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# THE MEDIATING EFFECT OF INTRINSIC MOTIVATION ON PERCEIVED INVESTMENT IN EMPLOYEE DEVELOPMENT AND WORK PERFORMANCE

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## ABSTRACT

*It is often recommended that in order for development programs to positively influence employee behavior, employee must experience positive reactions. The current study is to examine the effect of perceived investment in employee development (PIED) on employee outcomes in the form of work performance (WP). Furthermore the influence of intrinsic motivation (IM) as a mediating variable was also explored. Data were collected through self-administered questionnaire from 131 employees working at different position in private sector banks from twin city of Pakistan. Results from the survey showed that the relationship between perceived investment in employee development and work performance was mediated by intrinsic motivation. The important limitations of the study are the sample used, which is mainly from the banking sector and from Rawalpindi/Islamabad vicinity. The measurement used in the study is self reported questionnaire data. Consequently, experimental and longitudinal studies are needed to examine causality issues. The results have important managerial implications like in order to obtain positive employee outcomes, organizations should invest heavily in development programs. Furthermore managers should create an environment within the organization to enhance employees' intrinsic motivation and thus their work performance. This study contributes to the knowledge on employee development an area of research that is almost unexplored in Pakistan. Secondly this study aims to test the relationship which has never been explored before.*

## KEYWORDS

Perceived investments in employee development, intrinsic motivation, work performance.

## INTRODUCTION

A number of researchers have reported that human resource (HR) practices are positively linked with organizational and employee performance (Lee & Bruvold, 2003; Kuvaas, 2006a, Kuvaas & Dysvik, 2009a). The focuses of these studies have been towards the developed countries and little research have been done in developing countries like Pakistan (Irfan et al., 2009). The expansion of knowledge and networks raised the demand for trained and satisfied human resource to meet demands and needs of the management and customers as well. Considering the requirement for such a form of human resource management (HRM), it is obvious to develop such a pool that can be recognized as well trained and satisfied.

According to Lee and Bruvold (2003) investment made by firm in development activities contribute towards and creates the perception of employees about their organization willingness to support them. Investment in employee development and growth affect employee's behaviors and attitudes (Ichniowski et al., 1997; Snell & Dean, 1992; Youndt et al., 1996).

Service sector especially banks play an important role in the economic development of a country. Banks are mainly operates in the activities and transactions of mobilizing deposits through a network of branches, extending credit such as customer loan and car financing, overdraft, along with offering a wide range of financial services to its customers. According to Economic Survey of Pakistan (2009-10) in the period of July-April 2010, net credit availed by government for different purposes is Rs.286.4 billion out of which Rs.195.7 billion was taken from scheduled banks operating in Pakistan. During the last year in the same period the total credit was Rs.239.5 billion out of which Rs.134.2 was taken from scheduled banks.

## REVIEW OF LITERATURE

### SOCIAL EXCHANGE THEORY

Social exchange theory is among the most powerful tools for understanding workplace behavior. One of the basic doctrines of social exchange theory is that relationships develop over time into trusting, loyal, and mutual commitments (Cropanzano and Mitchell, 2005). In order to do so, parties must obey certain rules of exchange. If a party provides a benefit, the receiving party should reply in kind (Gergen, 1969). Murstein et al., (1977) are of the opinion that individuals differ in the degree to which they endorse reciprocity.

### PERCEIVED INVESTMENT IN EMPLOYEE DEVELOPMENT (PIED)

Employee development is a process where organization provides opportunities to employees for grow within an organization. This might influence key employee outcomes such as job satisfaction, commitment and intent to stay. Employee development is personal and professional growth of individuals in an organization. Development programs provide employees with skills, knowledge and abilities to prepare them for future jobs. Employee development is the integration of organizational opportunities and supervisor support to facilitate employee in achieving the desired outcomes (Costen et al., 2010).

A study by Blau et al. (2008), suggest that there should be a formal distinction between organizational development activities (ODA) and professional development activities (PDA). In ODA employees voluntarily participated in organizational development activities like seminars, workshop and courses. In PDA, the employees are allowed to make suggestions on current organizational development activities. They voluntarily participate in applying new profession relevant initiatives, such as education, workshop etc.

According to Lee and Bruvold (2003), motivating employees are the most critical challenge organizations are facing today.

For the purpose of this research it is defined as the investment made by the organization in different programs for the professional and personal growth of employees. It creates obligations and increase employee motivation to work hard to support organizational effectiveness. Employees are involved in such activities and feel that organization value their contribution and cares for their well being. They reciprocate and behave in a way of increased effort and commitment of employee towards organization (Lee and Bruvold, 2003).

#### **WORK PERFORMANCE (WP)**

Work performance is a broad concept and it can not be easily simplified. Performance can be defined as the actions and behaviors of employee that are related to organizational goals and that can be measured in term of individual's contributions to organization. It can be defined as the consequences of actions and also the completion of allocated tasks (Suliman, 2001). Literature suggests that work performance should address both individual performance and organizational performance. Work performance is the individual's actions or behavior that is important to accomplish an organization's goals (Honiball, 2008).

The definition of work performance includes both process and output. It can be described as the quality and quantity of human output that is necessary to meet work goals and the standards that are required to do a specific job. For the purpose of this research, work performance will be defined as the process through which an individual operates to achieve the goals of the organization as defined by Ivancevich and Matteson (1996).

#### **PERCEIVED INVESTMENT IN EMPLOYEE DEVELOPMENT (PIED) AND WORK PERFORMANCE (WP)**

According to Blumberg and Pringle (1982) work performance is the capacity to, willingness to and opportunity to perform meaning that employee performance is linked on skill and motivation to perform. When organizational inducement is offered in the form of training and developmental, employees become socially and financially motivated and in reaction they desire to spend effort to benefit the organization. According to Dysvik and Kuvaas (2008) this investment is a approach to informing, learning, training and development for employee improvement systematically at all levels namely; individual, team and organizational. Lee and Bruvold (2003) contribute demonstrate that organizational incentives in the shape of investments in training and development can stimulate obligations on employees' part as a reciprocator. They also proposed that these investments may generate a vibrant-dynamic relationship where employees may go "an extra yard" and call for research more important outcomes in role- performance and behavior (Lee and Bruvold, 2003).

#### **INTRINSIC MOTIVATION AS A MEDIATOR**

Despite being theories of intrinsic motivation and social exchange present but there work independently and little attention has been given to them to combine them. IM is the performance of employees, experiences, satisfaction and pleasure of activity undertaken by the employees to achieve organizational goals. According to Self Determination Theory, employee motivation can be increased by satisfying the three primary psychological needs and in turn employees perform well and results in increased outcomes. The need for self-sufficiency, proficiency and relatedness should be fulfilled for an employee to be motivated (Gagne & Deci, 2005).

Regarding relationship between IM and WP, modern research suggests that IM is a strong forecaster of WP (Kuvaas, 2006a, b). Secondly, employees perception about their organization's commitment for employee training and development may lead to affirmative feelings towards their employer and ultimately their long-term growth in the respective organization (Lee & Bruvold, 2003), which in due course shall satisfy the need for relatedness. Thirdly, with PIED greater control over one's own career will satisfy the need for autonomy because of new skill acquisition and updating the old ones

#### **NEED/IMPORTANCE OF THE STUDY**

The main principle of this work is to identify the relationships between perceived investment in employee development (PIED), and work performance in banking sector of Pakistan. In addition, the study also investigates the mediating relationships between the two sets of variables and which claims that the relationship between PIED and WP will be mediated by intrinsic work motivation (IM).

#### **STATEMENT OF THE PROBLEM**

It was observed that employees are less committed and low performers due to lack of training and development opportunities. It is to find that whether perceived investment in employee development plays the role of motivators for bank employee and affects their behavior/attitudes in the form of work performance.

#### **OBJECTIVES**

The objectives of this research are:

- a) To determine the relationship between PIED and employee outcomes in the form of work performance in banking sector of Pakistan.
- b) To determine the relationship between PIED and WP (WE, WQ) are mediated by IM.

#### **HYPOTHESES**

Researcher assumes that there is a possible positive relationship between the variables. Previous researches shown that perceived investment in employee development influence work performance (Kuvaas & Dysvik, 2009a, b; Buch et al., 2010; Kuvaas, 2008) Therefore, it could be hypothesized that:

**H1:** *Perceived investment in employee development will positively influence work effort.*

**H2:** *Perceived investment in employee development will positively influence work quality.*

One could argue that with employee perception of organizational investment increases intrinsic motivation. This argument has been supported by previous researches (Kuvaas & Dysvik, 2009a; Dysvik & Kuvaas, 2008). For the purpose of current study researcher assumes the same positive relationship between perceived investment in employee development and intrinsic motivation. Therefore, it could be hypothesized that:

**H3:** *Perceived investment in employee development will positively influence intrinsic motivation.*

Previous research (Kuvaas, 2009, 2006b) explored the positive relationship between intrinsic motivation and work performance. It was assumed that intrinsic motivation positively effect work performance and intrinsically motivated employees perform their tasks with effort and quality. Therefore, it could be hypothesized that:

**H4:** *Intrinsic motivation will positively influence work effort.*

**H5:** *Intrinsic motivation will positively influence work quality.*

The relationship between perceived investment in employee development and work performance will be mediated by intrinsic motivation. This argument was supported by Kuvaas and Dysvik (2009). Researcher believes that there is a mediated relationship between the performance appraisal satisfaction and work performance in current study. Intrinsic motivation mediates the relationship. It can be hypothesized that:

**H6:** *The relationship between perceived investment in employee development and work effort will be mediated by intrinsic motivation.*

**H7:** *The relationship between perceived investment in employee development and work quality will be mediated by intrinsic motivation.*

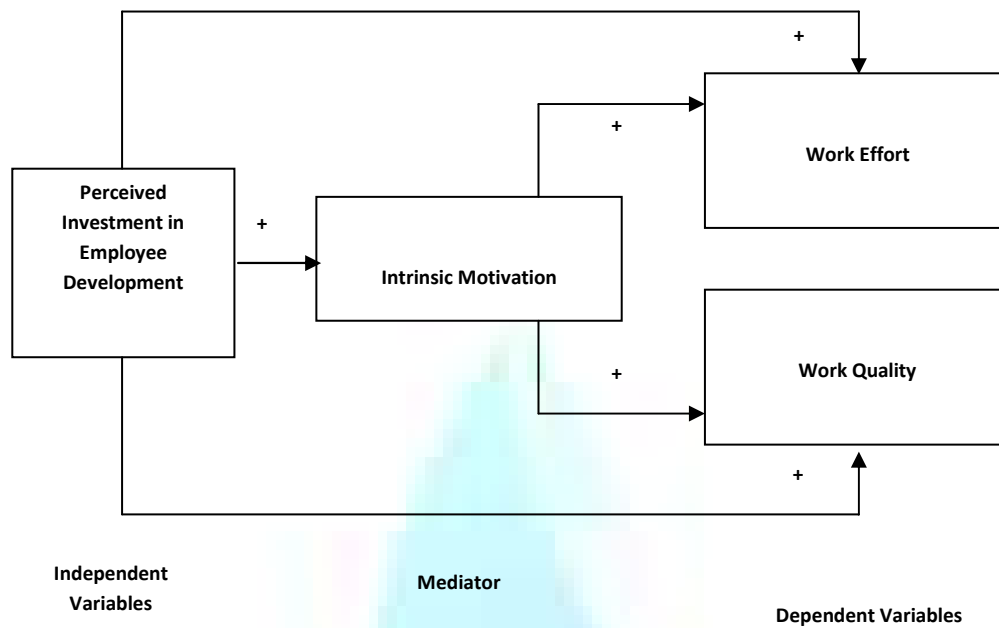
#### **RESEARCH METHODOLOGY**

##### **THEORETICAL FRAMEWORK**

For the purpose of this study theoretical framework has been designed on the bases of models developed by Kuvaas (2006a) and Kuvaas and Dysvik (2009a, 2009b). It shows the logical relationship between the three types of observed variable i.e. dependent, independent and mediating variable. The schematic diagram below shows that there is one independent variable for the study i.e. PIED. The dependent variables are Work Effort and Work Quality.



FIGURE 1.1: THE EFFECT OF PIED ON WE AND WQ THROUGH IM



The model proposes that IM mediates the relationship between the variables while doing individual level analysis. It means that PIED have both direct and mediated affect on WE and WQ.

### MEDIATING ROLE OF INTRINSIC MOTIVATION

Baron and Kenny (1986) model has been used for testing the mediating role intrinsic motivation. In the management literature this three steps model of Baron and Kenny (1986) is commonly used in research (Kuvaas, 2006a; Kuvaas, 2006b, Kuvaas & Dysvik, 2009a; Suliman, 2002). The correlation test (bivariate and partial) can also be used to test the mediating effect on different relationship as used by Suliman (2002). The bivariate and partial correlation has applied to study the mediating effect of IM on different relationship originated in current study.

Preacher and Hayes (2004) are of the opinion that when a variable fulfills the following criteria then it is considered as a Mediator. They outlined the three conditions of Barron and Kenny (1986) as follow:

1. X significantly predicts M i.e. ( $a \neq 0$  in Equation 1);
2. X significantly predicts Y i.e. ( $c \neq 0$  in Equation 2); and
3. M significantly predicts Y controlling for X i.e. ( $b \neq 0$  in Equation 3).

Step 1 provides path a. Step 2 provides path c known as the total effect of X on Y (see figure 3.2). Step 3 provides paths b and  $c'$ . Path  $c'$  is known as the direct effect of X on Y after the inclusion of M (see figure 3.3). The indirect effect of X on Y is defined as the product of  $X \rightarrow M$  path (a) and the  $M \rightarrow Y$  path (b), or  $ab$ . The indirect effect of X on Y is also equal to the difference of the total effect and the direct effect i.e.  $c - c'$ .

#### PERFECT MEDIATION

Perfect mediation is said to be occurred when the effect of X on Y with the inclusion of M decreases to zero and becomes insignificant (Preacher and Hayes, 2004). If the effect of X on Y is perfectly mediated by M then,  $ab = c$ .

#### PARTIAL MEDIATION

When the effect of X on Y with the inclusion of M is reduced in magnitude, but is still significant, partial mediation is said to be occurred (Preacher and Hayes, 2004; Suliman, 2002; Kuvaas, 2006a). If the effect of X on Y is partially mediated by M then,  $ab = (c - c')$ . The mediation analysis proposed by Baron and Kenny (1986) has a default assumption of some form of partial mediation (Shrout and Bolger, 2002).

According to Shrout and Bolger (2002) when the indirect effect  $ab$  equals the total effect  $c$ , we say the effect of X on Y is completely mediated by M or full mediation occurred. In this case the direct effect of X on Y with the inclusion of M is equal to zero i.e.  $c' = 0$ .

Preacher and Hayes (2004) are of the opinion that in most situations the indirect effect is smaller than the total effect so that the effect of X on Y is partially mediated by M. If the effect of X on Y is partially mediated by M then,  $ab = (c - c')$ .

FIGURE 1.2: PATH MODEL SHOWING TOTAL EFFECT OF X ON Y

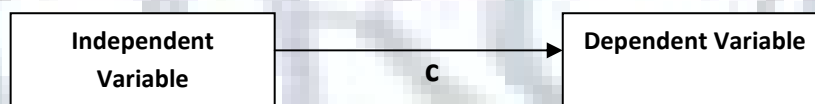
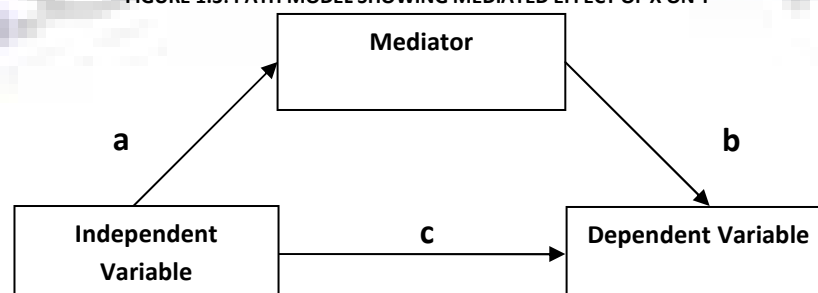


FIGURE 1.3: PATH MODEL SHOWING MEDIATED EFFECT OF X ON Y



**THE MODEL**

For the purpose of this research and on the basis of theoretical framework following models have been estimated:

1) The mediating variable (M) is regressed on the independent variable (X). This step is assessed by estimating the following equation:

$$M' = \alpha_1 + aX + e_1 \quad \text{Equation (1)}$$

(Where  $\alpha_1$  is the intercept coefficient and  $e_1$  is the error term)

2) The dependent variable (Y) is first regressed on the independent variable (X). This step is assessed by estimating the following equation:

$$Y' = \alpha_2 + cX + e_2 \quad \text{Equation (2)}$$

(Where  $\alpha_2$  is the intercept coefficient and  $e_2$  is the error term)

3) The dependent variable (Y) is simultaneously regressed on the independent variable (X) and the mediating variable (M). This step is assessed by estimating the following equation:

$$Y'' = \alpha_3 + c'X + bM + e_3 \quad \text{Equation (3)}$$

(Where  $\alpha_3$  is the intercept coefficient and  $e_3$  is the error term)

**DATA ANALYSIS / FINDINGS**

This chapter presents a detail of results obtained in the study of relationships between dependent and independent variables. It will also report the mediating effect of intrinsic motivation in different relationships. Using SPSS 16 for Windows the results obtained and hypothesis tested. All the results based on empirical analysis are presented in this section. Descriptive and quantitative analysis were performed to analyze the findings. Pearson Correlation is used to measure the degree of association between different variables. Regression Analysis is used to measure the relationship between the dependent and independent variables. Barron and Kenny's (1986) three step mediation process is applied to find the mediating effect of intrinsic motivation. In addition to their method Medgraph software also used to test the mediation using Sobel test.

The sample of the study consisted of 180 bank employees including branch manager and operatives (officer grade) of domestic private banks in Rawalpindi/Islamabad. A total of 180 questionnaires were distributed by the researcher. 142 questionnaires were returned, resulting in a response rate of 79%. Of the returned questionnaires, 131 were suitable for data analysis.

**DESCRIPTIVE STATISTICS OF THE VARIABLES**

Descriptive statistics in the form of minimum, maximum, arithmetic means, standard deviations and variance were computed for all the variables and for the dimensions of work performance. The results are presented as follows:

**TABLE 2.1: DESCRIPTIVE STATISTICS OF MAIN VARIABLES**

	N	Minimum	Maximum	Mean	Std. Deviation
PIED	131	1.00	5.00	3.86	0.679
IM	131	1.00	5.00	3.95	0.596
WE	131	1.00	5.00	4.02	0.508
WQ	131	1.00	5.00	4.03	0.668
Valid N	131				

The descriptive statistics of main variables shows the mean of PIED, IM, WE and WQ are 3.86, 3.95, 4.02 and 4.03 respectively. It shows that all variables are greater than the mid value of 3 in the scale. It is therefore concluded that on average employees perceive and undertake all variables accurately. They understand the statement and shown their level of agreement with it. Higher standard deviation in case of PIED and WQ shown that employees answer vary from mean because every employee perceive and understand theme differently due to some personal reason.

The mean value of work effort and work quality is 4.02 and 4.03 respectively. These values of two dimensions of work performance are greater than the mid value of 3 in the scale from 1 strongly dissatisfied to 5 strongly satisfied. It is therefore concluded that on average the employees are perform well with these dimensions of work performance. The greater value of standard deviation of work quality show larger variation from the mean. So it is revealed that employees are doing the routine work having less quality in their work.

**QUANTITATIVE ANALYSIS**

In this section the results obtained form the quantitative analysis to determine the relationship between independent and dependent variables. It also determines the mediating role of intrinsic motivation in different relationships. To verify different relationship following methods are used in this study;

**RELIABILITY ANALYSIS**

For the purpose to check the reliability Cronbach's Alpha was calculated for different scales used in the study. The overall reliability of the scale for 25 items was 0.89. Individual variables reliability coefficient are as under;

**TABLE 2.2: RELIABILITY COEFFICIENT CRONBACH'S ALPHA**

S. No.	Variables	Total Items	Alpha
1	Perceived investment in employee development	9	0.82
3	Intrinsic Motivation	6	0.81
4	Work Effort	5	0.75
5	Work Quality	5	0.84
6	Total	25	0.89

The internal consistency (Cronbach's Alpha) received on the 9 items of perceived investment in employee development in this study is 0.82. The alpha for mediator variable received is 0.81 having 6 items. The internal consistency (Cronbach's Alpha) received on the work effort is 0.75 and work quality is 0.84. All scales used in the study demonstrated satisfactory reliability estimates ranging form 0.75 to 0.84 (Appendix 'A' includes the wording of each item used in different scales).

**CORRELATION ANALYSIS**

Correlation is recognized as the connection or the association between variables. It measures the extent to which two variables are related. Higher value means stronger relationship between the variables. When the correlation is exactly 1 or -1, it is known as perfect relationship either positive or negative. When it becomes 0, its mean there is no relationship exists between the variables. Table 2.3 below presents the bivariate correlations among the variables being explored

**TABLE 2.3: BIVARIATE CORRELATION AMONG VARIABLES (N=131)**

	1	2	3	4
PIED 1				
IM	0.459**	1		
WE	0.424**	0.473**	1	
WQ	0.402**	0.407**	0.442**	1

Note. PIED=Perceived Investment in Employee Development; IM=Intrinsic Motivation; WE=Work Effort; WQ=Work Quality.

\*p < .05, \*\*p < .01

From the analysis it is noted that perceived investment in employee development is positively but moderately correlated to intrinsic motivation ( $r=0.459$ ,  $p<0.01$ ), work effort ( $r=0.424$ ,  $p<0.01$ ), work quality ( $r=0.402$ ,  $p<0.01$ ). Furthermore intrinsic motivation is positively and moderately correlated to work effort ( $r=0.473$ ,  $p<0.01$ ), work quality ( $r=0.407$ ,  $p<0.01$ ).

Results indicate that perceived investment in employee development is positively associated with work effort and work quality. This support H1 and H2, which states that work effort and work quality is positively influenced by perceived investment in employee development. These results are also supported by previous research (Lee & Bruvold, 2003; Kuvaas and Dysvik, 2009a).

Results also provide support to H3 which state that perceived investment in employee development is positively associated with intrinsic motivation. These are in line with the previous research findings (Kuvaas, 2006a; Dysvik & Kuvaas, 2008; Kuvaas and Dysvik, 2009a). Further, results show that intrinsic motivation positively influences work effort and work quality. This supports H4 and H5, which state that intrinsic motivation positively influence work effort and work quality respectively. These results are in line with previous research findings (Kuvaas, 2006a, 2006b, 2009; Kuvaas and Dysvik, 2010).

## REGRESSION ANALYSIS

Baron and Kenny (1986) three steps model has applied for testing the mediation role intrinsic motivation. According to Preacher and Hayes (2004) variable (M) is considered a mediator if it fulfills the following three conditions:

1. X significantly predicts M i.e. ( $a \neq 0$  in Equation 1);
2. X significantly predicts Y i.e. ( $c \neq 0$  in Equation 2); and
3. M significantly predicts Y controlling for X i.e. ( $b \neq 0$  in Equation 3).

FIGURE: 1.4

Panel A: Illustration of Total Effect of X on Y  
Panel B: Illustration of Mediated Effect of X on Y

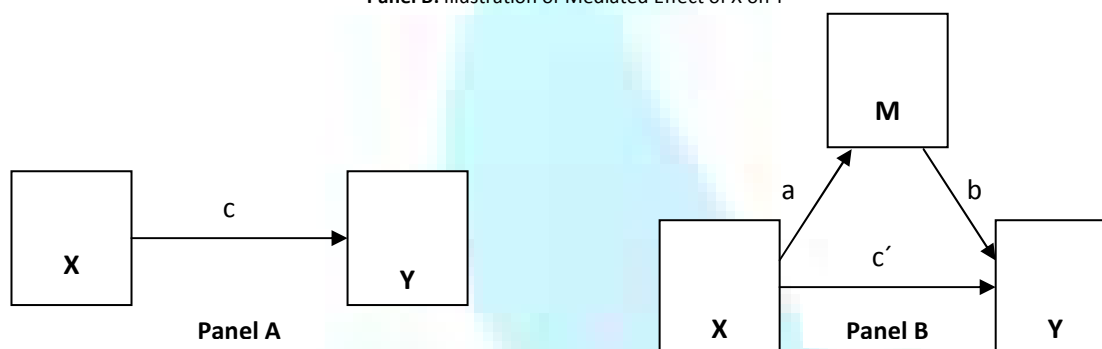


TABLE 2.4: RESULTS OF THE MEDIATED REGRESSION APPROACH FOR IM (PIED - WE)

No.	DV	IV	Beta	T	F	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. E. of Estimates
1	IM	PIED	0.459	5.87***	34.48***	0.211	0.205	0.532
2	WE	PIED	0.424	5.32***	28.35***	0.180	0.174	0.461
3	WE	PIED	0.263	3.11*	24.62***	0.278	0.267	0.435
		IM	0.352	4.16**				

Note: IM=Intrinsic Motivation; PIED=Perceived investment in employee development; AC=Affective Commitment

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

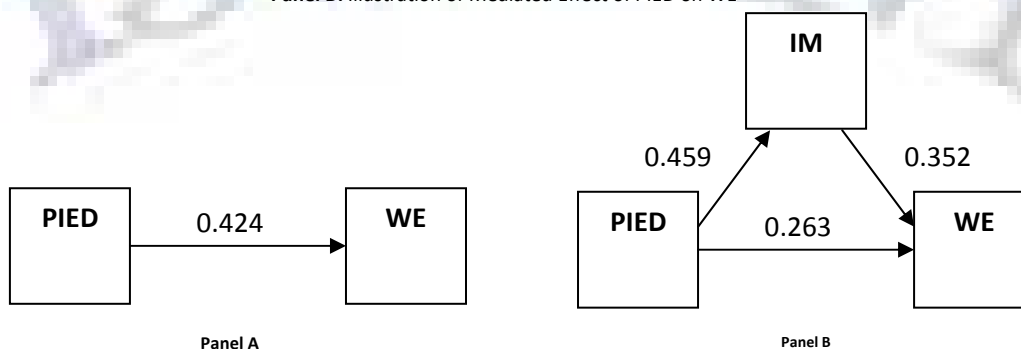
In first equation while analyzing the model summary, the value of adjusted  $R^2$  indicates that about 21% of the variance in IM can be explained by the PIED. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ( $F=34.48$ ,  $p<0.001$ ) indicates that the overall model is statistically significant. The regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on PIED is ( $\beta = 0.459$ ,  $p<0.001$ ), which is statistically significant and explains that PIED report 45.9% variations in IM.

In the second equation while analyzing the model summary, the value of adjusted  $R^2$  indicates that about 18% of the variance in WE can be explained by the PIED. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ( $F=28.35$ ,  $p<0.001$ ) indicates that the overall model is statistically significant. The regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on PIED is ( $\beta = 0.424$ ,  $p<0.001$ ), which is statistically significant and explains that PIED report 42.4% variations in WE.

In the third equation, while analyzing the model summary, the value of adjusted  $R^2$  indicates that about 26.7% of the variance in WE can be explained by PIED and IM. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ( $F=24.62$ ,  $p<0.001$ ) indicates that the overall model is statistically significant. The regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on PIED is ( $\beta = 0.263$ ,  $p<0.05$ ), which is statistically significant and explains that PIED report 26.3% variations in WE. The regression coefficient received on IM is ( $\beta = 0.352$ ,  $p<0.01$ ), which is statistically significant and explains that IM report 35.2% variations in WE.

FIGURE 1.5

Panel A: Illustration of Total Effect of PIED on WE  
Panel B: Illustration of Mediated Effect of PIED on WE



**RESULTS OF THE MEDIATED REGRESSION APPROACH FOR IM (PIED-WE)**

The beta value of PIED in the first step is ( $\beta = 0.459$ ). The beta value of PIED in the second step is ( $\beta = 0.424$ ) (the total effect). The inclusion of IM in the third step has reduced this beta value to ( $\beta = 0.218$ ) (the direct effect). The indirect effect is equal to the difference of the total effect and the direct effect i.e. 0.161. The indirect effect is also equal to the product of path 'a' and path 'b' i.e.  $0.459 \times 0.352 = 0.161$ . Since the total effect is greater than the direct effect therefore it can be said that IM is partially mediating the relationship between PIED and WE. This support H6 which states that IM mediates the relationship between PIED and WP. Sobel test value ( $Z=3.39$ ,  $p<0.001$ ) also support the finding and graphically proved that this relationship is partially mediated by intrinsic motivation by reporting the direct relationship equals to 0.263 and indirect 0.161.

**TABLE 2.5: RESULTS OF THE MEDIATED REGRESSION APPROACH FOR IM (PIED - WQ)**

No.	DV	IV	Beta	T	F	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. E. of Estimates
1	IM	PIED	0.459	5.87***	34.48***	0.211	0.205	.0532
2	WQ	PIED	0.402	4.99***	24.86***	0.162	0.155	0.614
3	WQ	PIED IM	0.272 0.283	3.11** 3.22**	18.51***	0.224	0.242	0.593

Note: IM=Intrinsic Motivation; PAS=Performance appraisal satisfaction; WP=Work performance

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

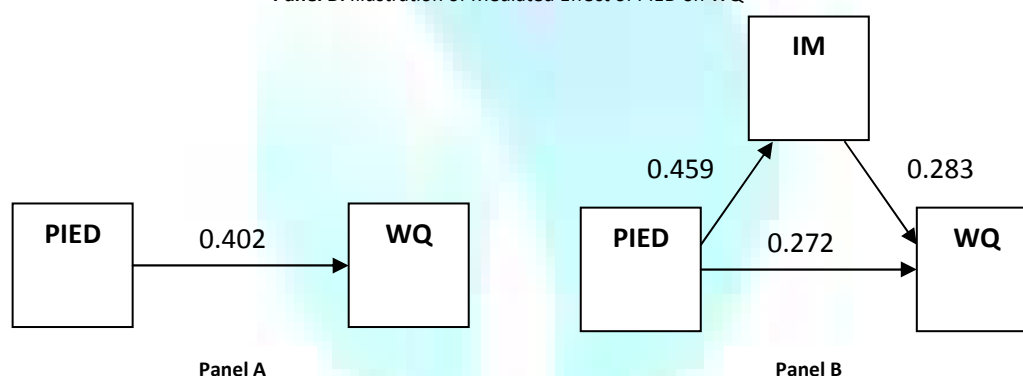
In first equation while analyzing the model summary, the value of adjusted  $R^2$  indicates that about 21% of the variance in IM can be explained by the PIED. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ( $F=34.48$ ,  $p<0.001$ ) indicates that the overall model is statistically significant. The regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on PIED is ( $\beta = 0.459$ ,  $p<0.001$ ), which is statistically significant and explains that PIED report 45.9% variations in IM.

In the second equation while analyzing the model summary, the value of adjusted  $R^2$  indicates that about 16% of the variance in WQ can be explained by the PIED. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ( $F=34.48$ ,  $p<0.001$ ) indicates that the overall model is statistically significant. The regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on PIED is ( $\beta = 0.402$ ,  $p<0.001$ ), which is statistically significant and explains that PIED report 40.2% variations in WE.

In the third equation, while analyzing the model summary, the value of adjusted  $R^2$  indicates that about 22.4% of the variance in WQ can be explained by PIED and IM. The standard error of the estimate shows that the results have low built in error. ANOVA statistics ( $F=18.51$ ,  $p<0.001$ ) indicates that the overall model is statistically significant. The regression equation is statistically significant and helping to understand the relationship. The regression coefficient received on PIED is ( $\beta = 0.272$ ,  $p<0.01$ ), which is statistically significant and explains that PIED report 27.2% variations in WQ. The regression coefficient received on IM is ( $\beta = 0.283$ ,  $p<0.01$ ), which is statistically significant and explains that IM report 28.3% variations in WQ.

**FIGURE 1.6**

**Panel A:** Illustration of Total Effect of PIED on WQ  
**Panel B:** Illustration of Mediated Effect of PIED on WQ

**RESULTS OF THE MEDIATED REGRESSION APPROACH FOR IM (PAS-WP)**

The beta value of PIED in the first step is ( $\beta = 0.459$ ). The beta value of PIED in the second step is ( $\beta = 0.402$ ) (the total effect). The inclusion of IM in the third step has reduced this beta value to ( $\beta = 0.272$ ) (the direct effect). The indirect effect is equal to the difference of the total effect and the direct effect i.e. 0.130. The indirect effect is also equal to the product of path 'a' and path 'b' i.e.  $0.459 \times 0.283 = 0.130$ . Since the total effect is greater than the direct effect therefore it can be said that IM is partially mediating the relationship between PIED and WQ. This support H& which states that IM mediates the relationship between PIED and WQ. Sobel test value ( $Z=2.82$ ,  $p<0.01$ ) also support the finding and graphically proved that this relationship is partially mediated by intrinsic motivation by reporting the direct relationship equals to 0.272 and indirect 0.130.

**RESULTS**

Results indicate that employees in the studied banks observe high levels of investment in employee development (Mean=3.86). Results verify that respondents experience high levels of intrinsic motivation (Mean = 3.95). In addition, employees also perceive high level of work effort (Mean = 4.02) and work quality (Mean = 4.03) as a source of work performance. All scales used in the study demonstrated satisfactory reliability estimates, ranging from 0.75 to 0.84 (Appendix 'A' includes the wording of each item used in different scales).

There is positive relationship between PIED and WE ( $r = 0.424$ ,  $p<0.01$ ) provides support to H1. A positive relationship was also found between PIED and WQ ( $r = 0.402$ ,  $p<0.01$ ) supporting H2. The relationship between PIED and IM is also positive ( $r = 0.459$ ,  $p<0.01$ ) which supports H3. In addition it was also found that IM has positive influence on WE ( $r=0.473$ ,  $p<0.01$ ) and WQ ( $r = 0.407$ ,  $p<0.01$ ) provides supports to H4 and H5.

According to the criterion need to satisfy in order decide about the mediating effect. The first step in the regression is used to test the existence of relationship between independent variables and mediating variable. The first criterion is met for the PIED ( $\beta = 0.459$ ,  $p<0.001$ ). The second step of the regression models in the tables is used to test the direct relationships between independent and dependent variables before the mediator is entered. The second condition is met for both dependent variables. The third criterion that the relationship between independent and dependent variables with the inclusion of mediator is either disappear or become insignificant is met for work effort and work quality. Intrinsic motivation partially mediates the relationship thus it support H6 and H7.



## DISCUSSION & CONCLUSIONS

The objective of this study was to explore the alternative relationship between PIED and employee outcomes in the form of WE and WQ. Among the key findings independent variable PIED directly effect on both dependent variables WE and WQ. The relationship between independent variable (PIED) is partially mediated by IM. Previous researches support the findings (Levy & Williams, 2004; Kuvaas, 2006a; Kuvaas and Dysvik, 2009a).

This study provides additional support to the opinion that PIED may increase the intrinsic motivation, work effort and work quality among bank employees. This study also highlights that employee must experience constructive development programs. Most important contribution of present study is the examination of IM as a mediator. First employee must experience positive development program because it increases their motivation which ultimately results in improved work effort and work quality. It was found that IM is a relatively strong predictor of Work Effort and Work Quality.

The results that PIED as a sources of IM positively influence WE and WQ, suggest that employee who perceive high level of PIED will be more motivated toward their job and put efforts and quality in wok. This would have positive consequences for both employee and organizations as well. It indicates that those employees who observe high levels of PIED will be more willing to perform well and exhibit quality. Those employees who perceive low level of development opportunities are low performers in terms of effort and quality. The results that intrinsic motivation positively influences work effort and work quality indicates that employees who are highly motivated will be more willing to remain in the present job.

Workload of employees can also be reduced by streamlining or removing insignificant aspects of their job so that they can allow more time to critical tasks. Providing training on time management and stress management can also be beneficial in for promoting commitment and improve performance. It is very important to improve intrinsic motivation among employee since PIED directly and indirectly influence WE and WQ through IM. IM can also be enhanced by providing better operating conditions and trainings to them. This can be done by removing unnecessary rules and procedures that deal in regulating the branches so that employees can execute their duties swiftly with more autonomy and freedom. Bank should realize the importance of training and development along with other HR practices. There is a need to develop such strategies that will uplift the motivation of employee to perform their duties aligned with organizational objectives.

## SCOPE FOR FURTHER RESEARCH

The present study proposes that bank authorities should provide their employees with more development opportunities. There is need for development of such strategies which promote motivation among employees. Employee's issues must be resolved on priority basis and their demand must be satisfied. Along with the limitations in current study following are suggested for future research.

First, a study on the effect of PIED on employee outcomes in the form of WP among the employee of public sector banks would be worthwhile. Second, a comparative study would be a better option for understanding the differences in the perception of same concepts by the employees of public and private sector banks in Pakistan. Third, a study of the impact of demographic variables on the perceptions of different sources of WE and WQ would be worthwhile. Fourth, the study of same variables and relationships on other sectors of the economy would be better. This will be helpful in generalizing the results other than banking sector. Fifth, along with self reported questionnaire, interview, on the job performance and inclusion of supervisor ratings would be of interest. Sixth, experimental and longitudinal study can also be used to observe the relationships between the variable studied in current study. Experimental study can also be useful to differentiate between the purposes of PIED like developmental and evaluative. Finally, a need arises to fill the gap in current study by including different dimensions of the studied variables, changing antecedents and consequences would be of interest and worth. Other statistical tools like Structural Equation Modeling in studying these types of relationships would be of interest and value.

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## APPENDIX/ANNEXURE

## QUESTIONNAIRE

Study on the "The Mediating Effect of Intrinsic Motivation on Perceived Investment in Employee Development and Work Performance" A study conducted in Islamabad, Pakistan.

**Section A: Perceived Investment in Employee Development**

The following set of statements describes your general perception towards the investment in employee development programs of your current organization. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please **Encircle or Tick (✓)** one answer. There is no right or wrong answer.

This concept of perceived investment in employee development was measured using the Lee and Bruvold (2003) scale.

No	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization trains employees on skills that prepare them for future jobs and career development.	1	2	3	4	5
2	My organization provides career counseling and planning assistance to employees.	1	2	3	4	5
3	My organization allows employees to have the time to learn new skills that prepare them for future jobs.	1	2	3	4	5
4	My organization provides support when employees decide to obtain ongoing training.	1	2	3	4	5
5	My organization is receptive to employees request for lateral transfers (transfer to another department).	1	2	3	4	5
6	My organization ensures that employees can expect confidentiality when consulting staff.	1	2	3	4	5
7	My organization provides employees with information on the availability of job openings inside the organization.	1	2	3	4	5
8	My organization is fully supportive of a career-management program for the employees.	1	2	3	4	5
9	My organization provides a systematic program that regularly assessed employee skills and interests.	1	2	3	4	5

**Section B: Intrinsic Motivation**

The following set of statements describes your motivational feelings towards your current job. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please **Encircle or Tick (✓)** one answer. There is no right or wrong answer.

Cameron and Pierce (1994) scale was used to measure intrinsic motivation.

No	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The tasks I do at work are enjoyable.	1	2	3	4	5
2	My job is so interesting that it is a motivation in itself.	1	2	3	4	5
3	The tasks that I do at work are themselves representing a driving power in my job.	1	2	3	4	5
4	My job is meaningful.	1	2	3	4	5
5	I feel lucky being paid for a job I like this much.	1	2	3	4	5
6	The job is like a hobby to me.	1	2	3	4	5

**Section C: Work Performance**

The following set of statements describes your ability to perform your job in your organization. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please **Encircle or Tick (✓)** one answer. There is no right or wrong answer.

The scale was developed by Kuvaas and Dysvik (2009a)

No	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Work Effort</b>						
1	I try to work as hard as possible.	1	2	3	4	5
2	I intentionally expend a great deal of effort in carrying out my job.	1	2	3	4	5
3	I often expend extra effort in carrying out my job.	1	2	3	4	5
4	I almost always expend more than an acceptable level of effort.	1	2	3	4	5
5	I usually don't hesitate to put in extra effort when it is needed.	1	2	3	4	5
<b>Work Quality</b>						
1	The quality of my work is usually high.	1	2	3	4	5
2	The quality of my work is top-notch (superior).	1	2	3	4	5
3	I deliver higher quality than what can be expected from someone with the type of job I have.	1	2	3	4	5
4	I rarely complete a task before I know that the quality meets high standards.	1	2	3	4	5
5	Others in my organization look at my work as typical high quality work.	1	2	3	4	5

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