



Antecedents and consequences of employee engagement in the SMEs of crafts

 Irma Dwi Istiningsih^(a)  Dyah Sugandini^{(b)*}  Purbudi Wahyuni^(c)



^(a,b,c) Faculty of Economy and Business, Universitas Pembangunan Nasional Veteran Yogyakarta, Indonesia

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ABSTRACT

The research aims to analyze the mediating role of employee engagement between job satisfaction and reward as the antecedents, the connection between employee engagement and Leader-Member Exchange, and commitment as the consequences. Meanwhile, this primary study's purpose is to determine whether (and how) employee engagement and antecedents influence Leader-Member Exchange and Organizational Commitment. The population of wooden batik craft centers in Bantul regency is 57 centers and in Gunung Kidul regency is 20 centers. A census did sampling with 292 crafters consisting of 148 crafters in Bantul regency and 144 crafters in Gunung Kidul regency. The data collection technique used in this research was to use a questionnaire. This research uses the AMOS Structural Equation Modelling technique. The results confirm that job satisfaction, reward, employee engagement, Leader-Member Exchange, and Commitment are interrelated. Job satisfaction and reward had a positive relationship with employee engagement. Furthermore, employee engagement mediated the connection between Leader-Member Exchange and Commitment, and Leader-Member Exchange had a positive relationship with commitment

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Introduction

As one of Indonesia's provinces, Yogyakarta has many potentials in the creative industry with many tourist destinations in Yogyakarta because it has an existing history, culture, and nature. According to data from the Ministry of Industry of the Republic of Indonesia (2018), one factor supporting Small and Medium Industries (IKM) in Yogyakarta is the creative industry. The phenomenon that occurs in SMEs shows that artisans often move from one SMEs to another. The work engagement of artisans with SMEs is still low (Sugandini et al., 2018; Istiningsih et al., 2020). Employee engagement (Employee Engagement) has gained the practitioners' attention in the industry because they relate. Employee engagement can affect the productivity of individuals (Kenexa, 2008), growth in sales and revenue (Perrin, 2003), reducing the accident rate (Gallup, 2004), managerial effectiveness (Harter et al., 2002; Luthans & Peterson, 2002), reduce absenteeism, reduce production costs, and reduce quality errors (Tritch, 2003).

Employee engagement is developing two previous concepts: Commitment and Organizational Citizenship Behavior (Robinson, Perryman and Hayday, 2004; Rafferty et al., 2005). The idea of employee engagement has similarities to the two previous concepts, and sometimes the definitions often overlap. Robinson et al. (2004) stated that the two previous ideas, namely Commitment and OCB, were deemed incomplete, and in the concept of employee engagement, elements of included business awareness were. Rafferty et al. (2005) also distinguished between the idea of employee engagement and the two previous concepts, where employee engagement shows more of a mutually beneficial process of giving and receiving between employees and the organization/company. Employee engagement is an employee's willingness and ability to contribute to the company's success continuously. This sense of attachment to the organization is strongly influenced by various factors, such as emotional and rational factors related to work and work experience as a whole (Dernovsek, 2008).

* Corresponding author. ORCID ID: 0000-0003-0611-882X

The low Employee engagement of handicraft SMEs in Yogyakarta is unique because these artisans can quickly move from one SMEs to another without feeling guilty about the previous manager. These artisans have been a lot of knowledge and are already proficient. There is an issue circulating that artisans work in SMEs just to gain experience and find markets. After the craftsman gets this knowledge, he will move. The move was in search of a higher salary. Besides that, these craftsmen will set up their businesses (Sugandini et al., 2018; Istiningsih et al., 2020). This is detrimental to SMEs because: SMEs lose skilled human resources, and SMEs have to re-educate new artisans. These two things interfere with the performance of SMEs. By observing this phenomenon, Employee engagement becomes an exciting issue to research in SMEs in Yogyakarta.

This study will analyze employee engagement in terms of antecedents and consequences to support employee engagement theory. Many people argue that job engagement must be taken seriously by executives in the Human Resources sector to survive and develop. This opinion is also strengthened by several studies that correlate high job engagement with company targets' achievement, and the results are very positive. Companies are no longer only looking for prospective employees who have above average abilities, but they are also looking for prospective employees who can invest themselves in being fully involved in work, be proactive, and have a high commitment to quality performance standards (Bakker, 2011)

Literature Review

Employee engagement

Employee engagement is an organizational problem when companies are trying to emerge from a global recession. The business recession that arose from the covid-19 pandemic was the main thing that triggered the bankruptcy of the SME sector (Sugandini et al., 2018; Ramehkumar, 2020). Therefore, employee engagement is an exciting topic that appears and is discussed by Global business managers. Perrin (2003) defines employee engagement as the willingness of employees and their ability to contribute to the company's success on an ongoing basis. Robinson et al. (2004) define employee engagement as a positive attitude that employees have towards the organization where they work and its values. Thus, there is a two-way relationship between employees and the company in the concept of employee engagement.

Job Satisfaction and Employee Engagement

Employee engagement comprises enthusiasm/passion and commitment that makes the business owner able to invest and develop their business sustainably. It can encourage company success, which is not the same as job satisfaction (Tripathi et al., 2016), so that maximum satisfaction must be proportional to a maximum contribution. Enthusiastic employees who focus their efforts on achieving their company goals is a significant competitive advantage in the modern world (Vorina et al., 2017, et al. 2017). Employers must realize that their business's state depends on how their employees feel about their work problems. If employees are not completely satisfied with their jobs, they can give in to negative attitudes and emotions that affect others in the organization (Landis et al., 2015)

Creating employee job satisfaction is not easy because job satisfaction can only be created if there is continuity between work motivation, leadership, and corporate organizational culture that can be appropriately accommodated and accepted by all employees (Paais and Patiruhu, 2020). Which is straightforward and involving employees will benefit from having satisfied, and high-performing employees and using the power of employee engagement to be competitive and profitable (Shamailan, 2015), the more enthusiastic the workers are, the better the operating results they achieve for the company (Vorina et al. 2017). If all aspects of Human Resources tend to be incompatible, employees will ignore and completely withdraw from work (Tripathi et al. 2016). Such assumptions imply that job satisfaction is an antecedent of employee engagement

H1: Job satisfaction has a direct positive effect on employee engagement.

Rewards and employee engagement

One way to increase employee engagement is through the use of rewards. In any organization, it is essential to implement an effective reward system that will meet its human resource needs (Sugandini et al., 2018). The reward systems offered in various companies can be monetary or non-monetary, tangible or intangible, physical or psychological. Rewards are provided to employees as compensation for the productive work they do. (Kimutai and Sakataka, 2015). Iqbal et al. (2017) stated that rewards (extrinsic and intrinsic) are a significant antecedent of employee engagement (Ajmal et al. 2017). Shmailan (2015) explains that successful organizations understand that rewards can trigger employee satisfaction and employee engagement. If employees have received rewards by their work, then employee engagement increases, the organization is more efficient, customers are happier, and profits increase (Landis et al. 2015). Njoroge and Kwasira (2015) also state a strong relationship between rewards on employee engagement, which also impacts employee performance.

H2: Rewards have a direct positive effect on employee engagement.

Employee Engagement and Organizational Commitment

Commitment and employee involvement is a study in human resources that is often studied because it has a practical nature in today's business organizations (Sugandini et al., 2018; Ramehkumar, 2020). Meyer & Allen (1997) defines organizational commitment as the desire of executive members to maintain their membership and are willing to strive to achieve organizational goals. Meyer and

Allen (1997) present organizational commitment theory in three dimensions: affective Commitment, normative Commitment, and continuity commitment. Employee engagement is positively related to the affective and normative dimensions of commitment. Due to the increasingly competitive business environment, a committed workforce has become a matter of survival for every organization. When the employees are not committed to their organization, they will perform at their lowest (Vuong et al., 2020). Employee engagement is an important study for practitioners and the education community to research and is believed to be a factor that regulates employee commitment relationships in the workplace (Sundaray, 2011). Al-Jabarin & Ghazzawi (2019) define organizational Commitment as the mental condition of employees to maintain their membership in an organization. Sugandini et al. (2018); Ramehkumar (2020) shows that engagement is the primary antecedent of organizational success, such as commitment, business performance, and excellence. Yalabik et al., (2013) show that work attachment affects affective commitment. Nazir and Islam (2017) also state that perceptions of affective Commitment are influenced by employee attachment. The mediating effect of perceived organizational support is analyzed between the relationship between intrinsic & extrinsic rewards and employee attitudes, such as organizational commitment and job satisfaction (Ajmal et al. 2017). High employee engagement tends to be committed to the organization. Employee engagement, employee job satisfaction, and organizational commitment are interrelated (Jones, 2018). Kokubun (2017) explains his research that rewards (intrinsic, social, and extrinsic rewards) are important in forming employee commitment. Therefore, high employee engagement tends to be committed to the organization. Employee engagement, employee job satisfaction, and organizational commitment are interconnected (Jones, 2018).

H3: Employee engagement has a positive effect on commitment.

Employee Engagement and Leader Member Exchange

Leader-Member Exchange (LMX), according to Morrow (2005), is an improvement in the relationship quality between supervision and employees will be able to improve both of their work. But in reality, the relationship between employees and control can be grouped into two associations: right relationships and bad relationships. A good relationship will create employee trust, positive attitude, and loyalty, but a bad relationship has the opposite effect. Meanwhile, according to Organ (1998), as quoted by Bhal (2006), leader-member exchange as employee behavior towards the company has an essential role in an organization's success. Adequate treatment of employees will be able to create a sense of volunteerism for employees to make sacrifices for the company, an important role in the quality of the relationship between leaders and members can help increase creative participation in work performance, and employee job satisfaction contributes positively to the operational efficiency of a company (Nguyen, 2020)

Besides, a favorable special treatment will increase employee contributions to the company where employees work. Employee engagement has become an important issue in human resource management because employee engagement is the primary driver in realizing organizational goals. It is recommended that organizations pay serious attention to discovering the ethical storage character in their managers. Building and implementing organizational culture, and developing various awards for employee performance, both financial and non-financial awards, can increase employee work engagement (Domiyandara and Rivai, 2019).

Leader-Member Exchange (LMX) is a theory that supports the creation of leaders within the group, and outside the group, subordinates with status within the group will have a higher performance rating, lower employee turnover, and higher work satisfaction (Robbin & Judge, 2018). The closeness of the relationship between the Leader and subordinates shows an indication of the leader-member exchange in the company. Although previous studies have not researched the relationship between employee engagement and LMX definitively, it can be explained that employee engagement is positively related to LMX. Therefore, LMX quality was found to mediate the relationship between leadership and organizational Commitment (Lo et al., 2015).

A good leader will assume this attribute beneficial for a relationship in the organization. Employee engagement consistently exhibits positive behavior; works exceed their formal work duties, gives extra time, effort, and different initiative to contribute to business success and encourages the organization to co-workers' (Baumruk & Gorman, 2006). They are also reliable, communicative, and more involved, have a good attitude and willingness to do the job right, and develop their competencies, skills, and abilities (Ellis & Sorenson, 2007). Organizational support has a positive relationship with LMX and works engagement (Viljoen et al., 2016). The Leader can see the attitudes and behaviors of these employees as more impressive and valuable.

H4: Employee engagement has an effect on the Leader Member Exchange

Commitment and member exchange of leaders

Truckenbrodt (2002) states that leader-member exchange is focused on assessing the relationship and interaction between supervisor and subordinate. The closeness of the relationship between the Leader and subordinates shows an indication of the leader-member exchange in the company. They tend to respond by demonstrating a positive attitude towards their leaders. Research on LMX reveals that leaders' support for employees shapes employee attitudes (Garg and Dhar, 2015).

The consequences of employees with high engagement will increase organizational Commitment and Leader-Member Exchange (LMX), and LMX itself can increase organizational Commitment (Sugandini et al., 2018). Another study conducted by (Keskes et al., 2017) states that LMX has contributed as a consequence so that LMX functioned as a binder between leaders and organizational commitment. LMX has a positive impact on commitment. Commitment affects personal performance (Srivastava et al., 2017). The

stronger organizational values are maintained by employees, and the stronger the desire of employees to achieve the company's goals; the company also shows a high organizational commitment.

H5: Leader member have a direct positive effect on commitment

Research and Methodology

Research Design

This research is quantitative. The method used is an in-depth interview and group depth interview. These research objects are Gunung Kidul Regency and Bantul regency, Special Region of Yogyakarta Province. This research population was all crafters working in the woodcraft centers of Bantul regency and Gunung Kidul regency, a special region of Yogyakarta province.

Sample and Data Collection

The population of wooden batik craft centers in Bantul regency is 57 centers and in Gunung Kidul regency is 20 centers. A census created dataset with a total sample of 292 artisans consisting of 148 crafters in Bantul regency and 144 crafters in Gunung Kidul regency. The data collection technique used in this research was to use a questionnaire. This research uses AMOS Structural Equation Modelling (SEM) technique. The developed model testing has been seen from the various Goodness of Fit (Hair et al., 1998). The model used to analyze the data in this study is Structural Equation Modeling (SEM). The measurement model for job satisfaction, reward, employee engagement, Leader Member Exchange, and Commitment variables uses Confirmatory Factor Analysis. The estimation of the effect of each independent variable on the dependent variable uses the path coefficient. The direct effect is observed from the standardized regression weights by testing the Critical Ratio Value (or t-count) significance. CR value > 2 indicates significant. Model testing

The testing of the developed model is seen from the various Goodness of Fit criteria. Measuring the goodness of fit of a model is a relative criterion. The use of several goodnesses of fit indices allows researchers to accept the proposed model (Hair et al., 1998). The measurement of the goodness of fit is divided into three types: absolute fit measures, incremental fit measures, and parsimonious fit measures.

Findings

Respondent Characteristic

Respondent characteristics were based on gender, age, education, and years of service. The following is a research outcome description concerning respondent characteristics that have been performed to 292 artisans in Gunung Kidul and Bantul.

Table 1: Characteristic of respondents

Respondent Identity	Category	Frequency (Amount)	%
Gender	Male	154	53
	Female	138	47
	Total	292	100
Age	16 - 25 years old	44	15
	26 - 35 years old	74	25
	36 - 45 years old	96	33
	46 - 55 years old	60	21
	56 - 65 years old	18	6
	Total	292	100
Education Level	Elementary School	72	25
	Junior High School	123	42
	Senior High School	73	25
	Associate Degree (Diploma)	12	4
	Bachelor Degree	12	4
	Elementary School	72	25
	Junior High School	123	42
Total	292	100	
Years of Service	1 – 5 years	84	29
	6 – 10 years	67	23
	11 - 15 years	46	16
	16 – 20 years	47	16
	21 – 30 years	25	9
	31 – 40 years	13	4
	41 – 50 years	10	3
	1 – 5 years	84	29
	Total	292	100

Model evaluation using SEM-AMOS

Researchers conducted a confirmatory factor analysis using statistical application AMOS. The validity and reliability test results show that not all instruments studied are valid and reliable. Some of the devices used in this study were removed from the model. This study uses a Structural Equation Modeling-AMOS 22 analysis tool involving 292 respondents. The test of the intention to behave in employee engagement models in SMEs in The Special Region of Yogyakarta can be seen in Figure 1.

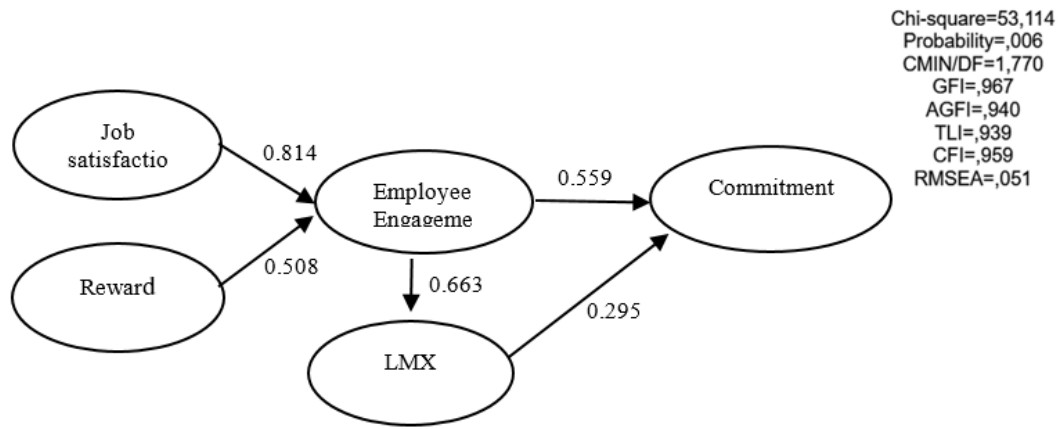


Figure 1: Model Employee Engagement

The results of data analysis showed that the chi-square was 53.114, probability level 0.006. CMIN / DF: 1.770. The goodness of Fit Index: 0.967. Root Mean Square Error of Approximation: 0.051. Comparative Fit Index 0.959. TLI 0.939. The fit-index test results show that the Employee Engagement model with antecedents of job satisfaction and reward can be accepted. Table 2 shows the C.R. values of each path ≥ 2 . The p-value of all paths ≤ 0.05 , so it can be concluded that all paths hypothesized are supported.

Table 2. Results of analysis of relationships between variables

Path	Standardized Weights	Regression	C.R.	P	Hypothesis
Job satisfaction → Employee Engagement	0.814		5.564	0.000	H1 Supported
Rewards → Employee Engagement	0.508		3.491	0.000	H2 Supported
Employee Engagement → Commitment	0.559		3.472	0.000	H3 Supported
Employee Engagement → LMX	0.663		5.225	0.000	H4 Supported
LMX → Commitment	0.295		2.121	0.034	H5 Supported

The evaluation results of the proposed model, based on entire criteria, proved that most of it indicated good results, meaning that the model was good and conformed to the data.

Table 3. The goodness of Fit Indices Result

Criteria	Result	Critical Value	Model Evaluation
C min/DF	1.770	≤ 2.00	Good
Probability	0.006	≥ 0.05	Good
RMSEA	0.051	≤ 0.08	Good
GFI	0.967	≥ 0.05	Good
TLI	0.939	≥ 0.95	Good
CFI	0.959	≥ 0.90	Good

Discussion

Hypothesis testing is performed by looking at the standardized regression coefficient results (Sekaran & Bougie, 2016). The relationship among variables in this research can be seen through the path coefficient result (standardize regression). Job satisfaction has a direct positive effect on employee engagement. Thus it can be concluded that the first hypothesis is accepted. The higher the job satisfaction, the higher the level of attachment of the craftsmen to these centers so that it will impact the increasing commitment of artisans in wooden batik and mask craft centers in Bobung Village and Kreet Village. According to Dernovsek (2008), employees who have no attachment to the company will tend to be skeptical of any initiatives or forms of communication that the company makes, potentially spreading to other employees. The results of this study support Vorino et al. (2017) who conducted a study on 594 people employed in the public and non-public sectors in Slovenia. His research results show that employees who spend most of their time at work are highly attached to the company and can improve performance. Rewards have a direct positive effect on employee engagement (the second hypothesis is accepted). The higher the award received by craftsmen, it will impact the increasing commitment of artisans in wooden batik craft centers and masks in Bobung Village and Kreet Village. Kahn (1990) explains that employee attachment to an organization is a function of employees' perceptions of the benefits of employees' role in an organization. Maslach et al. (2001) also suggested that appropriate recognition and rewards are important for enhancing employee engagement. In other words, workers will be more involved in work if the work situation can provide more psychological comfort and psychological safety (Maslach et al., 2001). In this study, the craftsman felt that he had succeeded in doing the job if the work was on target. The success of completing the work can contribute to the craftsman's positive feelings. The salaries or wages received by craftsmen and bonuses and promotional opportunities that the center owners give to artisans create a significant work attachment. The higher the appreciation received by craftsmen at the wooden batik and mask handicraft centers in Bobung and Kreet villages, the higher the craftsmen's engagement and Commitment at the wooden batik and mask craft centers in Bobung and Kreet villages.

Employee engagement has a positive effect on commitment at craft centers in Bobung and Kreet villages (the third hypothesis is supported). This study supports Meyer and Allen (1997), who show that organizational commitment is a form of participation, a sense of belonging, and an emotional attachment to work organizations. Most of the craftsmen at SMES Bobung and Kreet have positive and pleasant thoughts about their work. The commitment of artisans at SMES Bobung and Kreet also shows a positive attitude towards work in the organization and shows greater affective Commitment and normative Commitment. Employee engagement at SMES Bobung and Kreet is relatively high. This is shown by the craftsmen's effective and efficient work and full commitment to their work. Artisans are also interested in making changes in the organization and have readiness for all evaluation forms, such as performance surveys.

Employee engagement affects LMX (the fourth hypothesis is accepted). The high level of engagement of artisans in Bobung and Kreet handicrafts SMEs are usually related to the cost of leaving handicraft SMEs. Artisans who have positive thoughts on work tend to show positive attitudes at work. So that affective Commitment and normative Commitment will be greater. The results of this study are supportive (Coffman, 2000; Ellis and Sorensen, 2007). The elements of a craftsman attachment are measured in the craftsmen's feeling of having a physical ability that supports completing the work. The craftsmen are enthusiastic about their work. The craftsman is happy with the work and is willing to work intensively. The craftsmen feel happy when working, so they feel that time flies quickly. This study's results support Robbin & Judge (2018) and Labuschagne et al. (2016), which state that the LMX has a positive relationship with work involvement. LMX has the essential role of high-quality leader-member exchanges in organizations. This research shows that leaders often provide support and attention to artisans. The leaders of handicraft SMES also gave confidence in the potential of artisans. So that the leadership's attention can increase the commitment of artisans in the Craft SMEs.

LMX has a positive effect on the commitment to handicraft centers in Bobung Village and Kreet Village (Fifth hypothesis is supported). This study shows that artisans who feel cared for by the SMEs leaders feel comfortable at work and are reluctant to move. This convenience increases the craftsmen's commitment to continuing to work on the Bobung and Kreet handicrafts SMEs. This study supports Truckenbrodt (2002), which states that LMX focuses more on relationships and interactions between supervisors and subordinates. The closeness of leaders and subordinates shows an indication of the occurrence of LMX between SMEs leaders and artisans. These SMEs craftsmen respond by giving a positive attitude towards their leaders. Garg and Dhar (2015) also show that the leadership's support to employees can build good employee commitment. Consequently, artisans who feel the attention and support of SMEs leaders will be more committed to where it works. This study also supports Sugandini et al. (2018), which states that the Leader-Member Exchange (LMX) can increase organizational commitment. Keskes et al. (2017) also stated that LMX could strengthen leadership relationships and organizational Commitment (Srivastava et al., 2017). The stronger the organizational values that the Bobung and Kreet artisans uphold, the more they will encourage SMEs' achievement and high organizational commitment. The direct effect, the indirect effect, and the total effect describe as follow. The results showed an indirect effect of job satisfaction on leader-member exchange mediated by employee engagement amounting to 0.507. The indirect effect of job satisfaction on commitment mediated by employee engagement is 0.586. The effect of total job satisfaction on employee engagement was 0.232. The effect of total job satisfaction on the LMX is 0.507. The effect of total job satisfaction and commitment is 0.586. Thus, it can be concluded that the indirect effect of job satisfaction on LMX mediated by employee engagement (0.507) is smaller than the direct effect of job satisfaction on employee engagement (0.586).

Conclusions

This study shows that craftsmen's job satisfaction and reward in Bobung and Kreet have a relationship with organizational commitment mediated by employee engagement. Rewards or intrinsic and extrinsic rewards are important in shaping the employee's commitment. Giving gifts is expected to increase the craftsmen's Commitment's performance because this can increase employee engagement. An effective reward system is also important in craft SMEs. The reward system offered at handicraft SMEs can be money or other tangible or intangible forms of compensation for productive work.

Based on the analysis results and discussion of job satisfaction variables have the most considerable coefficient estimated value of influence on employee engagement, so that job satisfaction has the most significant effect of increasing crafter engagement at craft centres of wooden batik and masking in Bantul regency and Gunung Kidul regency. The craft center owner should pay attention to the rewards received by crafter and improve the work environment's comfortability for the crafter, enhance the crafter engagement, and continue to maintain the crafter commitment. Job satisfaction, rewards, and engagement influence the crafter commitment to stay and work at the wooden batik and mask craft center. The central industry managers can continue to maintain engagement with their crafter. The small and medium industries in both regencies can survive and become more competitive amid the onslaught of large factories built in these areas and make an icon of a tourist village.

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