The Moderating Effect of Employee Well-Being between Employee Engagement and Firm Performance: Evidence from the Apparel Industry in Sri Lanka

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Abstract

Owing to globalization and dynamic business environment, organizations quest for sustaining their business performance by crafting various compelling strategies. Recently, employee engagement and well-being have gained dramatic popularity among managers and practitioners as a salient strategy to augment firm performance. Notably, the research studies on the nexus among employee engagement, employee well-being and firm performance are still nascent, and past findings are obscure. Moreover, the studies that have been conducted in developed countries cannot be generalisable to the developing countries since the variables are subject to country culture specific nature. To fill the void left by the earlier studies, the present study is designed to investigate the moderating role of employee well-being on the relationship between employee engagement and firm performance based on the sampled from Sri Lankan apparel industry. Using the convenience sampling technique, data were marshalled through a self-reported questionnaire from 177 employees working in the apparel industry in Sri Lanka. The data were analyzed using SmartPLS. The study shows a significant positive relationship between employee engagement and firm performance. The study further reveals a moderating effect of employee well-being on the relationship between employee engagement and firm performance”. The study contributed to the frontiers of extant HRM literature and provided many useful practical implications that have been discussed at the end of the paper. Importantly, the present study adds to the evolving debate on the critical role of employee engagement in enhancing firm performance through employee well-being.

Keywords: Employee engagement, firm performance, employee well-being, apparel industry

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Introduction

Inextricably, the present era is searching for ways to increase operational efficiency and productivity (Kim et al., 2022; Sharma et al., 2022). In a similar vein, organizations are making efforts to improve their performance over competitors (Park, Chung, & Son, 2022; Welbourne, 2007). To cope with the competition, managers have been rassling with a vast range of challenges to succeed. In this scenario, researchers find the best ways to aid managers mitigate the challenges (Delbridge & Keenoy 2010). Around the world, a severe focus has been paid to the concepts of employee engagement and employee well-being as critical enablers of organizational performance (Waqas & Saleem, 2014; Krekel et al., 2019). Particularly, employee engagement has become a greater concern for organizational practitioners over the decades, and research findings show insufficient levels of engagement in many countries and organizations (Joplin et al., 2021; Robertson & Cooper, 2010). The literature maintains that low employee engagement or disengagement could be problematic because it will produce undesirable consequences such as damaged well-being and low levels of individual and organizational performance” (Christian et al., 2011). Consequently, firms absorb maximum benefit from developing and deploying salient employee engagement practices to reap business success and performance (Krekel et al., 2019; Huselid 1995; Delbridge & Keenoy 2010). For decades, both the executive and academic communities have given severe focus on the issue of employee engagement.

According to “academics and business leaders, employee engagement results from individual feelings such as cheerfulness, morale, and job satisfaction” (Truss et al., 2013). “Employee engagement first appeared in the social-psychological lexicon coined by Kahn (1990), which advised that individual engagement befalls when individuals bring in or leave out themselves during work-role performances”. “These behaviours refer to how individuals exercise physical, cognitive and emotional degrees throughout their job-role performances”. Therefore, engaged employees manifest their genuine behaviours through physical engagement, cognitive awareness and emotional bonds”. “Conversely, disengaged workers separate themselves from their roles, suppressing personal involvement in work's physical, mental and emotional aspects” (Macey & Schneider, 2008). Kahn argued that the authentic expression of self that transpires during experienced engagement is psychologically propitious for the employee (Kahn, 1990). “Notwithstanding, according to George (2011), high levels of engagement may be troublesome as well: “the costs of high work engagement for employees require considerably more attention than they have received to date, and question to what extent high engagement is always such a positive experience for employees”. MacLeod & Clarke (2011) “delineate that engagement is a workplace strategy intended to assure that individuals are committed to their firm's goals and values, urged to contribute to the firm's success and enhance their sense of well-being”. “Although there are many different definitions of engagement, evidence has accumulated based on quantitative studies that suggest that high levels of engagement are linked to high levels of organizational performance and individual well-being” (Christian et al., 2011; Hakanen & Schaufeli 2012; Soane et al., 2013). Researchers in the past have linked employee engagement with the concept of employee well-being to understand the nexus between them to augment firm performance. Shuck & Reio (2014) “posit that the association between engagement and well-being is apparent; thus, a detailed exploration of the constructs that affect the firm performance is the top priority”. Employee well-being at work can broadly be defined as the overall condition of an employee's experience and functioning at work (Warr, 1990). Robertson & Cooper (2010) “found that employee engagement is more
sustainable when employee well-being is also high”. “A more comprehensive conceptualisation of engagement that contains employee well-being is better for building sustainable benefits for individuals and organizations”. “Employee engagement and employee well-being are currently of interest to practitioners and researchers alike, but currently, they are not customarily considered together and form the focus of distinct and separate research streams” (Cho, 2021; Greenier, Derakhshan, & Fathi, 2021; Jena, Pradhan, & Panigrahy, 2018; Radic et al., 2020; Robertson & Cooper, 2010).

Furthermore, there is a lack of agreement on the importance of employee well-being on the relationship between employee engagement and organizational performance (e.g. Abdullahi, Raman, & Solarin, 2021; Kengatharan, & Kunatilakam, 2020; Narayanamma, Neelima, & Mounika, 2022; Van De Voorde & Paauwe, 2012). Notably, studies on employee engagement and firm performance in developing countries are scant and findings are contradicting. Although many studies in developed countries explored the quest for augmenting performance through employee engagement, the findings cannot be generalisable since the variables vary from country to country and culture to culture. Consequently, the present study examines the moderating effect of employee well-being on the relationship between employee engagement and firm performance. To attain the research aim, this paper is folded into five sections. Section two seeks to review the extant literature on the link among the study variables, the third section presents research methodology to attain the research aim, the fourth section presents the result and the discussions about the findings, and finally, the fifth section provides the conclusion.

**Literature Review**

**Employee engagement and firm performance**

Owing to increasing competitiveness, employee engagement evolves as a critical concept in organizational studies and human resource management. Specifically, findings show that engaged employees contribute to organizational performance (Aktar & Pangil, 2018; Kamel, 2019). “Employee engagement is a collection of positive employee attitudes toward the firm; it encompasses sentiments of commitment, involvement, loyalty, and satisfaction (Kamel, 2019) that aim to affect individual behaviour and the degree of effort in the workplace”. “This human resource management concept has attracted the attention of governments, business practitioners, and researchers as they are inquisitive to discover the reasons for the concept's existence in a firm and its significances” (Yalabik et al., 2013). Macey & Schneider (2008) posit that the findings show that the nature of employee engagement is vague and complicated among managers and scholars. This concept is widely employed to present qualities, behaviours, attitudes, psychological well-being, antecedents and consequences. “Although several deliberations regarding employee engagement are available in the literature, most scholars consider that engaged individuals are extremely forceful, ambitious concerning their job role and frequently devoted to the job that shows significant performance better than others” (Macey & Schneider, 2008). Further, “employee engagement encompasses the nature of the work; whether the delegate feels rationally secure; the belief and communication between delegates and administration; the ability of an employee to see how their work yield to the overall company’s performance; the possibility of advancement within the firm; and the level of pride an employee has about working for or being associated with the firm” (Kamel, 2019). Others define employee engagement as the positive attitude exhibited by individuals concerning the firm and its value (Markos & Sriradevi, 2010). Findings show that engaged individuals should be conscious of their business context in which they work and coordinate with peers within the job to augment firm performance. Thus, firms
should create and nurture engagement that necessitates a two-way intimacy between employee and employer (Markos & Sridevi, 2010). “Employee engagement is commonly defined as the mutual interaction of employees and organizations” (MacLeod & Clarke, 2011). “Engaged employees put more effort at work and are more likely to go above and beyond their required and expected workload”. Researchers and managers recognized that employee engagement is one of the most critical factors influencing organizational performance (Welch, 2011; Xanthopoulou et al., 2009) and is an essential component of a company's commitment to performance (Bakker et al., 2011). In a nutshell, the literature emphasizes that high employee engagement can enable firms to mitigate absenteeism, accidents, and turnover and improve individual and firm performance (Juan & Yao, 2017). Moreover, a positive link was found between engagement and a firm's effectiveness, quality, productivity, satisfaction, profit, performance. “However, “researchers place less emphasis on satisfaction and employee engagement, both of which are non-financial factors that play a significant role in an organization's long-term commitment”” (Ahmed et al., 2020). The study of Kim & Kim (2018) based on the sample drawn from 409 frontline employees of service enterprises, such as hotels, restaurants, travel agencies, airlines in USA confirms that organizational engagement and work engagement promote task performance. Another interesting study that has been undertaken among female nurse working in three major hospitals in Sri Lanka found that employee engagement has a significantly positive impact on job performance. Thus, it can be hypothesized:

H1: employee engagement will positively relate to firm performance.

**Employee well-being as a moderator**

Every firm exists to fulfil its objectives and end goals, which has resulted in increased global economic activity (Sideridis et al., 2013). As a result of the difficult economic conditions in domestic and international markets, businesses employ all available techniques to survive and thrive in today's competitive market (Shipton et al., 2005). Employee well-being is increasingly recognized as a significant predictor of a firm's performance and productivity levels (Worrall & Cooper, 2007). Guest & Conway (2004) “describe well-being as six constructs: a sustainable workload; personal control over the job; support from colleagues and supervisors; positive connections at work; a relatively straightforward function and a sense of control over engagement in organizational changes”. Scholars argue that human resource management research and policy should place a greater emphasis on enhancing employee well-being (Currie, 2001). There are various causes for this, as discussed in Guest's (2017) essay. “First, it is ethical to do, since employee interests are often disregarded, so employee results are seen as a means to a goal rather than an end in themselves”. Additionally, various external influences may wreak havoc on an employee's well-being. Finally, firms may benefit from a well-being-focused approach to improved employee performance, sustained competitive advantage, and cost savings. Employee well-being and productivity might suffer due to low workforce engagement and employee well-being which can be costly. Researchers suggest that collaborative research between academics and managers is intensely required to unfold what is happening in the workplace and define the link between engagement and well-being and firm performance (Albrecht & Su, 2012). Resultantly, the enormous potential will be unlocked via well-being, resulting in increased individual and organizational performance. Literature shows that employee happiness is a facet of employee well-being that has notable congruent with a firm's long-term corporate performance (Edgar et al., 2017). The past literature has proven the significant positive relationship between employee well-being and firm performance (Wright & Cropanzano, 2000). Although
some studies found mediating role of employee well-being on firm performance (Ab Wahab, & Tatoglu, 2020; Wright & Cropanzano, 2000), other studies have explored employee well-being as a moderator with other variables (Malik, & Singh, 2019). Anchored in self-determination theory (Deci & Ryan, 1985) that articulates that the determinants of autonomy, control, and motivation, the present study assumes that well-being motivate employees towards attainment of organizational goals. Researchers support that employee well-being and engagement are vital in achieving critical outcomes associated with high-performing, successful companies (Ahmed et al., 2020; Sundaray, 2011). Despite the abundance of individual research on well-being and engagement, it is clear that there are under-explored and under-evidenced areas (Bakker et al., 2008). Increased levels of engagement have been tied to improved organizational performance (Sparrow, 201). Based on the argument, it can be hypothesized as:

H2: “Employee well-being moderates the relationship between employee engagement and firm performance such that the positive relationship between employee engagement and firm performance will be stronger at a high level of employee well-being

Methodology

The present study investigates the moderating effect of employee well-being on the relationship between employee engagement and firm performance. A quantitative survey research design was deployed, and primary data were marshalled for analysis. This study believes that the individual perception gives the most significant insights into the study variables; therefore, the unit of analysis is at the individual level. The data were gleaned using a self-administered questionnaire which includes respondent’s background information, employee engagement, employee well-being, and firm performance. Importantly, employee engagement and employee well-being become critical as employee turnover increases due to the demand for and scarcity of skilled and people. “While many firms' performance has decreased due to high turnover rates and associated issues such as increased absenteeism, low loyalty, and productivity, there is still a dearth of academic study on the antecedents necessary for employee engagement in the apparel industry”. The elements of the population consist of lower to top-level employees in apparel industry in Sri Lanka. The study has considered all levels of employees on the basis of outcome variable that can be attained by the contribution of all employees—firm performance. The convenience sampling method was employed, a popular non-probability sampling technique in social science research. Two hundred and fifty questionnaires were distributed; one hundred ninety-seven questionnaires were returned from the respondents. Out of 197, 20 questionnaires were partially filled and missed vital information and thus eliminated from the data analysis. The response rate was 67 per cent. The study satisfies the minimum sample requirements: the sample size exceeded the ‘10 times rule’ (ten times bigger than the maximum arrows pointing dependent variables) and at ‘a statistical power of 80%’, the recommended sample size is 176 for detecting at least R2 value of .10 with a 1% probability of error (see Hair et al., 2016). The collected data were analyzed with the aid of partial least squares based structural equation modelling (PLS-SEM). Since the hypotheses are predicted orientation, the SmartPLS was employed that produces greater statistical power in prediction (Hair et al., 2016).

Measures

Employee engagement was measured using a seven item-scale adopted from Payambarpour & Hooi (2015). The sample item includes "Help is available from the organisation when I have a problem." Previous studies averred a strong correlation between objective and subjective measures...
of firm performance and subjective measure of firm performance is widely used (Kengatharan, 2021; Sharabati et al., 2010; Wall et al., 2004). Firm performance was measured using a six item-scale adopted from Payambarpour & Hooi, (2015). Firm performance is an organizational level variable, however, since subjective measure was used, the data have been collected from the individual employees and further our study confirmed no significant differences on firm performance among employees of the same apparel employees. The sample question includes "The quality of products/services." The items were measured on a five-point Likert scale ranging from 'a lot below average' to 'a lot better than average'.

The study measured “employee well-being, including emotional exhaustion, depersonalization, personal accomplishment, and psychological well-being”. Emotional exhaustion was measured using the three-item scale (Iverson et al., 1998). The sample question includes "I feel emotionally drained from my work". Depersonalization was measured using a modified version of the three-item scale (Iverson et al., 1998). The sample item includes "I worry that this job is hardening me emotionally". "The personal accomplishment was measured using the three-item scale" (Iverson et al., 1998). The sample question includes "I feel good after working closely with my patients". “Psychological well-being was measured using the Schwartz Outcome Scale”-10 (Blais et al., 1999). The sample item includes "I have confidence in my ability to sustain important relationships".

**Result and Discussions**

**Evaluation of the outer measurement model**

Table 1 shows that the construct's outer loadings are well above the minimum threshold value of 0.70, although many authors suggest that the outer loadings should be at least 0.4 or greater (Neupane et al., 2014; Wong, 2013; Lew & Sinkovics, 2013). The outer loadings are well above the suggested threshold, and the present study, therefore, meets the minimum requirements. As a caveat, the measurement model's internal consistency and validity were tested before testing the hypothesis. The model internal consistency was assessed using composite reliability, Cronbach's alpha, and coefficient rho_A. CR is the more delicate internal consistency assessment than Cronbach's alpha because it holds the observed construct's standardized loadings. Table 1 depicts that Cronbach's alpha and CR of the all constructs is well above 0.80. Therefore, it indicates that the scales were reliable and showed all the constructs greater than the minimum threshold of 0.70 (Hair et al., 2011). “The convergent validity of the constructs was tested using the Average Variance Extracted (AVE), equivalent to the commonality of a construct”. The AVE values greater than 0.5 is recognized as good (Hair et al., 2019). The result shows (see Table 1) that a higher level of convergent validity, that is, AVE is above the suggested threshold of 0.5 (Hair et al., 2019), provides support to the model's convergent validity.

The next step was assessing the discriminant validity of the latent constructs. Discriminant validity is known as the extent to which a variable varies from other constructs.

The discriminant validity was tested using two robust approaches: “The fornell-Larcker criterion and the Heterotrait-Monotrait ratio (HTMT). Fornel & Larcker (1981) compares the square root of each AVE in the diagonal with the correlations for each construct in the relevant rows and columns (off-diagonal). Table 2 shows that the AVE values are greater than the constructs inter-correlations”. Thus, measurement model's provides adequate support to the discriminant validity among the constructs.

Additionally, “Table 2 shows the inter-correlations among constructs”. “Employee engagement is positively associated with firm performance (r=0.716, p<.05), and employee well-being is positively related to
firm performance \( (r=0.701, p<0.05) \), and employee engagement is positively associated with employee well-being” \( (r=0.741, p<0.5) \). The second was the HTMT criterion, which detects the collinearity problems among the latent constructs (multicollinearity). It is calculated by bootstrapping. “Table 3 shows the HTMT ratios are less than the minimum threshold” of 0.85: 0.800 (employee well-being and employee engagement), 0.805 (employee engagement and firm performance) and 0.837 (employee well-being and firm performance) (Hair et al., 2019). HTMT inference does not indicate discriminant validity problems for the constructs investigated. Thus, in can be concluded that the measurement model shows strong discriminant validity.

Table 01: Outer loadings, Cronbach's Alpha, rho_A, Composite Reliability, Average Variance Extracted (AVE)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement</td>
<td>0.843</td>
<td>0.877</td>
<td>0.877</td>
<td>0.512</td>
</tr>
<tr>
<td>Employee wellbeing</td>
<td>0.921</td>
<td>0.934</td>
<td>0.934</td>
<td>0.592</td>
</tr>
<tr>
<td>Firm performance</td>
<td>0.821</td>
<td>0.829</td>
<td>0.872</td>
<td>0.535</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 02: Fornell-Larcker Criterion

<table>
<thead>
<tr>
<th></th>
<th>Employee engagement</th>
<th>Employee wellbeing</th>
<th>Firm performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement</td>
<td>0.780</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee wellbeing</td>
<td>0.741</td>
<td>0.906</td>
<td></td>
</tr>
<tr>
<td>Firm performance</td>
<td>0.716</td>
<td>0.701</td>
<td>0.731</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 03: Heterotrait-Monotrait Ratio (HTMT)

<table>
<thead>
<tr>
<th></th>
<th>Employee engagement</th>
<th>Employee wellbeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee wellbeing</td>
<td>0.800</td>
<td></td>
</tr>
<tr>
<td>Firm performance</td>
<td>0.805</td>
<td>0.837</td>
</tr>
</tbody>
</table>

Source: Survey data

Evaluation of the inner structural model

After confirming the measurement model reliability and validity, the next step is the assessment of the inner structural model. “This involves measuring the model's predictive accuracy and the links between the variables””. “The coefficient of determination \( (R^2) \), Path coefficient \( (b value) \) and T-statistic value, Effect size \( (f^2) \), the Predictive relevance of the model \( (Q^2) \) are the critical standards for evaluating the inner structural model”.

Measuring the value of \( R^2 \)

The coefficient of determination intends to measures the structural model's prediction accuracy (Hair et al., 2011). In this study, the inner path model was 0.934 for the firm performance, the endogenous latent variable. This shows that employee engagement and employee well-being explain the 93.4\% variance in the firm's performance. The \( R^2 \) value of 0.75, 0.50, and 0.25 is recognized as substantial, moderate, and weak (Hair et al., 2014; Henseler et al., 2009). Thus, in this study, the \( R^2 \) value is substantial. The impact of exogenous construct on the endogenous construct is symbolized as \( f^2 \). According to
Hair et al., 2014, $f^2$ value of 0.35 is a strong effect, 0.15 is a medium effect and 0.02 is a weak effect. According to table 4, the effect size for employee engagement is the medium effect (0.321), the effect size of employee well-being is weak (0.143).

Table 4: Measuring the Effect Size $F^2$

<table>
<thead>
<tr>
<th>Moderating Effect 1</th>
<th>1.333</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement</td>
<td>0.321</td>
</tr>
<tr>
<td>Employee well-being</td>
<td>0.143</td>
</tr>
</tbody>
</table>

Source: Survey data

According to “the $Q^2$ criterion, the conceptual model should be able to predict endogenous latent constructs””. “For a specific endogenous latent construct, the $Q^2$ values measured in the SEM must be greater than zero”. “Table 5 reveals that the study model's $Q^2$ values were 0.463, greater than the threshold limit, indicating that the path model's predictive relevance for the endogenous construct was satisfactory”.

The hypothesis (H1) predicted that employee engagement will positively relate to firm performance was supported: $\beta=0.200$, $t=6.157$, $p<0.000$ (see Table 6). The hypothesis (H2) sought to ascertain that that employee well-being moderates the relationship between employee engagement and firm performance, and firm performance will be stronger at a higher level of employee well-being”. The result revealed that employee well-being moderates the relationship between employee engagement and firm performance: $\beta=0.351$, $t=12.721$, $p<0.000$ (See Table 6). Thus, H2 was supported. “A positive relationship was also found between employee well-being and firm performance ($\beta=0.233$, $t=6.445$, $p<0.000$). Additionally, the result reveals (see figure 1) that at the higher employee well-being, employee engagement has a substantial impact on firm performance. On an equal footing, at the lower employee well-being, employee engagement has a little impact on firm performance.

The nature of the moderating effect is shown in Figure 3.
Table 05: Predictive Relevance of the Model ($Q^2$)

<table>
<thead>
<tr>
<th></th>
<th>SSO</th>
<th>SSE</th>
<th>$Q^2$ (=1-SSE/SSO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderating Effect 1</td>
<td>221.000</td>
<td>221.000</td>
<td></td>
</tr>
<tr>
<td>employee engagement</td>
<td>1547.000</td>
<td>1547.000</td>
<td></td>
</tr>
<tr>
<td>employee well-being</td>
<td>3315.000</td>
<td>3315.000</td>
<td></td>
</tr>
<tr>
<td>firm performance</td>
<td>1326.000</td>
<td>711.823</td>
<td>0.463</td>
</tr>
</tbody>
</table>

Figure 2: Structural model

Table 06: Path coefficient and T-statistics

|                      | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|----------------------|---------------------|-----------------|-----------------------------|------------------|----------|
| Employee engagement - firm performance | 0.200               | 0.220           | 0.035                       | 6.157            | 0.000    |
| Employee wellbeing - firm performance | 0.233               | 0.223           | 0.034                       | 6.445            | 0.000    |
| Moderating Effect 1 - firm performance  | 0.351               | 0.351           | 0.027                       | 12.721           | 0.000    |

Figure 03: Moderating effect
Discussion

Businesses are constantly attempting to improve their performance. Managers have faced numerous hurdles to propel their organizations ahead of the competition. Various scholars, experts, and consultants have contributed their expertise by demonstrating the best practices they believe will benefit managers in managing organizations (Purcell, 2013). “Engagement is being interrogated by scholars from multiple disciplines, including industrial relations, work sociology, discourse analysis and human resource management” (Truss et al., 2013). “They are raising new and challenging questions about the status of the engagement construct and its relevance in the context of employment relationship” (Jenkins & Delbridge, 2013). The present research delves into augmenting firm performance through employee engagement and employee well-being. “The study is conducted in the Sri Lankan context, and it gives empirical evidence of the impact of employee engagement on firm performance in one of the emerging economies across the world”. The H1 predicted that employee engagement positively relates to firm performance was supported. The result indicates that employee engagement augments firm performance. The result aligns with previous studies (Markos & Sridevi, 2010; Ellis & Sorensen, 2007; Van De Voorde & Paauwe, 2012; Truss et al., 2013), that highlights that engaged employees can exhibit positive work-related behaviours and attitudes which in return, enhance firm performance. Employee “engagement is built on prior notions such as work satisfaction, employee commitment, and organizational citizenship behavior”. “Employee engagement is broader in scope than these ideas, despite being related to and covering them”. “Compared to the three constructs: job satisfaction, employee commitment, and organizational citizenship behavior, employee engagement is a more significant predictor of positive organizational performance, thus demonstrating the two-way link between employer and employee” (Truss et al., 2013). “Employees that are emotionally attached to their organization and strongly invested in their job with tremendous excitement for their employer's success will go above and beyond the contractual employment agreement” (Markos & Sridevi, 2010). Furthermore, moderating effects of well-being on the relationship between employee engagement and firm performance has been explored in this study. “The results showed that employee well-being moderates the relationship between employee engagement and firm performance; a positive relationship between employee engagement and firm performance will be stronger at a high level of employee well-being”. The findings emphasize the critical role of employee engagement and employee well-being in progress on firm performance. Empirical evidence from this study describes that despite robust employee engagement, employee well-being practices have a more significant influence on firm performance.

Practical Implications

This study provides significant practical implications for managers to augment firm performance through employee engagement and well-being. Earlier studies suggest that managers must give sufficient attention to absorb the skills of a new hire through effective recruitment techniques. Orienting a new employee should include teaching them about the company's mission and vision and policies and procedures specific to their position. Consequently, high talented employees could make significant contribution to firm performance (see Kengatharan, 2019). Based on our findings, organizations should design the best strategies for promoting employee engagement in their workplace to enhance firm performance. In a similar vein, managers and practitioners should promote a culture of employee well-being in the organization settings. Individuals who exhibit more engagement in their occupations should receive financial and non-financial rewards from their employers.
Further, all work areas should be linked with the goals and values of the company to foster a solid work culture. In addition to keeping their current employees engaged, companies that foster a culture of mutual respect by sharing success stories instill this contagious work ethic in new hires. Moreover, firms should craft a performance measurement system that makes employees and managers responsible for their level of engagement—closely monitoring surveys of employee engagement levels aid in identifying factors that keep employees engaged.

**Conclusion**

The present study confirmed significant positive relationship between employee engagement and firm performance and the study further averred a moderating effect of employee well-being on the relationship between employee engagement and firm performance based on the sample drawn from 177 employees working in apparel industry, Sri Lanka. The present study behoves managers and practitioners to craft the ideal and robust strategies for engaging employees in the workplace with the true mind of employee well-being as it vital for firm performance. Although the present study makes many useful theoretical and practical contributions, the limitations that the study has should be acknowledged. One of the limitations is its reliance on cross-sectional data. All measurements in our study were self-reported and the date were collected at a particular point in time. As such, concerns like reversed causality and common method bias may arise. Therefore, future studies may think of employing multi-source and time-lagged approach. Secondly, this study is limited to the apparel industry alone. Hence, the results may be specific to the context of this industry. Therefore, future research should be extended to other sector in order to generalize the findings without any caveats.”
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