



A Literature Review on the Effects of Employee Relation on Improving Employee Performance

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Abstract

It is apparent that employees are the major valuable assets of an organization in which without them, hard to realize its basic objectives. To harvest more from employees it requires creating conducive working environment which satisfies the needs of individual employee as well as the manager of an organization. This conceptual paper tries to examine the basic concepts employee relation and its effects on employee performance through investigating a number of employee relationship management components such as communication, participative leadership, shared goals and value, mutual trust, motivation and conflict management. Moreover, the relationship between employee relations and employee performance is explored in-depth. The study also discusses on employee performance which comprises of the basic concept and measurements of performance. From a comprehensive review of literature on earlier studies, it was found that the preceding researches didn't make thorough endeavor to address the effects employee relation on employee performance. Finally, it was suggested that future researchers should investigate profoundly to come up with notable empirical results.

Key words: *Effects, Employee Relation, Improving, Employee Performance*

1. INTRODUCTION

The success or failure of any organization is determined by its employees as they are more valuable assets who combine the other resources such as finance, technology, information and production system which enables to achieve organization's competitive advantage. For this to happen, employees should work together and share good relationship with their employers. Hence, employee relationship management plays a crucial role for the achievement of organizational goals. Taking this fact in to consideration, it is necessary to have strong relationship between employees and managers as well as employees with the organization as it leads to productivity, motivation and high performance. On the contrary, several studies revealed that employees' job dissatisfaction and poor dedication have a negative impact on the quality products and services offered to the target customers of the organization.

Currently business organizations are operating their business in a dynamic and turbulent environment which demands highly skilled and flexible manpower that can offer better quality services enjoy high level of customer retention. To do this, companies should have retained good rate of employee retention. Retention of employees refers to satisfied employees that results loyal customers. Employees are considered as internal customers as they require the same level of satisfaction against their services rendered for the company as the customer of



corporate services or corporate products requires. Employee retention is not an easy task rather it requires strong employee relation management system in order to exploit the skills of employees which ultimately lead to better organizational performance.

Performance of employee depends upon job satisfaction, compensation and benefits structure, reward plans, promotions, motivation, conducive working environment, training and succession planning. Along with this, modern tools, techniques and sophisticated technology used by organizations for employee relations create competitive advantage over competitors. Performance management of employee is a complex and integrated process of setting up a common employees understanding about targets to be achieved in an organization and aligning the corporate objectives with the measures like skills, competencies required for a job, employee development plans and the ultimate results delivered by them. Indeed, this study endeavors to collect and review based on the facts and findings of various articles to draw logical statements about employees' relations and its effects on employee performance & to propose further studies to triumph over the drawbacks of earlier studies carried out on the issues of employee relations.

2. Research Methodology

The study is an integrative qualitative literature review on the concept of employee relation and its effect on employee performance. As it is an academic in nature, the review literature was focused on scholarly works which comprised of publications from reputable journals, books and conference proceedings. For this purpose related literature and previous studies pertaining to the basic concepts of employee relations and its drivers have been considered. Besides, it also incorporates the most relevant and recent evidences from various studies that have been reviewed and presented in descriptive manner. This was done to synthesize current thinking and evidences on the issue under review.

3. Discussion

3.1 The Concept of Employee Relation

Employee relation is a kind of interpersonal relationship concept which is drawn by western scholars in the 20th century to replace the industrial relation. It focuses on the right and responsibility, management and obeying caused by the interest between the organization and the employees as a total of cooperating, conflict, strengthen and power relations and is influenced by economic, technology, legal system and socio cultural background in a certain community (Yongia, 2010). Employee relation is defined as the relationship between employees and managers to enhance moral, commitment and trust of employees and to create suitable working environment which enables them to exert their at most effort for the achievement of organizational goals (Bajaj et al., 2013). An effective employee relation involves creating and cultivating a motivated and productive workforce.

Creating health employee relation in an organization is a prerequisite for the achievement of organizational goals. For this to happen, organizations have to develop strong employee relationship which involves motivating employees, participate them in decision making activity



and create an opportunity for free flow of information in the organization and resolve conflicts or disagreements when they arise in the work place. This scenario makes employees to develop a sense of ownership in the organization and this in return initiated them to work hard. Health employee relation leads to more efficient, effective and productive employees which further lead to the increment of production level in the organization. Studies confirmed that companies which create conducive environment for work and create smooth relationship with employees are more productive that leads to get more financial outcomes (Gills, 2008). In contrast to this, a study conducted by Byton (2008) revealed that employees didn't contribute all what they have when they are not happy with the management, government or even with their workmates. The poor employee relationship results labor strike and uprising which directs to deterioration of the productivity of the organization.

4. Employee Relationship Management

The need to manage the relationships that exists between the employers and employees has been at the forefront ever since the beginning of industrial revolution. Effective employee relationship management is vital to the workplace, whether at the time of recruitment, during an employee's tenure or at the time of separation (Rose, 2008). Employee relationship management is relatively a recent term defined as a strategy to effectively manage employees in a way they can attain organizational objectives (Gren and Anderson, 2013). Employee relationship management includes various activities on which an organization implemented by the management so as to develop friendly cooperative relationship with its employees. It helps to create cohesive work environment in which all employees work together in collaboration to ensure the realization of its goals. Besides, it promotes commitment, facilitates employees in achievement of organizational objectives minimizes workplace conflict and increases trust (Bajaj et al., 2013).

Employees can contribute more when the managers of the organization understands the demands of each employee and tries to fulfill their needs as kind of concern which initiates them to dedicate for the realization of organizational goals. Whereas, when employees engage in conflict and misunderstanding with the management, no objective can be accomplished. So, to foster employees moral and to get more managers should build health employee relation to mitigate productivity gaps. Employee relation management also facilitates employee effectiveness and productivity when managers devoted to strengthen the relationship, employees are willing to produce quality products & services to the target customers of the organization (Chapman and Goodwin, 2001).

As to Kumar & Manjula (2017) employee relation management has the following functions:

- To build healthy and balanced relationship with the organization
- To build moral values and confidence to encourage employees for better performance
- To make employee more productive and effective in their work
- To treat all employees equally without any discrimination
- To motivate employees in order to bring out their inner potential to innovate new things



4.1 Components of Employee Relationship Management

4.1.1 Communication

Communication in an organization deals with the extent of exchanging information among employees to aware about the important aspects of the organization which includes institutional policy, strategy, procedures and manuals that help them to understand what is expected of them and how they are going to accomplish their duties. It plays a pivotal role in strengthening employee relationship since it service as a key to open the door of interaction in the organization. In an organization communication helps to foster the relation and create harmony as it builds trust among employees of different departments in the organization (Chinomon and sandata, 2013).

A study carried out by Abduwarda (2010) revealed that there is significant relationship between communication and employee performance. On the top of this, study conducted by Kumar and Manjula, 2017) shows that transparency in communication is crucial for healthy employee- employer relationship as it initiates group activities in the work place, it helps employee to develop friendly approach with his or her colleagues. In line with this, the study carried out by Sequeira and Shriti, 2015) confirm that well informed employees are much higher in performance than those of ill-informed employees. Furthermore, research carried out by Hasen and Salman (2016) asserted that there is a positive and significant influence of effective communication on employee performance as effective communication is an essential tactic that has been performed which can extract the ultimate of the employee to help both organization and the employees to achieve their ultimate goal.

4.2. Participative Leadership

Leadership is key factor that has major influence on the performance of the organization. According to House and Mitch (1974) the participative leadership possesses the consultative behavior such as consulting employees prior to making ultimate decision although they retain final decision authority. This is crucial for achieving high employee performance which leads to high employee commitment as followers feel appreciated and valued.

Leadership is defined as the ways in which leaders guide their followers in the direction that enable them to achieve organizational goals through motivating, participate in decision making, offering continuous training. Participative leadership collects suggestions and recommendations from subordinates for making the final decision which enables him to make sound decision since subordinates are capable in bringing out innovative ideas (Chaudhry, 2013). This helps to strengthen the relation between the leaders and subordinates and as well develops the sense of ownership in the organization because their participation makes them to feel at ease and thereby enhance their performance.

In similar way, a study conducted by (Pradeep and Prabhu, 2011) reveals that there is a positive relationship between transformational leadership and employee performance as this style of leadership creates conducive work environment, job satisfaction and extra effort in comparison to the counterpart transactional leaders and these leaders have the capacity to



convince their subordinates to achieve more. Furthermore, Sequeira and Dhriti, (2015) in their study show that when management of the organization creates equal opportunity and offers equal treatment to employees without biases which promotes positive attitude towards the organization and constructive feedback and guidance make employees to realize what the organization expect of them as they feel they attain mutual benefit. Concomitant to this, participative leadership style is most useful in long term and has a positive effect on employees performance (Anwar et al., 2014).

4.3. Shared Goals and Values

The concept of shared goal indicates the communality among the employees and management of the organizations towards the central goal which is expected to be realized by the organization (Kontabutra and Avery, 2009). This coherence helps to understand how work is related across all units of the organization as well as aligning the work of employees with the strategic direction of the organization (Pulakos and O'Leary, 2011). Sharing common goal enables employees to direct all their efforts to the accomplishment of that particular goal of the organization. However, this can be realized when there is interdependence and collaboration among the employees. Shared goal has a positive impact on employees' performance and organizational outcomes (Chinomana & Jandata, 2013).

Shared goals direct employees to improve productivity. Many scholars agreed that the establishment of clearly achievable and mutually agreed goals that relates towards the vision of the organization motivates employees for its accomplishment (Nelson, 1997; sax, 2012). This encourages team members to share the sense of common purpose and increases their awareness of the intended goals (Dina, 2010; Holmes, 2005). On the top of this (Richards and et al., 2012) state that specific goals motivate employees to attain and this builds commitment.

4.4. Mutual Trust

Trust is a critical variable which influence the performance, effectiveness and efficiency of the organization (Driks and Ferrin, 2002). Trust may grow, decline or remerge over the cause of relationship. As the relationship increases, people have more opportunities to observe and learn about each other and the judgment over the given action can be concluded as either trustworthy or untrustworthy (Huang and Guo, 2009). Trust promotes cooperative behavior, minimize conflict and develop employees' positive perceptions to their managers which in turn enhance employee job satisfaction in the organization (Gills, 2008). It also cultivates a positive work environment which consecutively and promote employee job performance in the organization.

Majority of the researchers visualize trust is consisting of two elements; integrity and reliability. In employee-employer relationship trust is the level of reliance one can place up on the information receive from another person and confidence in the relationship partner (Hering, 2009). When employees fail to trust their managers, the flow of upward communication will be compromised; likewise, when managers distrust their employees who work with them, the downward flow of information will be negatively affected (Daniel, 2003). In line with this, study conducted by Abushawish (2013) revealed that there is a positive relationship between



employee's openness and organizational trust. Managers' trust could also have greater impact on managerial decision making process. Besides, a study conducted Hasen and Salman (2016) Level of trust has a positive and significant relationship with employee performance because building trust is building the confidence in each other's competencies and reliabilities, thus, the existence of trust among employees constructs synergy in the organization and a better performance of its employees as trust is based on the reliability and the competencies.

4.5. Motivation

Motivation is defined as all internal and external driving forces that make the individual to perform an activity, what determines the limits and forms of activity and which gives activities oriented towards achieving certain objectives (Duica, 2008). Motivation is a critical factor for the success of the organization as it helps to maintain the continuity of the work in a powerful manner (Omollo, 2015). Motivated employees are a good asset of an organization. Handon (2000) and Werbler and Harris (2009) stated that best practices for promoting employee relations and having motivated employees are: leadership, growth and development, meaningful work, reward, financial benefits, good working condition, personal loyalty to employees, empowerment, creativity and innovation.

Researches 'show that there is a positive relationship between motivation and performance (Deci and Gangne, 2005). In a similar way, Nabi and et al (2015) revealed that motivation indeed has a monotonous effect on employee performance, when the employees will get some extra drive and exertion it is bound to improve standard performance. Furthermore, a study was done by Shahzadi et al (2014) to find the effect of employee motivation on employee performance in which it was depicted that if employees are more motivated then their performance will increase.

4.6. Conflict Handling / Management /

Conflict is a dispute that occurs when interests, goals or values of different individuals or groups are incompatible with each other (Agwu, 2013). Maltreatment of employees, poor reward system of the organization, lack of group cohesiveness and favoritism are responsible for organizational conflicts; with the consequential impact on employee job commitment, service quality, customer satisfaction & organizational performance, whereas outcomes generate influence on job performance, thus creating turnover intentions and further generating organizational conflict (Ahmed, 2015; Nwokorie, 2017). Sometimes conflict can also arise on the style of interaction with colleague or ethics and principles can also be the reason for conflict among workers. When employees' working together conflict is inevitable or natural but the existence of conflict is not a matter rather how to resolve in win- win approach.

It has been evidenced that the most separations are because of conflict over communication style and personalities and moreover these separations takes place in case of conflicts are managed effectively (Chaudhry and et al., 2013). Integration of all stakeholders' interest will go a long way in reducing conflict in organization and enhancing employee performance. To substantiate this, Agwu (2013) confirmed that there is a significant relationship between



conflict management strategies and employees performance. Moreover, a study conducted by Olu (2008) revealed that effective conflict management enhances employee's performance in an organization and that organization's conflict management system influences employee performance in the organization.

5. Employees Performance

The concept of performance encompasses both what has to be accomplished and how it can be realized. Organizational performance can be measured in various ways. In line with this, Coulter (2006) describes employee performance as the total or aggregate output of an employee activities and actions in an organization. She goes further to declare that the level of employee performance may be characterized as low performance levels, moderate performance levels and high performance levels. She agrees that the employee performance in an organization is normally measured using such attributes as effectiveness, efficiency, quality, innovation, creativity, commitments, satisfaction, cohesiveness, flexibility, customer relations, communication patterns and employee efforts towards the goals of an organization. However, the dominant one which is commonly used in many organizations is measuring their actual performance against expected result is financial results (profitability) or productivity (Armstrong, 2009).

Many organizations realize that employees are their major sources of competitive advantage and hence employees contribute to the organizations performance. In line with this fact, Hayward (2005) stated that employees performance have a significant effect on organizational goal achievements. Managing employee's performance is an indispensable for the accomplishment organizational goals. Assessing an employee's capability and measuring his or her productivity is the crucial in the overall plan of the organization. When organizations fail to measure employees' potential and ability to perform the given tasks, it is difficult to enhance the production level of the organization. As employees' performance is directly related to organizational productivity and success, it is essential to measure employee performance since each employee creates results which mainly comprise the correlation among the quality of production and dedication of employees at work place (Sarmad et al., 2011).

6. The Effects of Employees Relations on Employee Performance

Good employee relation creates pleasant atmosphere for employees which can increase their motivation. Increased employees moral can lead to increase workers performance as well. Organizations investigating in employee relation programs may experience an increase in performance which leads to increase in profit for the business (Kelchner, 2017). In the research conducted by (Sequeira and Dhriti, 2015) it was identified that employee relations practices followed in the organization had a direct effect on the performance of workers in the organization. Employees with higher level of satisfaction with the existing organization practices are more productive and resistive towards changing the current organization. The study also revealed that improving the employee relations practices of an organization can improve the performance of employees and thereby the overall productivity of the organization. In similar way the research conducted by (Kuzu and Ozihan, 2014 and Al-khozondar, 2015)



revealed that there is strong relationship between employee relations and employee performances.

7. Conclusion

The reviewed article examined the effects employee relations on employee performance. From this it was concluded that good employee relation motivates employees for better performance and contributes to the overall success of the organization. It also concluded that employee relations management components such as communication, participative leadership, shared goals and value, mutual trust, motivation and conflict management have significant effect on the performance of employees. Organizations are realizing that employee relationship management facilitates building strong relationship with their employees. When employee relationship management can build, strengthen & reinforce commitment, it enhances employee performances which in turn boost up organizational effectiveness.

From the extensive review of prior researches, although it was found that employees relation has direct effect on employees performance, the studies didn't make in-depth investigation on the issue since they fail to notice several variables such as trade union, collective agreement, employee health, safety and security and flexible work schedule which are essential factors for strengthening employee relationship management in the ever-changing dynamic world which stipulates proactive management practices. On the top of this, the researches couldn't address the nature of work relationship of various sectors as most of the studies concentrated on services oriented organizations.

Therefore, on the bases of the given information on the prior studies, to fill the existing gap it requires reliable comprehensive empirical investigation to examine the effects employee relation variables (labor union, collective agreement, employee safety and health) on improving employees' performance. Moreover, it is also recommended to conduct further study on analyzing the effects on employees' relation on quality improvement in manufacturing and public sector organization which encompasses several work forces in the current world of work. Furthermore, it is suggested to carry out research on effects of work life balance on strengthening employee relations to enhance the performance of employees which is an emerging movement of the century's workforce so as to fulfill their ever-increasing demands.



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