ABSTRACT

**Purpose:** This Research work focuses at how service and justice climates influence the strength and direction of the relation between Employee engagement and financial and non-financial results in service businesses, as well as the moderating impact of these climates on this relationship.

**Method:** This research employs a quantitative method, collecting data from workers (N=376) in different service sectors and analysing it using SmartPLS software to investigate the moderating impacts of Service and Justice Climates on Work Engagement and Organizational Performance. The survey covered North Indian service sectors. A questionnaire was issued online to over fifty firms across several service verticals. A total of 480 samples were gathered, and after filtering, 376 samples were utilised for result analysis.

**Results:** This research found that service and justice climate moderates the relationship between employee engagement and financial and non-financial Performances. This investigation emphasizes the need of organisations creating service and justice climate resulting in maximisation of performance advantages of employee engagement programmes, emphasising the necessity for managers and leaders to prioritise service excellence and procedural compliance.

**Research Implications:** This research investigates the results of service and justice climate on employee engagement and organisational performance, providing practitioners with useful insights on how to optimise engagement programmes while also improving organisational efficiency and sustainability, and contributes to current knowledge of Employee Engagement.

**Originality/value:** Supporting current knowledge, this study examines how service and justice cultures affect employee engagement and organisational performance, helping practitioners improve engagement efforts and organisational success and sustainability.

**Keywords:** Employee Engagement, Financial Performance, Non-Financial Performance, Service Climate, Justice Climate, Service Sector, SmartPLS.
Um questionário foi emitido on-line para mais de cinquenta empresas em vários setores verticais de serviços. Foram coletadas 480 amostras e, após filtragem, 376 amostras foram utilizadas para análise dos resultados.

**Resultados:** Esta pesquisa descobriu que o clima de serviço e justiça modera a relação entre o envolvimento dos funcionários e o desempenho financeiro e não financeiro. Esta investigação enfatiza a necessidade de as organizações criarem um clima de serviço e justiça, resultando na maximização das vantagens de desempenho dos programas de envolvimento dos funcionários, enfatizando a necessidade para gestores e líderes priorizarem a excelência no atendimento e no cumprimento dos procedimentos.

**Implicações da pesquisa:** Esta pesquisa investiga os resultados do clima de serviço e justiça no envolvimento dos funcionários e no desempenho organizacional, fornecendo aos profissionais insights úteis sobre como otimizar os programas de engajamento e, ao mesmo tempo, melhorar a eficiência e a sustentabilidade organizacional, e contribui para o conhecimento atual sobre o envolvimento dos funcionários.

**Originalidade/valor:** Apoiando o conhecimento atual, este estudo examina como as culturas de serviço e justiça afetam o envolvimento dos funcionários e o desempenho organizacional, ajudando os profissionais a melhorar os esforços de envolvimento e o sucesso e sustentabilidade organizacional.

**Palavras-chave:** Engajamento dos Funcionários, Desempenho Financeiro, Desempenho não Financeiro, Clima de Serviço, Clima de Justiça, Setor de Serviços, SmartPLS.

**INTERROGAR LOS EFECTOS INTERMEDIOS DE LOS CLIMAS DE SERVICIO Y JUSTICIA EN LA COYUNTURA ENTRE EL COMPROMISO DE LOS EMPLEADOS Y EL DESEMPEÑO ORGANIZACIONAL EN LOS SECTORES DE SERVICIOS**

**RESUMEN**

**Propósito:** Este trabajo de investigación se centra en cómo los climas de servicio y justicia influyen en la fuerza y dirección de la relación entre el compromiso de los empleados y los resultados financieros y no financieros en las empresas de servicios, así como el impacto moderador de estos climas en esta relación.

**Método:** Esta investigación emplea un método cuantitativo, recopila datos de trabajadores (N=376) en diferentes sectores de servicios y los analiza utilizando el software SmartPLS para investigar los impactos moderadores de los climas de servicio y justicia en el compromiso laboral y el desempeño organizacional. La encuesta cubrió el servicio del norte de India. sectores. Se envió un cuestionario en línea a más de cincuenta empresas de varios sectores verticales de servicios. Se recogieron un total de 480 muestras y, tras filtrarlas, se utilizaron 376 muestras para el análisis de los resultados.

**Resultados:** Esta investigación encontró que el clima de servicio y justicia modera la relación entre el compromiso de los empleados y el desempenho financiero y no financiero. Esta investigación enfatiza la necesidad de que las organizaciones creen un clima de servicio y justicia que resulte en la maximización de las ventajas de desempeño de los programas de compromiso de los empleados, enfatizando la necesidad para que los gerentes y líderes prioricen la excelencia en el servicio y el cumplimiento de los procedimientos.

**Implicaciones de la investigación:** Esta investigación investiga los resultados del clima de servicio y justicia en el compromiso de los empleados y el desempeño organizacional, brindando a los profesionales información útil sobre cómo optimizar los programas de compromiso y al mismo tiempo mejorar la eficiencia y sostenibilidad organizacional, y contribuye al conocimiento actual sobre el compromiso de los empleados.

**Originalidad/valor:** respaldando el conocimiento actual, este estudio examina cómo las culturas de servicio y justicia afectan el compromiso de los empleados y el desempeño organizacional, ayudando a los profesionales a mejorar los esfuerzos de compromiso y el éxito y la sostenibilidad organizacionales.

**Palabras clave:** Compromiso de los Empleados, Desempeño Financiero, Desempeño no financiero, Clima de Servicio, Clima de Justicia, Sector de Servicios, SmartPLS.
1 INTRODUCTION

Human Resource (HR) practices have long been recognized as pivotal drivers of organizational performance, encompassing a wide array of activities aimed at managing the workforce effectively (Huselid 1995; Guest, 1997; Kang & Busser, 2018). From recruitment & selection, training development and another HR practices influence employee attitudes, behaviors, and ultimately, organizational outcomes (Boxall & Macky, 2008). Financial performance metrics, such as profitability and return on investment, remain critical indicators of organizational success, providing stakeholders with tangible measures of economic value creation (Huselid & Becker, 1997; Zaid et al., 2018). Rooted in the notion of fostering a deeply vested connection between employees and their work, employee engagement transcends mere job satisfaction to encompass a holistic commitment and emotional investment in organizational goals and values (Kahn, 1990; Harter et al., 2002; Albrecht et al., 2015; Lu et al., 2022). Its significance lies not only in cultivating a motivated and productive workforce but also in driving strategic outcomes that contribute to organizational success (Bakker & Demerouti, 2017). In recent years, amidst evolving workplace dynamics and heightened competitive pressures, organizations have increasingly turned their focus towards understanding and harnessing the potential of employee engagement as a catalyst for enhanced performance (Gallup, 2020). James and Jones (1974) and Schneider et al. (2013) define organisational climate as "the shared perceptions and experiences of employees regarding the prevailing work environment," which includes leadership, communication, and organisational practices. According to Walumbwa et al. (2010), there are two important aspects of an organization's climate that have been extensively studied in literature: the Service Climate and the Justice Climate. According to research by Schneider et al. (1998), Colquitt et al. (2001), and Cropanzano et al. (2007), the Service Climate indicates how much an organisation values and prioritises providing excellent customer service, while the Justice Climate refers to how fair and equitable its processes and decisions are perceived to be. There has been a rising acknowledgment in recent years of the moderating effect that organisational climates have in the link between employee engagement and performance outcomes (Shuck et al., 2011; Me Albrecht et al., 2018, Akram et al., 2020; Aman et al., 2023). This knowledge has occurred as a result of a number of studies being conducted. To be more specific, the Service Climate and the Justice Climate have been recognised as possible moderators that are responsible for transmitting the impacts of employee engagement to other aspects of organisational
performance. In the contemporary service sector, where organizations strive to maintain a competitive edge amidst dynamic market conditions, the concept of employee engagement has emerged as a critical determinant of organizational success. The Service Climate reflects the organization's emphasis on providing exceptional service quality (Lin et al., 2021), while the Justice Climate encompasses perceptions of fairness and equity in the workplace (Le et al., 2021).

2 LITERATURE REVIEW

2.1 EMPLOYEE ENGAGEMENT

The first academic idea was developed by Kahn (1990) in his ethnographic study on workplace personal engagement and detachment. Saks (2022) defines engagement as employing all of one's physical, cognitive, and emotional talents at work. The term "employee engagement" was popularised by Schaufeli and colleagues in 2002. They defined it as a pleasant mental state associated with work that combines enthusiasm, devotion, and absorption. This concept emphasises the complex and diverse character of employee engagement, which includes emotional, cognitive, and behavioural aspects. Employee engagement is a concept and topic of study that has quickly gained the attention of both researchers and practitioners. Given the many claims that employee involvement is a crucial element for the success and competitive edge of an organisation (Macey et al., 2009; Crawford et al., 2010; Byrne, 2022). Kompaso & Sridevi (2010), Bedarkar & Pandita (2014) Albrecht et al. (2015), Barrick et al. (2015), have provided evidence and arguments supporting the idea that engagement is a crucial factor for gaining a competitive edge and achieving financial success.

2.2 EMPLOYEE ENGAGEMENT IN SERVICE SECTOR

Employee engagement in the service sector has garnered substantial attention in contemporary organizational literature due to its critical role in enhancing service quality, customer satisfaction, and organizational performance (Markos & Sandhya, 2010). In the service business, employee engagement and organisational results have been intensively studied. Na-Nan et al. (2015) found a strong link between staff engagement and customer loyalty, emphasising the importance of engaged workers in providing excellent service.

2.3 ORGANIZATIONAL PERFORMANCE

Traditionally, organizational performance assessment has focused predominantly on financial metrics, such as profitability, return on investment, shareholder value and many others. However, as the business landscape evolves and the importance of intangible assets gains recognition, both scholars and practitioners have broadened their scope to include non-financial performance indicators as well (Kaplan & Norton, 1996; Ittner & Larcker, 2003). While financial performance metrics offer a measurable evaluation of an organization's profitability and economic viability, serving as crucial benchmarks for investors, creditors, and other stakeholders (Biddle et al., 2009), non-financial indicators, encompassing customer satisfaction, employee engagement, innovation capability, and environmental sustainability, provide insights into broader aspects of organizational effectiveness and competitiveness (Kaplan & Norton, 1996; Eccles et al., 2011; Al-Hosaini et al., 2023). Financial and non-financial performance metrics offers a more comprehensive and balanced assessment of organizational performance, providing stakeholders with a holistic understanding of an organization's value creation capabilities and long-term sustainability (Ittner & Larcker, 2003). Organizations adept at managing both financial and non-financial performance dimensions are better positioned to adapt to changing market conditions, anticipate future challenges, and capitalize on emerging opportunities (Kaplan & Norton, 2004). Consequently, simultaneous consideration of financial and non-financial performance indicators has become increasingly relevant for organizations seeking to enhance strategic decision-making processes, stakeholder relations, and overall competitive advantage in today's dynamic business environment.

2.4 PERFORMANCE (FINANCIAL & NON-FINANCIAL) IN THE SERVICE SECTOR

Financial performance metrics, including profitability, return on investment, and revenue growth, are commonly used indicators to assess the economic health and viability of service sector organizations (Bătae et al., 2021). Research suggests (Nath et al., 2010; Davcik & Sharma, 2016; Foltean et al., 2019) that superior financial performance is often associated with efficient resource allocation, effective cost management, and revenue maximization.
Moreover, in the service sector, where intangible assets such as human capital and brand reputation significantly contribute to organizational value creation, financial performance outcomes are intricately linked to the organization's ability to leverage these resources effectively (Kaplan & Norton, 2004). In the service industry, non-financial performance measures such as employee engagement, innovation, customer happiness, and service quality are becoming more and more acknowledged as important factors influencing organisational success (Smith & Bititci, 2017; Budur & Poturak, 2021). Customer satisfaction, in particular, is considered a fundamental determinant of competitive advantage and long-term profitability in service-oriented industries (Kaplan, 2010). Furthermore, employee engagement, characterized by the commitment, motivation, and discretionary effort employees invest in their work, is recognized as a critical driver of service excellence and customer-centricity in the service sector (Harter et al., 2002; Albrecht, 2010; Byrne, 2022).

2.5 SERVICE CLIMATE AND JUSTICE CLIMATE

The Service Climate refers to the level to which an organization emphasizes customer service excellence and fosters a customer-centric culture. Organizations with a strong Service Climate prioritize the delivery of high-quality service experiences and provide support and resources to frontline employees to meet customer needs effectively (Bowen & Schneider, 2013). Research suggests that a positive Service Climate enhances employee engagement by instilling a sense of purpose and pride in delivering exceptional service, thereby influencing performance outcomes such as customer satisfaction, loyalty, and retention (Schneider et al., 1998; Chen & Chi, 2021). Comparably, the Justice Climate includes aspects like distributive justice, procedural justice, and interpersonal justice and is concerned with how workers feel about justice and equality at work (Colquitt et al., 2001). Employees of organisations with a positive justice climate feel that choices about resource distribution, incentives, and disciplinary procedures are just and open (Ambrose & Schminke, 2003). Positive justice climates encourage commitment, trust, and respect among staff members, which raises performance and engagement (Ehrhart & Naumann, 2004).
2.6 EMPLOYEE ENGAGEMENT AND FINANCIAL AND NON-FINANCIAL PERFORMANCE

Performance has been thoroughly examined in organisational literature (Mutua et al., 2012; Kumar, 2019;). HR practices include of several activities such as recruiting, selection, training and development, performance assessment, remuneration, and employee interactions (Guest, 2017; Ho & Kuvaas, 2019). The significant Linkage between employee engagement and organizational performance has also been comprehended in Various Research (Khulbe & Kumar, 2023). These practices have a crucial impact on moulding staff behaviours, attitudes, and capacities, consequently affecting the performance results of the organisation (Guest et al., 2003). Research conducted by Huselid (1995) discovered that companies that use high-performance work practices, such as HR practices and financial performance criteria like profitability, return on investment, and shareholder value, tend to have better financial performance. Becker & Huselid (1998) emphasised the need of integrating HR practices with company strategy. They demonstrated that companies that have strategic HR systems get superior financial success. In addition, HR policies have a broader influence that goes beyond financial measures and includes non-financial performance factors including employee engagement, contentment, and innovation capabilities (Guest, 2017; Boxall & Macky, 2008).

Implementing efficient human resources (HR) strategies helps establish a favourable workplace atmosphere marked by trust, communication, and empowerment. Consequently, this environment promotes increased employee engagement and satisfaction (Boxall & Macky, 2008). Employees that are engaged are more inclined to exhibit discretionary effort, inventiveness, and dedication towards achieving organisational objectives, resulting in enhanced non-financial performance outcomes such as productivity, service quality, and innovation (Harter et al., 2002; Bakker & Demerouti, 2017). Employee engagement, defined as the emotional and cognitive commitment individual’s exhibit towards their work roles, has garnered attention due to its perceived influence on various organizational outcomes (Bakker & Demerouti, 2017). Within the HR literature, it is widely acknowledged that engaged employees are more likely to exert discretionary effort, display higher levels of job satisfaction, and demonstrate proactive behaviors that contribute to enhanced organizational performance (Saks, 2006; Khulbe et al., 2023). Numerous studies have documented the positive associations between employee engagement and financial performance indicators such as profitability,
productivity, and revenue growth (Macey & Schneider, 2008; Markos & Sandhya, 2010; Dixit & Narendran, 2019).

Additionally, employee engagement has been linked to innovation capability, with engaged employees exhibiting greater creativity, problem-solving skills, and willingness to contribute ideas for organizational improvement (Bakker & Demerouti, 2017; Pincus, 2022). Employee engagement is a vital determinant in improving the financial success of an organisation. Research conducted by Kaplan & Norton (2004), Markos & Sandhya (2010), and Bedarkar & Pandita (2014) has shown that firms may improve their financial performance by having workers who are completely engaged and devoted to the whole organisation. Research conducted in 2017 by Adarsh & B, and Iddagoda & Gunawardana, discovered a noteworthy correlation between employee engagement and financial success. One study by Galdeano et al. (2019) found that staff engagement was strongly linked to industry-adjusted financial measures like return on assets (ROA) and net margin, as well as customer metrics like the American Customer Satisfaction Index (ACSI) and Harris. An ANOVA study from 2013 showed that the independent factors had a big and good effect on the changes in all three financial success measures (Mwangi & Jerotich, 2013; Belás & Gabčová, 2016). Research has shown that implementing strategic HRM practices is strongly correlated with improved business performance, as measured by return on assets (ROA). Akhtar et al. (2008) discovered that strategic HRM practices in Chinese firms had an impact on both financial and product/service performance. Human resources strategies that prioritise long-term goals have been shown to effectively decrease employee turnover, enhance productivity, and improve return on assets (ROA). The 2006 study conducted by Towers Perrin revealed the advantages of employee engagement on financial performance. The research conducted by Siswanto et al. (2021) revealed that although incentive does not have a direct impact on employee performance, it does have a notable beneficial affect via employee engagement.

2.7 MODERATING EFFECTS OF JUSTICE AND SERVICE CLIMATE

Organisational success and employee engagement have been closely examined, especially in HR practices. Organisational performance and success have been shown to be improved by employee engagement, or the degree to which people are emotionally and intellectually devoted to their job. One of the main HR strategies for raising output, quality of services, creativity, and organisational performance is engagement (Guest, 2017; Ababneh,
2020). The link between employee engagement and organisational performance is complex and impacted by organisational context. Organisational environment is a key factor in how employee engagement affects performance (Schneider et al., 1998). Organisational climate includes values, norms, and practices expressed in common views, attitudes, and behaviours (Lin & Liu, 2016). The Service Climate and Justice Climate may modify the link between employee engagement and organisational success (Bowen & Schneider, 2013). Employee opinion of the internal service environment and procedures is called service climate (Schneider & Bowen, 1993). Service environment empirically predicts work engagement. Work engagement and service environment were positively correlated by Kopperud et al. (2014). Barnes & Collier (2013) found that service environment predicts service sector job engagement. Ram & Prabhakar's 2011 study on large service organisations found that HR aspects may help create a service atmosphere that boosts engagement. According to Menguc et al. (2017), the Service Climate and Justice Climate moderate the association between employee engagement and organisational performance. Employee engagement and better performance results throughout organisational efficiency and competitiveness may be improved by creating positive service excellence and fairness cultures (Ahmed et al., 2020).

3 THEORETICAL BACKGROUND

This research uses organisational behaviour, human resource management, and related ideas and concepts. Employee Engagement Theory, Service Climate Theory, Organisational Justice Theory, Social Exchange Theory, Resource-Based View of the Firm, and Psychological Contract Theory.

According to Employee Engagement Theory (Truss et al., 2013), emotionally invested people perform better, produce more, and succeed in the workplace (Aman et al., 2023). Service atmosphere Theory (Bowen & Schneider, 2014) indicates that a strong service atmosphere encourages staff behaviours and attitudes that improve service delivery, customer happiness, and organisational success. Distributive, procedural, and interactional justice affect employee attitudes, behaviours, and performance (Bowen & Schneider, 2013) in Organisational Justice Theory (Greenberg, 1990). Social Exchange Theory (Cropanzano & Mitchell, 2005) says that people join organisations to get valuable resources in return. This research seeks to illuminate the complicated link between employee engagement, organisational climates, and organisational performance and identify moderators.
4 RESEARCH GAP AND OBJECTIVES

Employee engagement and organisational performance are positively correlated (Otieno et al., 2015; Kazimoto, 2016; Sendawula et al., 2018; Satata, 2021), while Service Climate and Justice Climate are not. Comprehending how Service and Justice Climates influence employee engagement's effect on organisational performance is the basic objective of this study. This study fills this research gap to increase mechanistic understanding.

5 CONCEPTUAL FRAMEWORK AND DEVELOPED HYPOTHESIS

Employee engagement, financial and non-financial performance, service climate, and justice climate are examined in this study. Employee engagement involves workers' emotional investment in their work, company, and goals. Performance metrics include profitability, revenue growth, return on equity, and return on assets. Non-financial success includes customer satisfaction, personnel satisfaction, and innovation. The company's culture and operations reinforce the importance of customer service, which is called service environment. The term "justice climate" refers to the predominant views, practices, and behaviours of a society or institution about fairness, equality, and access to justice. It includes the larger social, political, and legal context in which justice is sought and delivered.

Main Hypotheses:

H1: Positive correlation exists between employee engagement and non-financial performance.

H2: Positive correlation exists between employee engagement and financial performance

Moderating Hypotheses:

H3: Service Climate acts as a moderator in the statistically significant association that exists between Employee Engagement and Non-Financial Performance.

H4: There is a considerable link between Employee Engagement and Financial Performance, and Service Climate acts as a moderator in this relationship.

H5: The degree to which Justice Climate moderates the association between Employee Engagement and Non-Financial Performance is a crucial factor in the relationship.

H6: The degree to which the Justice Climate moderates the link between Employee Engagement and Financial Performance is a crucial measure of the relationship.
This research examines if Service Climate and Justice Climate impact Employee Engagement and organisational performance. This study examines how a good Service Climate or Justice Climate might boost Employee Engagement's financial and non-financial benefits. The combined moderating impact also examines whether Service and Justice Climates work together to boost Employee Engagement and organisational effectiveness. The study aims to help companies boost employee engagement and performance.

6 RESEARCH METHODOLOGY

It encompasses the sampling technique, data gathering methods, development of survey instruments, and administration of questionnaires.

Data collection: Data sampling is a statistical methodology utilized in research to examine a subset of data points that have been gathered from a more extensive population. The researchers employed a random sampling technique (June et al., 2013; J & Anand, 2014) from the service sectors. The questionnaires were administered via the online platform. A final count of N=376 questionnaires from were received and deemed suitable for analysis.

6.1 RESEARCH INSTRUMENTS

6.1.1 Independent variable

Employee Engagement: For this study, the researchers employed Schaufeli and Bakker (2003)'s Employee Engagement Scale (UWES). The UWES has nine questions on a five-point Likert scale on which one is strongly opposing and five is highly agreeing. It is well-known for its great reliability and its ability to be applied in a wide variety of organisational contexts. The vigour, devotion, and absorption of employees are the three qualities that are considered while evaluating employee engagement.

6.1.2 Dependent variable

Financial Performance: Drawing from previous studies, this research defined organizational performance through a range of subjective and objective measures aimed at assessing a company's profitability and efficiency (Lawrence & Lorsch, 1967; Powell, 1992;
Slater & Olson, 2000). Financial performance evaluation included gathering respondents' views on their satisfaction across various performance indicators, using a 7-point Likert scale (ranging from 1 for much worse to 7 for much better). These specific scale items were chosen to cover subjective aspects of profitability, efficiency, return and overall Financial Performance (Capon et al., 1990; Powell, 1992; Newbert, 2008).

**Non-Financial performance:** The assessment of organizational performance was conducted using a set of 6-items that were derived from the study conducted by Pattnaik & Sahoo (2020). The Likert scale used in this research included a range from (1) strongly disagree to (5) strongly agree.

### 6.1.3 Moderator Variables

1. **Service climate:** The Service Climate within an organization can be effectively assessed using a concise 7-item scale, using a 5-point Likert scale (ranging from 1 for poor to 5 for excellent), and providing valuable insights into the organization's emphasis (Schneider et al., 1998);

2. **Justice Climate:** The justice climate within an organization can be effectively assessed using a 7-item scale, using a 5-point Likert scale (ranging from 1 for strongly disagree to 5 for strongly agree), which comprehensively captures employees' fairness level with distributive justice, interpersonal justice in the workplace (Colquitt, 2001).

The first part of the survey gathered data about the participant's demographic information, including basic details such as Gender, Income (Per Month), Education, Marital status, Work Experience and Types of Service Sector.

### 6.2 DATA ANALYSIS AND FINDING

#### 6.2.1 Measurement model

It is worth noting that exterior loadings should not fall below 0.70. The findings, which are displayed in Table 1, indicate that every component examined in this investigation fulfills the diverse criteria.
Table 1

Outer loading

<table>
<thead>
<tr>
<th>Employee Engagement (EE)</th>
<th>Financial Performance (FP)</th>
<th>Justice Climate (JC)</th>
<th>Non-Financial Performance (NFP)</th>
<th>Service Climate (SC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE1</td>
<td>0.746</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE2</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE3</td>
<td>0.832</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EE4</td>
<td>0.857</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE5</td>
<td>0.779</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE6</td>
<td>0.822</td>
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<tr>
<td>EE7</td>
<td>0.731</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE8</td>
<td>0.886</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE9</td>
<td>0.808</td>
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</tr>
<tr>
<td>FP1</td>
<td>0.897</td>
<td>0.873</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP2</td>
<td>0.926</td>
<td>0.732</td>
<td></td>
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</tr>
<tr>
<td>FP3</td>
<td>0.908</td>
<td>0.864</td>
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</tr>
<tr>
<td>FP4</td>
<td>0.921</td>
<td>0.881</td>
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</tr>
<tr>
<td>JC1</td>
<td></td>
<td></td>
<td>0.907</td>
<td></td>
</tr>
<tr>
<td>JC2</td>
<td></td>
<td></td>
<td>0.887</td>
<td></td>
</tr>
<tr>
<td>JC3</td>
<td></td>
<td></td>
<td>0.926</td>
<td></td>
</tr>
<tr>
<td>JC4</td>
<td></td>
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<td>0.762</td>
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<td>JC5</td>
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<td>NFP2</td>
<td>0.762</td>
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<tr>
<td>NFP3</td>
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</tr>
<tr>
<td>NFP4</td>
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</tr>
<tr>
<td>NFP5</td>
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<tr>
<td>NFP6</td>
<td>0.867</td>
<td>0.800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author 2024

Table 1 shows the outer loading of employee engagement, financial performance, justice climate, Non-Financial Performance, and service climate. Employee engagement is highest at 0.886, followed by financial performance at 0.926. The justice climate is highest at 0.926, and service climate at 0.915, which has been accepted.
6.2.2 Convergent validity

Table 2

Convergent validity

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's alpha</th>
<th>Composite reliability (rho_a)</th>
<th>Composite reliability (rho_c)</th>
<th>Average variance extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>0.934</td>
<td>0.935</td>
<td>0.945</td>
<td>0.657</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>0.934</td>
<td>0.935</td>
<td>0.953</td>
<td>0.834</td>
</tr>
<tr>
<td>Justice Climate</td>
<td>0.945</td>
<td>0.949</td>
<td>0.956</td>
<td>0.755</td>
</tr>
<tr>
<td>Non-Financial Performance</td>
<td>0.902</td>
<td>0.905</td>
<td>0.924</td>
<td>0.672</td>
</tr>
<tr>
<td>Service Climate</td>
<td>0.906</td>
<td>0.919</td>
<td>0.927</td>
<td>0.682</td>
</tr>
</tbody>
</table>

Source: Author 2024

Analysis presented in Table 2 indicates that the AVE exceeds 0.50, meeting the criteria outlined by Hair et al. (2013), and the CR value surpasses the 0.60 threshold. Moreover, the Cronbach's alpha coefficient exceeds 0.90, which has been accepted.

6.2.3 Discriminant validity

Fornell & Larcker (1981) also found that diagonal correlation matrix elements should be bigger than off-diagonal members. Table 3 shows discriminant validity in the investigation.

Table 3

Fornell and Larcker

<table>
<thead>
<tr>
<th></th>
<th>Employee Engagement</th>
<th>Financial Performance</th>
<th>Justice Climate</th>
<th>Non-Financial Performance</th>
<th>Service Climate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>0.810</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Performance</td>
<td>0.283</td>
<td>0.913</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice Climate</td>
<td>0.530</td>
<td>0.226</td>
<td>0.868</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Financial Performance</td>
<td>0.648</td>
<td>0.291</td>
<td>0.771</td>
<td>0.819</td>
<td></td>
</tr>
<tr>
<td>Service Climate</td>
<td>0.330</td>
<td>0.715</td>
<td>0.433</td>
<td>0.456</td>
<td>0.825</td>
</tr>
</tbody>
</table>

Source: Author 2024

The value of HTMT should be less than 0.90. For this study, the HTMT value for all constructs of was 0.299 to 0.830 which has been accepted.
6.2.4 **The Coefficient of determination (R²)**

It indicates the level to which the volatility of the dependent variable can be anticipated based on the independent variable (Colin Cameron & Windmeijer, 1997). The R² values for the endogenous latent variables (financial and non-financial performance) are 0.542 and 0.150, respectively. Thus, nine exogenous employee engagement factors account for 54.2% and 15%, respectively, of the variance in non-financial and financial performance.

6.2.5 **Model fit test and SEM results**

SRMR should not exceed 0.08 and NFI should be closer to 1 for better fit (Hair et al., 2013). SRMR was 0.068 for this research, which was below 0.08, indicating a good match. The study model fits well with an NFI of 0.735.

6.2.6 **Path coefficient**

In this study, The P-value coefficients of the exogenous variable (employee engagement) and two endogenous variables (Financial and non-financial performance) are less than 0.05, respectively and generally, a t-statistic of 2 or higher is considered to be statistically significant.
6.2.6.1 Direct Effect

The analysis of this relationship relied on the p-values and t-values presented in Table 4. These statistical metrics were employed to evaluate the support for the hypothesis.

### Table 4

**Direct effect**

|   | Original sample (O) | Standard deviation (STDEV) | T statistics (|O/STDEV|) | P value | Decision |
|---|---------------------|-----------------------------|----------------------------|---------|----------|
| H1 | Employee Engagement -> Non-Financial Performance | 0.892 | 0.177 | 5.052 | 0.000 | Supported |
| H2 | Employee Engagement -> Financial Performance | 0.203 | 0.100 | 2.029 | 0.043 | Supported |

Source: Author 2024
6.2.6.2 Moderation Effect

Table 5

| Hypothesis | Interaction | Original sample (O) | Standard deviation (STDEV) | T statistics (|O/STDEV|) | P values | Decision |
|------------|-------------|---------------------|-----------------------------|-----------------------------|----------|----------|
| H3         | Service Climate x Employee Engagement - > Non-Financial Performance | 0.604 | 0.208 | 2.906 | 0.004 | Supported |
| H4         | Service Climate x Employee Engagement - > Financial Performance | 0.244 | 0.113 | 2.166 | 0.030 | Supported |
| H5         | Justice Climate x Employee Engagement - > Non-Financial Performance | 0.812 | 0.248 | 3.274 | 0.001 | Supported |
| H6         | Justice Climate x Employee Engagement - > Financial Performance | 0.304 | 0.136 | 2.237 | 0.025 | Supported |

Source: Author 2024

In the above table 5, explores the interaction between service climate and employee engagement and its impact on non-financial performance. The result shows a significant effect with an original sample estimate of 0.604, a standard deviation of 0.208, a T statistic of 2.906, and a P value of 0.004. This hypothesis (H3) is supported. H4 assesses the same interaction but on financial performance. The findings indicate a smaller yet significant effect with an original sample value of 0.244, a standard deviation of 0.113, a T statistic of 2.166, and a P value of 0.030. This hypothesis is also supported. Similarly, Hypothesis 5 looks at the impact of the interaction between justice climate and employee engagement on non-financial performance. This interaction shows a strong and significant effect with an original sample estimate of 0.812, a standard deviation of 0.248, a T statistic of 3.274, and a P value of 0.001. Thus, the hypothesis is supported and H6 tests the same factors as H5 but focuses on financial performance. The result also shows a significant effect with an original sample estimate of 0.304, a standard deviation of 0.136, a T statistic of 2.237, and a P value of 0.025. This hypothesis is supported.

7 DISCUSSION

There are positive relationships that are statistically significant between service and justice settings, employee engagement, and financial and non-financial successes, which
provide weight to the idea. Because of these results, the importance of corporate climates and employee participation in driving organisational success is brought into sharper focus. According to Bakker et al. (2007), the Job Demands-Resources (JD-R) model considers employee engagement to be comprised of three components: vigour, devotion, and absorption. Energy and resiliency are the defining characteristics of vigour, according to Demerouti and Bakker (2011), while commitment is characterised by a strong feeling of engagement and importance, according to De Braine and Roodt (2011). Intense participation in one's job is what is meant by the term "absorption." According to Schaufeli and Bakker (2004), these characteristics improve the performance of companies as well as their employees. In addition, the engagement of employees is essential to the successful execution of HR policies that are effective. According to Boxall and Macky (2008), Guest (1997) has brought attention to the ways in which HR practices, like as training, performance reviews, and incentive systems, have an effect on the attitudes and behaviours of employees. According to Kang and Busser (2018), the important roles that Service Climate and Justice Climate play in moulding employee views and behaviours inside an organisation are of utmost importance. A company's service climate is a reflection of how much importance it puts on providing excellent customer service. On the other hand, Justice Climate refers to the degree to which individuals think that the organization's procedures and policies are fair and equitable (Konovsky & Cropanzano, 1991; Walumbwa et al., 2010). Furthermore, according to Donaldson (2001), the influence of Service and Justice Climates on the link between Employee Engagement and the performance of an organisation is consistent with the constraints of the Contingency Theory. When it comes to the service industry, client happiness and loyalty are of the utmost importance. According to James and Jones (1974), in order to achieve top-tier financial and non-financial performance, it is necessary to establish a strong connection between practices related to human resources, employee engagement, and organisational climates.

8 CONCLUSION

Through thorough analysis, it is evident that employee engagement, a key element of HR practices, significantly impacts performance. However, this impact is nuanced and relies on the existing service and justice climates within the organization. By promoting favorable service and justice climates, organizations can effectively utilize engaged employees to improve both financial outcomes and the perceived performance of the organization. These findings, the
importance of not only investing in employee engagement initiatives but also establishing an organizational environment that values fairness and service excellence. Going forward, it is imperative for practitioners and organizational leaders to prioritize strategies aimed at cultivating positive climates while simultaneously encouraging employee engagement, thus optimizing overall organizational effectiveness. In conclusion, in this research, hypothesis integrates insights from multiple theoretical perspectives, including the JD-R model, HR practices, organizational climates, and contingency theory, to elucidate the complex interplay between Employee Engagement, Service Climate, Justice Climate, and organizational performance in the service sector (Ambrose & Schminke, 2003). By examining the moderating effects of Service and Justice Climates, this study aims to provide valuable insights for practitioners and policymakers to optimize HR strategies and enhance both financial and non-financial performance in service organizations (Cropanzano et al., 2007).

9 IMPLICATIONS

This study offering notable academic and managerial implications. Theoretical underpinnings are drawn from social exchange theory, suggesting that favorable treatment fosters heightened engagement and performance, and organizational justice theory, which underscores the significance of perceived fairness in shaping engagement and outcomes in the organization. Moreover, the findings hold practical significance for service sector organizations. Managers can utilize insights from the research to bolster employee engagement and enhance both financial and non-financial performance. Similarly, promoting a Justice Climate centered on fairness and transparency can further augment the positive outcomes associated with engaged employees. By considering the dimensions of employee engagement—vigor, dedication, and absorption—managers can tailor strategies to effectively address each aspect. Initiatives targeting vigor might involve offering skill development opportunities and recognition programs, while enhancing dedication could entail aligning organizational values with employee aspirations. Lastly, strategies to promote absorption may focus on providing challenging tasks and fostering a supportive work environment conducive to flow experiences.
10 LIMITATION AND FUTURE STUDY

This study provides an overview of important factors to take into mind while furthering research in this field. It is without a doubt that expanding the scope outside the service sector would have the effect of improving the generalizability of the results, which would then allow for a more thorough knowledge of the dynamics of organisations. Furthermore, the investigation of various moderators in addition to Service and Justice Climates may uncover complex implications on the link between Employee Engagement and performance results. Future research has the potential to provide more substantial insights on the performance of organisations and the well-being of their employees if it adopts a methodology that is broad and encompasses a variety of service industries and unique moderators like Culture, Leadership style and other organisational Climates with High and low scale.

REFERENCES


Interrogating the Interceding Effects of Service and Justice Climates on the Juncture Between Employee Engagement and Organizational Performance in the Service Sectors


