	> 0.70	Reliabel
<i>Employee Development</i>	0.847	0.887	> 0.70	Reliabel
<i>Employee Engagement</i>	0.873	0.908	> 0.70	Reliabel
<i>Employee Performance</i>	0.886	0.914	> 0.70	Reliabel

Source: SmartPLS Output, 2024

Based on the table above, each construct in the model is at the accepted threshold (>0.70). This indicates that the research instrument is considered reliable, meaning it can provide consistent and dependable results over time.

Inner Model Test Analysis

The inner model test involves evaluating the structural relationships between latent constructs in the research model. The main components involved in structural model analysis are R-Square (R²), Effect Size (f²), Predictive Relevance (Q²), and Goodness of Fit (GoF). The adequacy of the model in this study can be assessed through the model fit. Model adequacy can be measured by the SRMR value, with an SRMR ≤ 0.08 indicating a good model fit.

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Table 2. Fit Model Test Analysis Results
Saturated Model Estimated Model

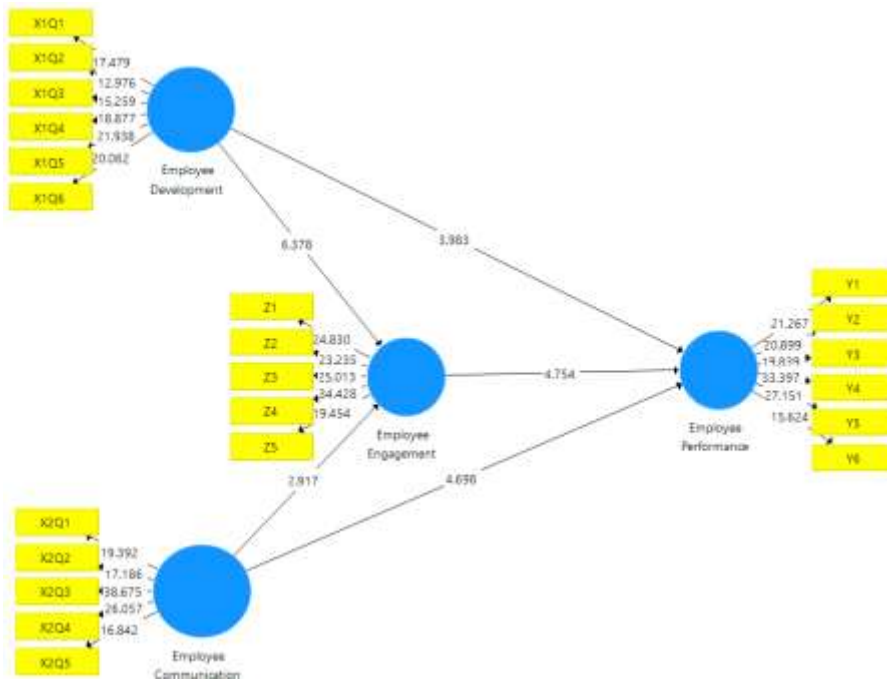
SRMR	0.068	0.068
d_ ULS	1.163	1.163
d_ G	0.603	0.603
Chi-Square Performance	330.854	330.854

Source: SmartPLS Output, 2024

Based on Table 5.11, the SRMR value obtained is 0.068. This model has a good fit as it meets the SRMR ≤ 0.08 criterion.

Path Coefficient Analysis

Path coefficients are tested using t-statistic or p-value values through the bootstrapping procedure. If the significance probability (P-Value) < 0.05 (5%) and the t-statistic value > 1.96 , then there is a significant effect between the variables. The results from running the bootstrapping on the path coefficients are shown in Figure 2



Source: SmartPLS Output, 2024
Figure 2. Bootstrapping Output



Hypothesis Test Results

Table 3 Hypothesis Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STEDEV)	T statistic (O/STD EV)	P Values	Decision
Direct Effect						
Employee Communication-> Employee Engagement	0.281	0.284	0.096	2.917	0.004	Positive and Significant
Employee Communication-> Employee Performance	0.329	0.334	0.070	4.698	0.000	Positive and Significant
Employee Development-> Employee Engagement	0.514	0.516	0.081	6.378	0.000	Positive and Significant
Employee Development -> Employee Performance	0.298	0.300	0.075	3.983	0.000	Positive and Significant
Employee Engagement -> Employee Performance	0.379	0.374	0.080	4.754	0.000	Positive and Significant
Indirect Effect						
Employee Communication-> Employee Engagement->Employee Performance	0.107	0.104	0.037	2.863	0.004	Positive and Significant
Employee Development->Employee Engagement->Employee Performance	0.195	0.194	0.055	3.536	0.000	Positive and Significant

Source: SmartPLS *Output*, 2024

DISCUSSION

Effect of Employee Development on Employee Engagement

Based on the statistical test results, with a p-value ($0.000 < 0.05$) and a t-statistic ($6.378 > 1.96$), the first hypothesis is accepted. The analysis indicates that employee development initiatives undertaken by Bank Indonesia Lhokseumawe and Banda Aceh have a positive and significant impact on employee engagement. Effective employee development programs, such as training tailored to needs, mentoring, and career development opportunities, enhance employees' sense of involvement and commitment to the organization. Employees who feel valued and have opportunities to grow tend to be more engaged, which in turn can improve both individual and organizational performance.

This finding is supported by several studies, including research conducted by Siddiqui & Sahar (2019) in the banking sector. Their research shows that employee development significantly affects employee engagement. They found that development and growth programs, particularly training & development, are key factors in enhancing employee engagement. According to Chand & Ghimire (2024), when employees are given opportunities to learn and grow, they feel more valued and recognized by the organization. This enhances their sense of attachment and commitment to the organization. Sannagy & Hassan (2023) also found that employee development, including training and development, significantly

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influences employee engagement. Employees involved in development programs tend to have better skills and greater confidence in performing their tasks.

Effect of Employee Communication on Employee Engagement

Based on the statistical test results, with a p-value of 0.004 (< 0.05) and a t-statistic of 2.917 (> 1.96), the second hypothesis is accepted. The analysis shows a significant relationship between employee communication and employee engagement at Bank Indonesia Lhokseumawe and Banda Aceh. Effective and transparent communication builds trust between management and employees. When information is conveyed clearly and openly, employees feel more valued and considered important within the organization.

This finding is supported by several studies, including research by Verčič & Men (2023), which involved 3,457 employees in Croatia across various organizations. Their study found that internal communication has a positive impact on employee engagement. Good communication ensures that employees understand the organization's goals, their roles, and what is expected of them. This clarity helps employees feel more confident and engaged in their work. Bao et al. (2020) also found a positive effect of communication on employee engagement. This is consistent with the research by Eka & Anik (2020), which showed that the level of communication within an organization can enhance employee engagement. When employees are allowed to participate in discussions and decision-making, they feel more involved and motivated. Active two-way communication allows employees to express their ideas and feedback, which can increase their sense of ownership and engagement.

Effect of Employee Development on Employee Performance

Based on the statistical test results, with a p-value of 0.000 (< 0.05) and a t-statistic of 3.983 (> 1.96), the third hypothesis is accepted. The analysis shows a significant relationship between employee development and employee performance at Bank Indonesia Lhokseumawe and Banda Aceh. Development programs through training and formal education provide employees with new knowledge that they can apply to their daily work. This new knowledge enables employees to discover innovative ways to enhance efficiency and productivity.

This finding is supported by several studies, including research by Mehreen and Ali (2022), who studied 239 bank employees in the banking sector. Their research found that employee development can improve employee performance. Development programs help enhance employees' skills and competencies, enabling them to work more effectively and efficiently. Employees with strong skills are better able to complete tasks with high quality and promptly. Similar research conducted by Regen et al. (2020) also showed that employee development significantly affects employee performance. Opportunities for career development through development programs can also improve employee retention. Employees who see a clear career path and opportunities for advancement tend to be more loyal and committed to the organization, which ultimately enhances their performance.

Effect of Employee Communication on Employee Performance

Based on the statistical test results, with a p-value of 0.000 (< 0.05) and a t-statistic of 4.698 (> 1.96), the fourth hypothesis is accepted. The analysis shows a significant relationship between employee communication and employee performance at Bank Indonesia Lhokseumawe and Banda Aceh. Effective communication ensures that employees understand the organization's goals, their roles, and what is expected of them. Transparency of information helps prevent miscommunication and ensures that employees have the information they need to perform their jobs effectively. This finding is supported by several studies, including research conducted by Firdoosjahan et al. (2020). Their study, which involved 500 employees from Bank Islamic in the banking sector, found a significant impact of communication on employee performance. Clear instructions from management enable employees to better understand their

tasks and responsibilities, helping them complete their work more efficiently and reduce errors. A similar study by Titisari et al. (2021) also found that internal communication has a significant impact on employee performance. Good feedback from supervisors or colleagues can motivate employees to continuously improve their performance.

Effect of Employee Engagement on Employee Performance

Based on the statistical test results, with a p-value of 0.000 (< 0.05) and a t-statistic of 4.754 (> 1.96), the fifth hypothesis is accepted. The analysis shows a significant relationship between employee engagement and employee performance at Bank Indonesia Lhokseumawe and Banda Aceh. Engaged employees are often more proactive and innovative. They tend to contribute new ideas and take initiative to improve processes and work efficiency. This finding is supported by several studies, including research conducted by Ngwenya & Pelsler (2020). Their study, conducted in the manufacturing sector in Zimbabwe with 257 respondents, found a significant impact of employee engagement on employee performance. Engaged employees tend to be more loyal and have higher retention rates. This loyalty reduces turnover rates and ensures that experienced employees remain within the organization, enhancing team stability and performance. The findings are consistent with those of Ambarwati et al. (2023) and Rumman et al. (2020), where employee engagement significantly affects employee performance.

The Effect of Employee Development Through Employee Engagement on Employee Performance

Based on the statistical test results, with a p-value of 0.000 (< 0.05) and a t-statistic of 3.536 (> 1.96), the sixth hypothesis is accepted. The analysis shows that employee engagement can partially mediate the relationship between employee development and employee performance at Bank Indonesia Lhokseumawe and Banda Aceh. Employee engagement mediates the relationship between employee development and employee performance by enhancing employee involvement through development programs, which in turn improves employee performance. Employee development not only directly impacts performance but also does so indirectly by increasing engagement. This finding is supported by several studies, including research conducted by Sannagy & Hassan (2023) and Mubarok (2020). Both studies indicate that employee engagement can mediate the relationship between employee development and employee performance. Engaged employees exhibit higher motivation, job satisfaction, and loyalty, which positively impacts their performance. This engagement boosts productivity, work quality, and their contribution to organizational goals.

The Effect of Employee Communication Through Employee Engagement on Employee Performance

Based on the statistical test results, with a p-value of 0.004 (< 0.05) and a t-statistic of 2.863 (> 1.96), the seventh hypothesis is accepted. The analysis shows that employee engagement can partially mediate the relationship between employee communication and employee performance at Bank Indonesia Lhokseumawe and Banda Aceh. Employee engagement mediates the relationship between employee communication and employee performance by enhancing employee involvement through effective communication, which in turn improves performance. Effective communication not only directly impacts performance but also does so indirectly by increasing employee engagement. This finding is supported by several studies, including research conducted by Eka & Anik (2020) and Mubarok (2020). Both studies indicate that employee engagement can mediate the relationship between employee communication and employee performance. Effective and transparent communication not only enhances employee engagement but also their performance. Therefore, organizations need to continuously strengthen internal communication strategies and employee engagement initiatives to achieve high and sustainable performance levels.

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CONCLUSION

Based on the research findings, it can be concluded that employee development and employee communication have a significant direct impact on employee engagement at Bank Indonesia Lhokseumawe and Banda Aceh. Employee development also positively and significantly affects employee performance, as does employee communication, although employee communication does not show a significant direct effect on employee performance. Employee engagement has been found to have a positive and significant impact on employee performance. Furthermore, employee engagement acts as a partial mediator in the relationship between employee development and employee performance, as well as between employee communication and employee performance. This means that employee engagement helps explain part of how employee development and communication affect employee performance. These findings underscore the importance of enhancing employee engagement as part of development and communication strategies to improve overall employee performance.

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