

Involving and Evaluating Employees Enhances Cynicism in Small and Medium Enterprises in Pakistan

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Abstract: The study is directed to analyse the impact of employee communication and performance evaluation and feedback on the level of cynicism in the SMEs of Punjab, Pakistan. The study also evaluates the impact of cynicism on the performance of the organization considering it as an important HR based Cost of Quality. The mediating impact of cynicism on the relationship of employee communication and organization performance and also on the relationship of performance evaluation and feedback and organization performance is also studied. The permanent salary based workforce of SMEs consisting of 5 - 250 workers has been chosen using stratified sampling technique for the study. The response rate was 46.3% bases on 600 questionnaires distributed. The increase in the employee communication and performance evaluation and feedback in the SMEs cause the cynical behaviour to increase among the employees, which is not parallel to the previous literature, while the mediating relationships are found negative as described by previous studies. This shows still considerable effort is needed to decrease the cynicism in the organizations. The study is quite significant for the managers and owners of the SMEs who are working on shifting their focus towards the quality oriented TQM based organizations.

Key words: Employee Communication • Employee involvement • Performance Evaluation and Feedback • Cynicism • Small and Medium Enterprises • Pakistan

INTRODUCTION

Extensive literature has been available on the HR practices in the multinational organizations but the literature highly lacks on the HR practices in the Small and Medium enterprises although they constitute more than 90% of the organizations in Pakistan [1]. The need for the involvement of the employees in the organizations and communication of the policies to the lower level employees is not much emphasized in the literature. Similarly the culture of performance evaluation and feedback is not much common in the SME sector of Pakistan. The need for the proper employee communication and performance evaluation and feedback is much important to reduce the cynical behaviour of the employees towards the organization and other employees in the organization. The current study is about the impact of the employee communication and

performance evaluation and feedback on the performance of the organization considering the cynicism as the mediating HR Cost of Quality.

Literature Review: According to [2], if companies have to survive in the upcoming competitive and challenging world, they have to adhere to the standards of quality. Considering this, there are number of organizations are now struggling to become the 'TQM Organizations' by following the standards of quality established in the number of TQM Models, like People Capability Maturity Model (P-CMM)[3], Malcolm Baldrige National Quality Award (MBNQA)[4], European Quality Award (EQA)[2] and Deming Application Prize (DAP)[4]. These awards provide the guidelines for the organizations to be more competitive and successful. They are established by different authors and institutions to enhance total quality in the organizations and also to help companies analyse

their activities and processes and also to make comparisons with the competitors, which allow them to establish continuous improvement organizations by embedding quality in strategies and processes [5]. All the above mentioned awards have given the considerable emphasis on the HR based quality practices like training and development of employees and managers, performance evaluation and feedback, human resource planning, hiring criteria, employee involvement and communication, performance based compensation systems [6]; considering human resource as the major and the most important source of competitive advantage for the companies [7]. If the human resource is properly utilized and human resource practices are performed in the best way then they can highly decrease the failure costs of the organization and can strengthen the position of the firm in this globalized world [6]. In Pakistani Small and Medium Enterprises (SMEs), the focus although shifting towards the HR based quality practices but the progress or shift is very slow.

SMEs in Pakistan are adding more than 30% to the GDP of the country and more than 90% of the organizations in Pakistan are SMEs [8, 9]. The level of research work done in this sector in Pakistan is very low. SMEs are working in every field as being the major raw product providers, run mostly by single person or few individuals of the family holding decision making power and having no division in the family and business assets. The distinction between SMEs and Multinational Enterprises (MNEs) is mostly done on the basis of number of persons employed and the total revenues. Considering the number of employees more than 98% of the SMEs have hired less than ten workers in total [10]. Holding such an important place in the economy of the country SMEs are still found to be struggling with the number of HR based problems like lack of employee commitment, huge turnover, lack of motivation, less employee involvement [8]. Small and Medium Enterprise Development Authority (SMEDA) [11] of Pakistan has developed the policies for the quality culture and knowledge management in the SMEs but the implementation of these policies and awareness of the HR quality practices among the employees of the SMEs is highly lacking most probably due to the "saith" culture in the organizations. The organizations are although development oriented but the prevalence of saith culture and lack of awareness among the employees keep them away from quality concepts and much needed to be done

especially in the fields of employee training and performance administration [6]. The TQM Models has paid much attention to the involvement of the employees in the decision making processes and regular performance evaluation of the employees. The employees must be involved in the decision, so that they must own the decisions and this will enhance their commitment and trust over the company. At the same time, the supervisors keep continuously evaluating their subordinates and giving them regular feedback about their performance so that they can improve it and they must also be evaluated by 360 degree performance appraisal system to ensure the correct feedback from all perspectives. But the desire for owner to control the organization and maximize their interest keep the company away from quality culture give space for the growth of the cynical behavior among the employees.

The above stated factors are the costs that company face and are also the causes of many other Costs of Quality (COQ) for the organizations. According to [12], Costs of Quality are the design, operation, implementation and maintenance costs of quality management processes or systems, costs of resources utilized for continuous improvement and the failure costs of the service or product and any other cost to achieve the best quality product or service. Generally, these costs are categorized into Conformance and non-Conformance costs [13-16]. Prevention costs and Appraisal costs are categorized into conformance costs while internal failure costs and external failure costs are classified into non-conformance costs. The prevention-appraisal-failure cost of quality model was first given by Feigenbaum in 1956 [15]. The basic concept of his model was that the companies invest in the prevention and appraisal costs to reduce the internal and external failure costs, after that they must continue investing in the prevention costs which will also minimize appraisal costs. This will strengthen the company and will maximize its profits.

There are number of failure costs that are identified by the number of authors and scholars, like less communication amongst bosses and juniors and absence of confidence in the association, lack of opportunities in the organization, intention to quit [17]; low determination, absenteeism [18]; inappropriate schedules for employees, work load, turnover [19]; intensification of work, deprived communication, burnout, stress, role conflicts and ambiguities, cynicism [20]. The following study is considering cynicism as the HR based COQ and analyzing

its mediating impact on the relationship of Employee communication and organization performance and also on the relationship of performance evaluation and feedback and organization performance.

Cynicism: After the huge literature review, it is found that despite the different definitions of the cynicism, it is agreed that the cynicism is a disinclined feeling of an employee [21]. Defined it as the negative feeling or attitude of an employee towards the organization he/she is working for, while [22] describe it in a bit different words but the same meaning. Cynicism is the feeling or attitude among the employees described by the frustration, desperateness and disenchantment and also the disapproval towards and the distrust of organizations, top management, or employees in the workplace [22].

Similar to [22] and [21], cynicism is the belief of the employee that the other person or party cannot be trusted at all. This view is similar to the definition of Cynic in the Oxford English Dictionary (OED) that the “one who shows disposition to disbelieve in the sincerity or goodness of human motives and actions”. The study is also considering it as the distrust of the employee on the fellow employees and the employing organization.

Cynicism is described by an attitude of “dislike for and distrust of others”, in the earlier studies [23, 24]. Cynicism is mostly explained as an attitude towards an object like the business, which are vulnerable to changes in the external environment (e.g. [25,26]). Cynicism is also described as the explicit negative work behaviour or attitude, in a study of cynicism and its relation to work values [27]. Cynic employees consider work as being unrewarding, oppressive and not worthy of effort [25].

Predictors and Consequences of Cynicism: The high executive compensation levels, workforce reductions [24], ineffective leadership and management, continuous delaying of organization, longer working hours, work intensification, lack of alignment between policies and practices, poor communication, lower levels of employee involvement, burnout/stress, role conflicts and role ambiguities [20] are considered as the predictors of the cynicism in the organization. These predictors largely increase the failure costs for the organization as poor retention of key employees, reduction in organizational citizenship behaviour, high turnover rate, low job performance and more compliance to the unethical requests, [20] which in return highly influence the

organizational performance levels [24]. Outcomes of the cynicism could also impact the commitment level of the employees towards the organization, their organizational citizenship behaviour can be largely impacted by cynicism and their involvement in the participatory activities can be reduced [21].

Organizational Performance: Organizational performance now holds very important place in the empirical researches of the businesses [28]. Numerous studies have been conducted in the past emphasizing the role of HR practices in the increase or decrease of the performance levels of the organizations [29]. Different scholars have devised different measures for evaluating this relationship but for this study the HR based COQ are the important factors affecting the relationship. As the HR based COQ occur due to poor implementation of the HR practices, this will automatically influence the performance levels of the organization.

Model of the Study: The relationship of employee communication and organization performance and the employee Evaluation and feedback and organization performance is analysed in the study keeping cynicism as the mediating variable in the model. Cynicism is taken as one of the most important HR Cost of Quality prevailing in the market.

Hypothesis

H₁: Employee Communication has a positive and significant relationship with organization performance.

H₂: Performance evaluation and feedback has a positive and significant relationship with organization performance.

H₃: Employee Communication has a negative and significant relationship with cynicism.

H₄: Performance evaluation and feedback has a negative and significant relationship with cynicism.

H₅: Cynicism has a negative and significant relationship with organization performance.

H₆: Cynicism acts as the negative and partial mediator in the relationship of employee communication and organization performance.

H₇: Cynicism acts as the negative and partial mediator in the relationship of performance evaluation and feedback and organization performance.

MATERIALS AND METHODS

Participants and Procedure: Being the biggest contributor to the GDP of the country [1] the manufacturing and the services divisions of the Small and Medium Enterprises from the Punjab, Pakistan are taken as the targeted population. For the listing of the SMEs, out of 36 districts of Punjab, 19 districts have the Chambers of Commerce as the established bodies of the government. 12 of these 19 districts are identified as the potential investment areas by SMEDA. These 12 districts are taken as stratas and from these 12 stratas 4 districts are chosen of Lahore, Sialkot, Faisalabad and Okara are selected to choose the sampling units. The Lahore and Faisalabad are categorized as the large districts while Sialkot and Okara are considered as the small developing districts to generalize the findings. The listing of the SMEs for the selection of the sampling units is obtained from the respective Chambers of Commerce. Units are chosen by simple random sampling technique.

Sample Size and Response Rate: 120 sampling units are chosen from the lists, forty from Lahore, forty from Faisalabad, twenty from Sialkot and twenty from Okara. Five questionnaires are distributed to the salary based employees in each selected SME, making up the total of 600. 290 questionnaires were returned by the respondents, out of which 278 are useable by the researcher for the analysis purposes. This makes up the response rate of 46.3%.

Measures: For employee communication one item is taken from the [30] while five items are developed from the detailed analysis of the best practices in the TQM Models of P-CMM, EQA, MBNQA and DAP as done by the [31, 32]. One item from the [33], one from the [34] and three items from the TQM Models are taken for the scale of performance evaluation and feedback. For cynicism 5 point scale of [35] is used while for organizational performance 6 points scale is used developed by the [36]. All the scales are first tested during the pilot study by measuring the reliability. Further the scales are tested after the complete survey and their reliability and convergent and discriminant validity was ensured. The data is analysed by the structural equation modeling on AMOS.

The items of the variables are given in Appendix I while the structural SEM model is shown in Appendix III. Five point likert scale is used to record the responses of the respondents in the instrument.

The instrument was translated into the Urdu language for the better understanding of the respondents. This also enhances the response rate of the study. The Urdu language questionnaire was evaluated by the language and the TQM expert. The analysis of the pilot survey showed the need for the translation of the questionnaire as most of the respondents are the illiterate or less qualified. This translation is done by the technique of one-to-one or direct translation technique. It is simply the translation of the instrument to the finest ability of the translator as said by the [34,37]. The instrument was ensured through the reliability and validity measures to guarantee the equivalence of both language questionnaires (e.g. [38-40]).

RESULTS

The value of 0.860 of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy in the exploratory factor analysis and the significance value of 0.000 shows that the factors are significantly loaded on the constructs. The items were ensured for the factor loading of less than 0.3 in the confirmatory factor analysis. After this the reliability and validity of the constructs is ensued. The Cronbach's alpha values of 0.736, 0.797, 0.877 and 0.807 were recorded for the scales of employee communication, performance evaluation and feedback, cynicism and organizational performance respectively.

The biasness in the data was ensured by the Common latent factor and Harman's Single factor test. The variance of 32.2% was explained by the items of the instrument, which is within the standard level of 50%. This shows that the data is free from bias. Similar results are shown by the common latent factor test where the difference between the standardised regression weights with and without latent factor is less than 0.2 for all the items.

After completing the pre-requisites, the Structural Equation Modelling technique is applied on the data through the structural model on AMOS. The model is provided in Appendix III. The significance value of all the individual relations of items as well as of the constructs is within the 5% significance level showing that all the items are significantly loaded on the constructs they are included in the model. The ratio of Chi-square to the degrees of freedom for the model is 2.736, which is below

3 (the minimum acceptable level), showing the model fit for the data. Goodness of fit Index (GFI) is checked to test the variance of the model. The value approaching one is considered good and acceptable. The GFI value for the model is 0.869, which shows acceptable variance for the model in the study. The Normed Fit Index and Comparative Fit Index values are 0.9 and 0.91 respectively, which are above the minimum acceptable level of 0.9. The Root Mean Square Error Index (RMSEA) value of 0.07 shows acceptable error rate (below acceptable range of 0.08) showing that the model is fit for the study.

Sobel test is used to test the mediation among the two mediating relationships. The test statistic value of -1.6 and p-value of 0.10 for the employee communication and organization performance relationship is showing that the mediation exists at the 10% significance level. The power of employee communication reduces by 7.8% by the incorporation of cynicism as the mediating variable. Similarly the test statistic value for the PEF and OPF relationship is -1.7 with the significance level of 0.07, again showing the presence of mediation at the 10% significance level. The power of PEF reduces by 67.2% by including cynicism as the mediating variable in the model. The above statistics show the acceptance of the first, fifth, sixth and seventh hypothesis while the second, third and fourth hypothesis got rejected.

DISCUSSION

The employee communication and performance evaluation and feedback are the factors emphasized by the number of scholars for the success of the organizations. In Pakistan, SMEs are the least emphasized sectors by the scholars. The study is focussed on the mediating role of the cynicism in the relationship of COM and PEF with OPF. According to the literature, the increase in the COM and PEF in the organization decreases the cynical behaviour of the employees [20], which in return enhances the performance of the organization. The results of the study had shown somewhat similar but different results. Although the negative mediating exists between both relations but if we consider individual results, the increase in the employee communication is enhancing the cynicism in the organization, similarly, increase in performance evaluation and feedback efforts are also increasing cynical behavior among employees. The point of much focus here is that the relationships are opposite to the past literature. This shows that although the focus of the SMEs in Pakistan is

shifting towards these HR Quality practices but at the same time the implementation or communication of these activities to the employees is not proper and that is the basic reason for the negative results.

The generally thoughtful reasons might be that the prevalence of saith culture is only allowing selected employees to have their say in the decision making process and involvement in other matters or the strength of saith is keeping employees from giving their opinion openly in the company meetings. The fear of losing the job in this competitive world, with economic problems, continuous delayering and huge families of the SME employees also restrain them from giving open opinions and decisions and to obey the saith. Similarly for performance evaluation and feedback the immediate hiring and firing culture in Pakistan, reference culture and dependency of saith on few selected employees, does not allow the system to properly work and so the result is the enhancement of the cynicism among the employees of the organization.

The mediating relationship is showing the negative results which proves our hypothesis. This shows that if the efforts remain continue towards better COM and PEF then gradually the cynicism will decrease in the organizations and this will enhance organizational performance, which is a quite satisfactory situation for the SMEs of Pakistan. The results are showing parallel results with the literature. The presence of partial and negative mediation with the strong influence cynicism shows the need for the SMEs to pay attention to the cynical behaviors of the employees for the betterment in the performance of the employees. The positive shift towards the quality culture in the organizations highly require the consideration of the impact of cynicism on the performance of the employees and the organization keeping HR practices in mind.

CONCLUSION

The improvement in the efforts towards the Quality culture of the SMEs in Pakistan is although shown by the results of the study, but the enhancement of the cynicism among employees by the increased efforts of communication and performance evaluation and feedback points out the need for the rectification of the efforts by the owners as the results are opposite to what is generally accepted and researched by the academicians and practitioners all over the world. Cynicism is an important HR Cost of Quality and SMEs need to cater this problem

as soon as possible to the maximum of their ability to maximize their profits and to ensure their presence and compatibility in this competitive world. Similarly the mediation results also confirm the impact of the cynicism on the relationship of communication and performance evaluation and feedback with the organizational performance.

Limitations and Future Recommendations: The study is the major contribution in the knowledge world. As this is the detailed analysis on the SME sector of Pakistan which is still not much explored by the scholars. The impact of employee communication and performance evaluation and feedback is analysed in detail keeping cynicism as the mediating variable. The literature is highly lacking on the study of prevalence of the cynical behaviour among the employees in the organization towards their managers, organizations and colleagues. Despite these there are certain limitations in the study as it is impossible to study each and every impact in one study. There are number of other aspects that can be evaluated, also the targeted population is small as compared to the total population, hence the study with large targeted population can portray a better picture.

The financial analysis of the impact of the poor implementation of the selected HR practices and cynicism on the financial performance of the organization might be of much interest for the practitioners. Similarly, the longitudinal study of this impact can be more helpful for the practitioners and academicians to evaluate the frequency or speed of shift of the SMEs towards the HR based Quality Culture in the SMEs. At last but not the least, a study can also be conducted to analyse the factors that are playing their role in the enhancement of the cynicism by the implementation of the COM and PEF in the SME sector of Pakistan.

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APPENDIX I - QUESTIONNAIRE

Employee Communication (Com):

1. Employees in the organization are involved in formal participation processes, such as quality improvement teams, problem-solving teams, or suggestion systems.
 2. Organization considers employee suggestions as valuable for feedback
 3. Employees in this job have a reasonable and fair complaint process.
 4. Employees help each other in the fulfillment of the daily tasks, irrespective of their job duties.
 5. Employees of the different departments coordinate and help each other.
 6. Top management policies and activities are regularly communicated to the lower level employees.
- Performance Evaluation and Feedback (PEF)
7. Employees in this job have the opportunity to earn individual bonuses (or commission) for productivity, performance or other quality improvement.
 8. The pay structure is highly related to the performance levels of the employees.
 9. The employees are appreciated for their better performance in terms of rewards and recognition.
 10. You are regularly given formal and informal feedback about your job performance from your immediate supervisors, peers, subordinates and customers.
 11. Performance data is continuously shared with the employees for improvement.

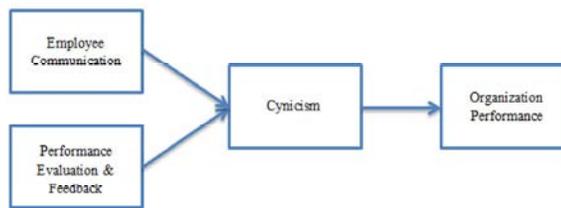
Cynicism (CYN):

12. In order to get ahead, people pretend to care more about one another than they really do.
13. I find that most people disguise their true motives for doing something.
14. I often question the motives of management in this organization.
15. I think that management would misrepresent its intentions, to gain acceptance for a decision it wanted to make.
16. Management is not always honest about its objectives.

Organizational Performance (OPF):

17. My organization has made good use of my knowledge and skills in looking for ways to become more efficient.
18. In the past two years, the productivity of my work unit has improved.
19. In general, all employees are treated with respect in my organization, with no regard to status and grade.
20. It is rare to make big mistakes in my organization when conducting work.
21. The occurrence of goal attainment is very high in my organization.
22. The customer satisfaction toward my organization is very high.

APPENDIX II - MODEL OF THE STUDY



MODEL OF THE STUDY

APPENDIX III - STRUCTURAL MODEL

