Psychological Capital of Employees’ Engagement: Moderating Impact of Conflict Management in the Financial Sector of Pakistan

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Abstract
Human capital is the backbone of any business and its behavior reflects how the company would achieve its goals and objectives in its business. This study examines the relationship between psychological capital (PC) and employees’ engagement (EE) with the moderating role of conflict management (CM) in the financial sector of Pakistan. A questionnaire composed of established scales were administered to 278 employees in the financial sector, including various banks, investment companies, real estate companies, insurance companies, and brokerage firms at Islamabad. After determining the reliability, the model was analyzed with the help of correlation and regression. Research indicates that PC positively influences EE. This relationship improves further positively when conflicts are handled effectively. Overall, this effort contributes to the existing literature on the history of worker’s involvement by examining the direct impact of PC and CM on EE and moderation of CM.

Key Words
Conflict Management, Employees’ Engagement, Financial Sector, Psychological Capital.

Introduction
Factual asset of any organization is its employees (Brosnan, O’Donnell, & O’Regan, 2019; Ferreira, 2019; García-Sánchez, García-Morales, & Martín-Rojas, 2018) is a statement that frequently revolves around widely in organization’s studies (Botzem & Dobusch, 2017). The prevailing situation of business nowadays, where, every business is attempting to acquire a competitive edge over others, engaged employees come out as a factual and real asset. Researches show that the companies, which emphasize on engaged employees perform better as compared to others by utilizing PC and managing conflicts as it arises in a knowledge-based economy of the technological world.

Conflict Management (CM) is becoming an essential constituent of corporate sector in Human Resource (HR) strategies and has currently achieved escalating consideration in the areas of Human Resource Management (HRM), Human Resource Development (HRD) and in business research (Berger & Berger, 2003; Burbach & Royle, 2010; Capelli, 2008). Human resource is not an only a vital part of any organization but also the most valuable part of any organization (Laursen & Mahnke, 2001). Conflict can be managed more effectively and efficiently by utilizing a PC.

Psychological Capital is a notion originated from Field of Positive Psychology (FPP) and Positive Organizational Behavior (POB) and has been studying in management sciences in different perspectives. Hope, self-efficacy, optimism, and resilience are the main constituents of PC (Kim, Kim, Newman, Ferris & Perrewé, 2019; Luthans, Youssef & Avolio, 2007a). Organizations pursuing retention of PC must focus on all best possible levels of managing conflicts among the employees, as it can be the only way to facilitate towards the achievement of the high level of EE. For the psychological competence of employees, policies need to be devised, to enable them acquiring sufficiently (Sahoo & Sia, 2015). There are many factors, which may influence EE in different ways (Dagher, Chapa & Junaid, 2015).

As evident, EE in an organization may be achieved through enhancing PC (Joo, Baek-Kyoo, Lim & Kim, 2016); this study was carried out with smaller sample and on a limited number of variables. Sihag and Sarikwal (2014), as well as Banerjee and Yadav (2016), conducted studies about EE and PC in which dimensions of EE were other than the three i.e., dedication, absorption and vigor and suggested that other dimensions of EE should be tested on PC in some other
population for generalization of results. Thus the contingent role of CM in the relationship of PC and EE has also not been examined and there exists a gap (Zou, Chen, Lam & Liu, 2016).

Therefore, the problem statement is, “does PC result in enhancing EE and that can this relationship be moderated by CM?”. Aspire of the study in hand is to determine, establish and conclude the impact and relationship of PC on EE in financial services providers of Pakistan and identify the role of CM as a moderator between PC and EE relationship.

**Literature Review**

This section will put light upon EE, PC and CM. Furthermore, points discussed are: definitions with a brief explanation of the topic on PC and its dimensions, EE and its dimensions and CM and its processes focused. In the same way, it provides the basis for realizing of how PC affects EE at work with the contingent effect of CM.

**Employees’ Engagement**

The engagement has obtained a substantial amount of consideration in the literature of research (Presbitero, 2017). Kahn (1990) initially defined the term engagement, in expressions of those behaviors with the help of which employees leave or bring in their own selves during work performance and opined that with an increased level of engagement; employees give their performance emotionally, cognitively and physically. As given by Kahn (1992), engaged employees show high physical and emotional as well as cognitive connection with their duties. When employees of an organization are engaged, then they are completely associated with their work and disengagement makes them avoid their tasks (Nazir & Islam, 2017).

The definition proposed by Kahn (1992), have concurrency with this definition of individual engagement. Harter, Schmidt and Hayes (2002), considered representative engagement inside of worker’s work part and that energy for work is associated with the worker (Harter, 2009). Schaufeli, Salanova, Gonzales-Roma and Bakker (2002), emphasize about the positive features of EE and explained that it is “a positive, fulfilling, work-related state of mind that is characterized by vigor, absorption and dedication” (p. 74). According to Dagher, Chapa and Junaid (2015), there are three dimensions of EE (vigor, dedication and absorption), which explains almost seventy-eight percent of the entire variance of EE.

Since Kahn (1992), different definitions of EE have come into the view, which includes “a persistent, positive, affective-motivational state of fulfillment that is characterized by dedication, absorption and vigor” (Maslach, Schaufeli & Leiter, 2001, p. 417), and in another view of a researcher “an individual’s sense of purpose and focused energy, evident to others in the display of personal initiative, effort, adaptability and persistence directed toward organizational goals” (Macey, Schneider, Barbera & Young, 2011, p. 7). All these explanations are common: EE is both a state of motivation and an expression of genuine desire to invest in targeted efforts to achieve organizational goals (Schaufeli, 2013); as well as a psychological state of work (Macey & Schneider, 2008).

**Psychological Capital**

In the current decade, psychologists from all over the world have started inspecting the influence of PC at different levels in an organization and in teams (McKenny, Short & Payne, 2013; Sahoo & Sia, 2015). The employees, who possess strong emotional, psychological and intellectual skills, are more capable to handle their professional requirements in an easy way (Pradhan & Jena, 2016). Startup capital and attributes of PC are positively associated with entrepreneurial success (Avey, Luthans, & Youssef, 2010; Baluku, Kikooma & Kibanja, 2016). Psychological Capital may be divided into two scopes: Field of Positive Organizational Behavior (POB), and Field of Positive Psychology (FPP).

**Field Of Positive Psychology**

Psychological capital was derived from FPP. Ever since the end of the twentieth century, significant attention was given to positive psychology, when Martin Seligman launched it publically in the year 1998, during his address on the occasion of becoming the president of American Psychological Association (APA). In the year 2000, Peterson saw positive psychology as an inventive expansion of psychology. The inspiration of building employees followed by positive energy, positive quality and strengths rather than addressing and discussing deficiencies and negative features (Seligman, 2002).

**Positive Organizational Behavior**

The driven concept from positive psychology of POB by Luthans (2002a; 2002b), is more specific. The description of POB is the application of positive HR psychological capacities and strength-oriented which is positively oriented
and may be expanded, computed and effectively and efficiently managed for enhancement in performance of workplace (Luthans, 2002b).

For constructs, the definition of POB has described insertion standard; besides being a positive attitude, the constructs should be of psychological capacity; it must have valid bases of research and should be measurable for its influence over performance at the workplace (Luthans & Youssef, 2007). The inclusion standards of POB are met by only four constructs till now, which include Hope, Self-Efficacy, Resiliency, and Optimism (Luthans, 2002a; Luthans & Youssef, 2004; Luthans & Youssef, 2007; Banerjee & Yadav 2016) and defined as follows

**Hope**

Hope is an emotion of desire and expectation for something positive to happen. It also comprises fortitude for the accomplishment of aim and proactive planning for the target to achieve.

**Self-Efficacy**

It is defined as an individual’s self-confidence in their capabilities to accomplish specific or organizational goals in an explicit situation.

**Optimism**

It is an internal temperament or tendency to stare on the more positive or favorable aspect of events or situations and to anticipate the more constructive and productive outcome in the future.

**Resilience**

It is defined in the FPP as a positive approach to managing with difficulty. In an organizational context, it may be defined as a capability to recover from conflict, hindrance, failure, stress or change in responsibility.

**Conflict**

Conflict is an inevitable phenomenon that occurs usually in our daily lives, whether outside the organization or within the organizational framework. The conflict has acquired a great sum of attention from practitioners and professional research scholars, as it was found growing inside an organization and among different organizations (Amason, 1996; Boulding, 1963: Gibson & Callister, 2010; Li, Chun, Ashkanasy & Ahlstrom, 2012; Morris, Conley & Kern, 2003; Pondy, 1992; Shelton & Darling, 2004; Wall & Callister, 1995). Researchers also have observed several studies on conflicts that have positive outcomes but on the other hand, numerous studies have exhibited totally contradictory outcomes of conflict (Khan & Haque, 2009; Tepper, Moss & Duffy, 2011).

Most of the researchers have conceived that conflict as a model for background processes, antecedents and results, is a vibrant process between or among two or more entities, including five (05) phases of the conflict: perceived conflict, latent conflict, manifest conflict, experienced conflict, and after the conflict (Wall & Callister, 1995). Thomas and Schmidt (1976), described the conflict as a process of perceptions, behaviors, sentiments, and their results. Putnam and Poole (1987) elaborated conflict as “the interaction of interdependent parties or people who observe the opposition goals and objectives and consider the other party to be potentially interfering with the attainment of these objectives or goals” (p.552). In the year 1995, Wall and Callister provided an amalgamation of earlier definitions and argued, "conflict is a process in which a party perceives that their interests are opposing or adversely affected by another party”.

**Conflict Management**

In many organizations, tensions and conflicts occur naturally. Handling and managing confrontation and disagreement in operations of organizations are among the core assignments of management in strategic decision-making (Saeed, Almas, Anis-ul-Haq & Niazi, 2014). There are some people which may act in that way which lead to resolution of this tension and conflicts through cooperative behavior and that there are some people, who leave those conflicts unresolved and kindle aggressive behavior (Saeed, Almas, Anis-ul-Haq & Niazi, 2014). Therefore, resolution of conflicts is very important for enhancing EE among employees.

Conflict management is the course of action for minimizing the harmful or negative facets of conflict while maximizing the positive ones. Aspire of CM is to improve learning and group results, which includes performance and effectiveness in an organizational setting (Rahim, 2002, p. 208). Group results can be improved by proper CM (Bodtker & Jameson, 2001; Halevy, Halali & Zlatev, 2019; Rahim, 1983; Zhao, Thatcher, & Jehn, 2019).
Theoretical Framework

Foregoing discussions in view and on the basis of Sihag and Sarikwal (2014), Banerjee and Yadav (2016), and Zou, Chen, Lam and Liu (2016) models, that PC is positively related to EE and CM respectively, a conceptual framework with changed operationalization of EE and addition of contingent impact of CM has been developed to examine the correlations in financial services sector of Pakistan as under:

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Moderating Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological Capital</td>
<td>Conflict Management</td>
<td>Employees’ Engagement</td>
</tr>
</tbody>
</table>

Hypotheses

H1: Psychological Capital positively influences Employees’ Engagement.

H2: Conflict Management moderates the relationship between Psychological Capital and Employees’ Engagement.

Research Methodology

This research is a cross-sectional study based on Hypothetical-deductive research approach. It is a quantitative research study and optimist research philosophy is employed. The population of this research study is the financial services sector of Pakistan located at Islamabad, which includes; banks, investment companies, insurance companies, brokerage firms and real estate companies. The sample includes employees of above-mentioned multinational and national financial services provider companies of Islamabad, Pakistan. In this study, the researcher will incorporate probability-sampling technique. Furthermore, to probability sampling, simple random sampling technique has been used for data collection. Unit of analysis is the employees of the financial sector of Islamabad.

As the results of data gathering, more than fifty (50) brokerage firms, three hundred and two (302) branches of different banks and nineteen (19) branches of insurance companies are continuing their operations in Islamabad at the time of data gathering. Employees’ engagement’s research scale is taken from a published article of Schaufeli, Salanova, Gonzales-Roma and Bakker (2002). Psychological Capital’s research scale has been taken from a published article of Luthans, Youssef and Avolio (2007b). Conflict management’s research scale has been taken from the scales developed by Rahim (1983).

The reliability results for this questionnaire are 0.924 and researchers confirmed that the reliability values between 0.6 and 0.8 are acceptable (Beiske, Kjelsberg, Ruud, & Stavem, 2009; Liran & Miller, 2019). Reliability assessments for every variable range from 0.859 to 0.946. These data show that the questionnaire is reliable for carrying out research.

Table 1. Reliability

<table>
<thead>
<tr>
<th>S. No</th>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>No. of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Psychological capital</td>
<td>0.929</td>
<td>24</td>
</tr>
<tr>
<td>2</td>
<td>Conflict management</td>
<td>0.859</td>
<td>28</td>
</tr>
<tr>
<td>3</td>
<td>Employee Engagement</td>
<td>0.892</td>
<td>17</td>
</tr>
</tbody>
</table>

Demographic Details

A total of 305 questionnaires were given out to target sample for data collection. The survey collected 278 usable questionnaires, which shows that the response rate was 92% for the analysis in the study.
Table 2. Analysis of Demographic Variables of the Study

<table>
<thead>
<tr>
<th>Demographic Variables</th>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Distribution (Years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>23</td>
<td>8.3</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>26-30</td>
<td>54</td>
<td>19.4</td>
<td>27.7</td>
<td></td>
</tr>
<tr>
<td>31-35</td>
<td>115</td>
<td>41.4</td>
<td>69.1</td>
<td></td>
</tr>
<tr>
<td>36-40</td>
<td>53</td>
<td>19.1</td>
<td>88.1</td>
<td></td>
</tr>
<tr>
<td>41-45</td>
<td>24</td>
<td>8.6</td>
<td>96.8</td>
<td></td>
</tr>
<tr>
<td>Above 45</td>
<td>9</td>
<td>3.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Gender of Respondents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>216</td>
<td>77.7</td>
<td>77.7</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>62</td>
<td>22.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Qualification</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MS &amp; PhD</td>
<td>31</td>
<td>11.2</td>
<td>11.2</td>
<td></td>
</tr>
<tr>
<td>Masters</td>
<td>226</td>
<td>81.3</td>
<td>92.4</td>
<td></td>
</tr>
<tr>
<td>Bachelor</td>
<td>21</td>
<td>7.6</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Job Experience (years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>83</td>
<td>29.9</td>
<td>29.9</td>
<td></td>
</tr>
<tr>
<td>6-10</td>
<td>113</td>
<td>40.6</td>
<td>70.5</td>
<td></td>
</tr>
<tr>
<td>11-15</td>
<td>46</td>
<td>16.5</td>
<td>87</td>
<td></td>
</tr>
<tr>
<td>16-20</td>
<td>23</td>
<td>8.3</td>
<td>95.3</td>
<td></td>
</tr>
<tr>
<td>Above 20</td>
<td>13</td>
<td>4.7</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table above shows the statistics of the age description. The majority of respondents belong to the age group 31-35, covering 41.4% of the total sample. The second age group respondents belong to the 26-30 age groups, which accounts for 19.4% of the total sample. In gender descriptive, 216 were male respondents which covered 77.7% of the total sample. Feminine respondents were 62, which covers 22.3% of the total sample. In education qualification level, the majority of respondents were masters, covering 81.3% of the total sample. In Job experience description 40.6% of respondents have 6-10 years of experience and followed by the 0-5 years which covers 29.9% of the population.

Table 3. Descriptive Analysis

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological Capital</td>
<td>4.9592</td>
<td>0.64301</td>
<td>-1.971</td>
<td>5.820</td>
</tr>
<tr>
<td>Conflict Management</td>
<td>3.6107</td>
<td>0.53143</td>
<td>-0.864</td>
<td>-0.455</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>4.1918</td>
<td>0.50581</td>
<td>-1.622</td>
<td>3.863</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The descriptive analysis disseminates the qualitative attributes of the study variables, measured through central tendency, which shows the central point and distribution of data. Mean point and standard deviation which exhibits the variability and variation in data. Skewness is a measure of the asymmetry of data (Legendre & Borcard, 2018). Negative values of skewness exhibits, means are less than the mode.

Pearson Correlation

The association among study variables is measured by using the Pearson Correlation Matrix. The calculated statistical value of PC is 0.072 at 7.2% with CM which shows insignificant correlation while 0.669 with EE shows 66.9% significantly. However, the CM is having an insignificant association at 10.3% with the EE. It may be deduced that CM has a low impact as a moderator between PC and EE.

Table 4. Correlation Analyses
Correlations

<table>
<thead>
<tr>
<th></th>
<th>PC</th>
<th>CM</th>
<th>EE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CM</td>
<td>0.072</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>.669**</td>
<td>0.103</td>
<td>---</td>
</tr>
</tbody>
</table>

**p<0.01

Regression Analysis

To measure the significant impact of the independent variable and moderating variable’s influence the regression analysis has applied. This section splits the discussion into two phases; firstly the independent variable’s impact on the dependent variable, secondly moderation of conflict management has verified in consortium with psychological capital on employees’ engagement. In the model of PC on EE, the value of R reveals 66.9% association with each other while changing in EE caused by PC has captured through R². The value of R² 44.7% articulates the variation in EE is independently caused by PC.

Table 5. Regression Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Std Error</th>
<th>Beta</th>
<th>t</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1. Psychological Capital on Employees’ Engagement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.580</td>
<td>0.176</td>
<td>8.957</td>
<td>23.350</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Psychological Capital</td>
<td>0.527</td>
<td>0.035</td>
<td>0.669</td>
<td>14.923</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R =0.669</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>R² = 0.447</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Model 2. Psychological Capital with Conflict Management as a Moderating Effect on Employees’ Engagement

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Std Error</th>
<th>Beta</th>
<th>t</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.916</td>
<td>0.096</td>
<td>40.504</td>
<td>9.052</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>PCCM</td>
<td>0.015</td>
<td>0.005</td>
<td>0.178</td>
<td>2.995</td>
<td>0.003</td>
<td></td>
</tr>
<tr>
<td>R =0.178</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R² = 0.032</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

The beta of variable PC is 0.699, which shows a positive impact on EE, whereas the (Sig <0.05). The summary results of the model show that the value of R-squared is 0.375. This shows that almost 36% of change in dependent variable occurs due to independent variables. The beta value for moderator is 0.178, which shows a positive impact on EE, whereas the (Sig. < .05).

Discussion and Conclusion

Corporate firms and companies working in the financial sector will succeed and achieve their goals and objectives more effectively and efficiently, if their employees are hopeful, self-efficacies’, having resilience and optimist in every aspect of their working. By having these attributes, they work with full dedication, absorption and vigor for the accomplishment of goals and desired output. Hence, we can say that employees, which have PC, enthusiastically accept challenges and have potentials to gain, grow and progress as well as become work-engaged employees.

This research study will also give assistance to the financial service sector for improving their creativity and innovation and eventually organizational performance will also increase. Customer satisfaction will increase through creativity and innovativeness of high-quality services and products. Conflict Management and enhanced HR performance influences employees’ abilities in an organization. It is thus obvious that uninterrupted support from CM will be a key strategic prerequisite for assisting the knowledge management activities outside and within a company. Efficiency and effectiveness of any organization may increase if it has appropriate control over check and balances and has a steady system. Based on their performance evaluation, they receive a reward that increases their effectiveness and loyalty towards the organization. This will eventually result in a rise in the overall performance of the financial service sector of Pakistan.
References


