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The Relationship between Interpersonal Relational Competence and Employee Performance: A Developmental Model

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Abstract: This paper explores the relationship between interpersonal relational competencies (IRC) and employee performance. The paper proposes that interpersonal relational competency increases the intra-organisational exchanges in working relationships between employees and the organisation's managers and other stakeholders. Interpersonal variables that enhance the exchange of knowledge in the organisation are an important aspect of relational competence. The paper explores the motivational aspects of job satisfaction, employee retention and compliance practices that support better people performance at work. It then links the discussion to IRC by designing a model to test the relationships in subsequent research. The broad goal of the paper is to make a significant contribution to the extant literature between IRC and aspects of job satisfaction related to employee performance.

Keywords: Interpersonal Relational Competence, Job Satisfaction, Employee Performance

Introduction

EMPLOYEE PERFORMANCE IS a complex field of research because of the contextual nature of the associated variables and their relationships including but not limited to job design, motivation, and high performance work (Boxall and Mackay, 2009). Previous research has examined relational competence in terms of initiating, maintaining and enhancing relationships (Carpenter, 1993; Hansson and Carpenter, 1994) however there is a paucity of research linking this to employee performance. Previous research has found links between relational competence and inter-firm relationships (Phan, Styles, and Patterson, 2005) yet a valuable and seemingly important relationship between relational competence and employee performance has not been examined. Generally, relational competence and employee performance is considered to be a valuable component of the human capital stock (Wright et al., 2001) with connecting themes in the strategy and HRM literature. The focus here however is to consider how interpersonal relational competence can be linked to increased employee performance which by definition is an important application of human resource management. There is a paucity of research in relation to these connecting themes and previous links appear to be fuzzy and ambiguous. For instance, the literature is silent on the link between interpersonal relational competence and job satisfaction yet the variables seem closely related.

Research has indicated that when employees are more satisfied at work, they are more likely to be respected in the social context (Alberto, 2000; Vasconcelos, 2008). It is the social context and the interpersonal interactions that add to the level of satisfaction and happiness in the workplace (Diener, 1984; Myers, 1993; Vasconcelos, 2008). Accordingly, this paper is constructed as follows. First, the discussion examines different aspects of job satisfaction. Here, the focus is on the motivational elements of a job and how they can be grouped together to influence job satisfaction. Second, employee retention is explored from the perspective of a satisfied worker. That is, more satisfied workers will be less likely to leave if organisations create better retention practices in managing employee performance. Third, employee compliance is examined in relation to the dysfunctional behaviours between managers and subordinates with implications for developing and improving interpersonal relations. Fourth, the discussion expands the scope of relational competence by exploring issues related to initiation and maintenance in relationships. Fifth, the paper then links IRC to employee performance by discussing both the strategic and managerial implications of these. Several propositions support the discussion. The purpose of the paper then is to examine the links between IRC and employee performance with an overarching goal to address the gaps in the extant literature. The paper now explores the first point.

Job Satisfaction

Job satisfaction is ‘a pleasurable or positive emotional state’ that is ‘a function of the perceived relationship between what one wants from a job and what one perceives it is offering’ (Locke, 1976, p. 1300).

While studies highlight the links between job satisfaction and employee performance, meta-analysis suggests a moderate correlation between employee satisfaction and employee performance (Brown and Peterson 1993). Many studies consider correlations between employee outcomes (e.g. sales volume) rather than employee behaviours (e.g. effort, teamwork, friendliness) (Hartline and Ferrell, 1996; Meyer and Allen, 1991). Schneider (1980) finds evidence that job satisfaction is the primary reason that employees provide high levels of service to external stakeholders indicative of high employee performance.

Other dimensions of job satisfaction include trust, loyalty, leadership, values, and humanism. Each of these has an effect on the overall happiness of people at work. Accordingly, performance at work goes beyond a simple exchange process between employers and employees (Vasconcelos, 2008). Given that work means different things to different people, work should be treated as a means by which people can improve their self-esteem and fulfilment on the job. It is reasonable to suggest that it is in the enjoyment of work that people will display increased levels of job satisfaction and happiness.

Proposition 1: Employee performance can be measured by the job satisfaction of employees.

Employee Retention

Employee turnover occurs when an employee leaves a specific job or the organization permanently (Vandenberg, 1999). While monitoring employee retention is important to the firm as well as the individual employee, it is well known that happy, satisfied and motivated employees are less likely to seek alternative employment (March and Simon, 1958; Ozment

and Keller 1999; Taylor and Cosenza 1998; Taylor, 2006). Abelson and Baysinger (1984) suggest that employee turnover begins with employee dissatisfaction related to thoughts of quitting, undertaking a job search, evaluating prospects, and culminating in a decision to quit (March and Simon, 1958; Mobley, 1982). Most traditional models of turnover include two major predictor variables: job satisfaction and commitment. They also consider the ease of movement reflected in job alternatives and job search behaviour (Mitchell et al., 2001). A more recent meta-analysis by Lambert et al. (2002) indicates that it is essential to raise the level of job satisfaction if we are to reduce employee turnover. When the employee's job satisfaction and organizational commitment levels are low, then the employee's intention to leave will increase (Mueller and Price, 1990; Steel and Griffeth, 1989; Trevor, 2001).

An intention to leave and the variables associated with employee turnover must all be considered (Vandenberg, 1999) by managers. Human resource costs are often one of the largest expenses for many organisations; employee turnover costs are considered to be as much as 50 per cent of a departing employee's salary (Stohr et al., 1994; Abelson and Baysinger, 1984). Other indirect costs should also be factored into the expense include transferring staff from other positions, time for training, lost productivity, cost of filling the vacancy, negative public relations, and disruption of social networks (Stohr et al., 1994). Whilst most of the indirect costs of employee turnover are difficult to measure, organisations need to consider the real cost of worker dissatisfaction.

Previous research has proposed that the key drivers of employee turnover include affective factors (such as personal attacks and criticism), negative behavioural intentions and job search mechanisms (Bluedorn, 1982; Steel, 2002). Other studies have addressed the relationships between or lack of specific types of HR practices and career development or work-family initiatives (Horwitz et al., 2003; Hsu et al., 2003). In addition, many practitioners outline strategies for effective employee retention which include the provision of an attractive financial rewards and benefits scheme, job enrichment initiatives, career perspective, training and development opportunities, a supportive work environment, and initiatives to improve work-life balance (Allen et al., 2003, Anderson et al., 2002, Butler and Waldroop, 2001; Cappelli, 2001).

More recent research indicates that opportunities for career development and efforts relating to the social atmosphere and job content are central factors for employee retention. These factors not only prevent employees from leaving the firm but also build loyalty (de Vos and Meganck, 2007). Firms must manage employees' perceptions regarding what their organization has promised them in return for their loyalty and commitment. Retention policies therefore must focus on what employees' value and how they evaluate the firm's efforts towards retention expressed as the psychological contract (Rousseau, 1996, 2001; Turnley and Feldman, 2000).

Proposition 2a: Employee performance can be measured by the retention rates of employees.

Proposition 2b: Increased evidence of job satisfaction is positively related to employee retention.

Employee Compliance

Lack of employee compliance results in dysfunctional behaviour which can be described as 'any behaviour that brings harm, or is intended to bring harm to an organisation, its employees,

or stakeholders' (Giacalone and Greenberg, 1997, p. vii). Compliance issues range from inappropriate attire, use of alcohol, smoking, theft and dishonesty, to sabotage or violent behaviour directed toward other staff or customers or the organization as a whole. Ramaswami (1996) suggests behaviours are dysfunctional when they advance the employees' personal interests but are harmful to organisational performance (Ramaswami, 1996). Compliance activities such as gaming, smoothing, focusing, and invalid reporting have been identified by Jaworski (1988) as having significant consequences for any organisation.

The dysfunctional behaviours arise primarily as a result of information irregularities between superiors and subordinates (Jaworski, 1988). Management can control this behaviour to some degree through managing for role ambiguity and role conflict (Challagalla and Shervani, 1996). In addition, greater agreement between supervisors and employees on role expectations may ensure that there is more control over dysfunctional employee behaviour (Michaels et al. 1988; Teas 1983; Tanner, Dunn and Chonko, 1993).

Other related studies have considered organisational citizenship behaviour (OCB) (Van Dyne et al., 1995; Williams and Anderson, 1991), such as the need to develop competencies related to courtesy and altruism. Moreover, competencies related to conscientiousness, sportsmanship and civic virtue are considered to be important for positive organisational citizenship. It is suggested that cooperative worker attitudes and behaviours can influence compliance behaviour as employees carry out their duties (Wallace and de Chernatony, 2009; Organ, 1988).

Managers are more likely to receive better compliance behaviour from employees when they develop a work climate of psychological support, helpfulness, friendliness, and mutual trust and respect that will engender functional behaviour (Johnston et al. 1990). Managers are the primary link between employees and the company. As a result, employee dysfunctional behaviours are likely to be less if employees are more satisfied in their job (Katz and Kahn 1978). Consequently, employees are more likely to experience job satisfaction and comply with organizational strategies. It could be argued that greater compliance maximises relationships between employees, managers and external stakeholders including customers (Piercy and Morgan, 1990).

Proposition 3a: Employee performance can be measured by employee compliance.

Proposition 3b: Increased evidence of job satisfaction is positively related to employee compliance.

In summary, employee performance can be measured in terms of worker job satisfaction particularly the motivational aspects of the job, the capacity of organisations to retain workers through retention policies, and a range of employee compliance issues that need to be carefully managed. The desire to comply with the organisation's strategies, policies and procedures is critical for all organisational managers (Table 1).

Table 1: The Variable Definitions of Employee Performance

Employee Performance	Job Satisfaction	Job satisfaction is defined as a pleasurable or positive emotional state that is a function of the perceived relationship between what one wants from a job and what one perceives it is offering. Employee satisfaction is defined as employees being generally happy working in their job and are well motivated, even happy to put in extra effort when required of them. <i>(Locke, 1976; Meyer and Allen, 1991; Hartline and Ferrell, 1996; Vasconcelos, 2008).</i>
	Employee Retention	Retention is defined as the length of time that employees stay with the firm. This is indicated by low staff turnover in general and the specific length of tenure by individual employees. The more satisfied a staff member, the more likely they are to reduce the intention to leave. <i>(Ozment and Keller 1999; Taylor and Cosenza 1998; Lambert et al., 2002; Taylor, 2006).</i>
	Employee Compliance	Employee compliance is defines as employees who act in a way that is consistent with the image that the company wishes to develop, following strategies, policies and procedures. They tend to follow procedures, and tasks are performed on time. Employees do not exhibit dysfunctional behaviours such as dishonesty, sabotage or violence as well as disobeying instructions, policy and strategies of the firm. <i>(Katz and Kahn, 1978; Jaworski, 1988; Ramaswami, 1996; Piercy and Morgan, 1990; Giacalone and Greenberg, 1997; Wallace and de Chernatony, 2009).</i>

Relational Competence Enabling Improved Employee Performance

Better HRM policies and practices will most likely be embedded in superior social and intellectual capital exchanges. For its part, individual competence describes what a person is capable of doing and includes a combination of motives and traits, the self-image of a person and his or her social role, skills and knowledge (Williams, 2008). Relationship (or relational) competencies have been described by scholars as ‘characteristics of the individual that facilitate the acquisition, development, and maintenance of mutually satisfying relationships’ (Hansson et al., 1984; p. 273). Carpenter (1985) later found that relational competence leads to social support. Differentiating relational competencies are the ‘factors that distinguish superior from average performers’ (Spencer and Spencer, 1993, p. 15).

Carpenter (1993) suggested that the relational competence has two dimensions: 1) initiation and 2) enhancement through the maintenance of relationships. For the first of these, initiation in the relational competence context is ‘initiation, controlling, and making demands upon relationships’ (Hansson and Carpenter 1994, p77). These competencies most likely assist employees to take charge in social situations. Initiating competencies tend to be those valued in society and are often associated with success and adjustment. Relevant attributes could include self-confidence, assertiveness, social interest, communication skills, likability, and

extraversion. The specific sub-dimensions of initiation include assertiveness, dominance, instrumental competence, shyness and social anxiety.

The second component, enhancement through the maintenance of relationships, is defined as ‘skills for enhancing and maintaining relationships, thereby making them more accessible, useful, satisfying, and enduring’ (Hansson and Carpenter 1994, p77). Enhancement and maintenance competencies in relationships include intimacy, trusting, interpersonal sensitivity, altruism and perspective taking. They involve investing in relationships and often serve the needs of other individuals in the exchange relationship (See Table 2).

Table 2: The Variable Definitions of Interpersonal Relational Competence

Construct	Variables	Variable definitions
Inter- Personal Relational Competence		Interpersonal Relational Competence is defined as the characteristics of the individual that facilitate the initiation, development, and maintenance of satisfying relationships. Relational competence, with its emphasis on skills and attitudes relevant to effective social functioning, help understand interpersonal dynamics. <i>(Carpenter et al., 1983; Jones, 1984; Hansson et al. 1984; Carpenter 1993)</i>
	Initiation of the Relation- ship	All of the following items are judged to be important for developing relationships and using them in useful ways. <ul style="list-style-type: none"> • <i>Assertiveness</i>-the tendency of the individual to accept, express, actively seek after, and protect reasonable personal needs and desires, including resistance to unreasonable infringements by others. • <i>Dominance</i>-the desire and ability to be in charge, at least of one’s own situation, and to engage in tasks reflecting leadership, ascendance, and independence. • <i>Instrumental Competence</i>-a belief that one is generally capable, skilled, and accomplished. The emphasis is on successfully completing tasks or meeting goals. • <i>Shyness</i>-reflects the self-perception that one is inhibited and reluctant in social situations, or has poor skill in meeting and getting to know others. • <i>Social Anxiety</i>-reflects increased feelings of anxiety, worry, and negative self-evaluation in situations involving other people. Eg excessive self-consciousness in social situations. <i>(Carpenter, 1993; Hansson and Carpenter, 1994)</i>

	<p>Enhancement of the relationship over time</p>	<p>The specific attributes that are judged to be interpersonal in nature and skills which can strengthen relationships.</p> <ul style="list-style-type: none"> • <i>Intimacy</i>—reflects the tendency to promote and seek closeness in relationships, especially a few select relationships, by encouraging sharing, deep mutual understanding, mutual interest, and openness. • <i>Trust</i>—reflects one’s belief that others are dependable, loyal, and trustworthy and one’s behaviour that shows such confidence in others. • <i>Interpersonal Sensitivity</i>—refers to attitudes and behaviour which show consideration, warmth, and caring. Active attempts to be aware of and responsive to the needs of others are obvious. • <i>Altruism</i>—reflects an orientation toward helping and supporting others, especially those in extra need or distress. • <i>Perspective Taking</i>—reflects the tendency of the individual to view issues from several perspectives. It emphasizes the use of this characteristic for understanding, appreciating, and showing consideration for others. <p><i>(Carpenter, 1993; Hansson and Carpenter, 1994)</i></p>
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The Link between IRC and Employee Performance

To sustain long-term relationships, employees need to place increased emphasis on relationship management skills and negotiation and mediation skills for dealing with the inevitable conflicts that arise in the workplace (Webster 1992). Interpersonal relational competence contributes to the explanation of the performance of both inter-firm relationships (Carpenter 1993; Phan 2003, Phan et al. 2005) and intra-firm cross-functional working relationships (Bond 1997, Bond et al. 2004).

An understanding of individual employees’ behaviours and attitudes on the job may assist in identifying barriers that inhibit employee performance in the same way they might assist enhancing performance. Relationships between all employees, regardless of their level in the hierarchy, must be built through shared values and mutually beneficial strategies. This cannot be achieved without considering the employees’ IRC. Poor organisational response in developing relational competence can hinder job satisfaction consequently leading to retention problems and compliance issues (Carter and Gray, 2007). It is important to consider these relationship enablers in the light of the interpersonal interactions that occur as employees go about their daily duties (Figure 1).

Proposition 4: Increased evidence of interpersonal relational competencies is positively related to job satisfaction, employee retention and employee compliance.

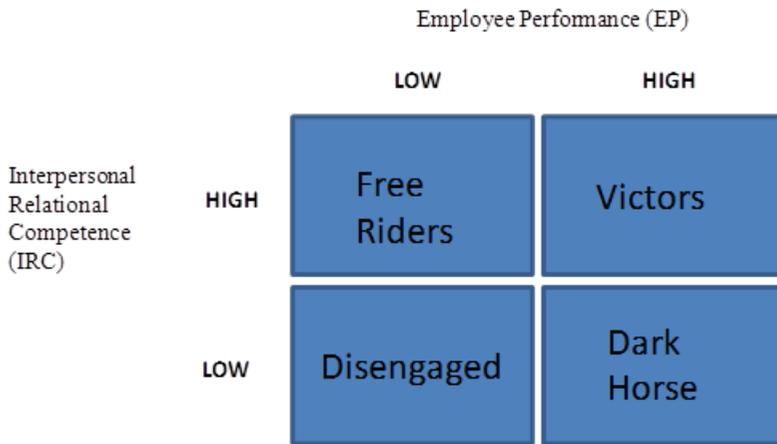


Figure 1: Typology of Managerial Implications for Employee Performance

Managerial Implications for Employee Performance

Following previous research, there appears to be a positive link between employee performance and the evidence of demonstrated relational competence in practice. A supportive IRC environment suggests that the organisation plays a key role. In developing the conceptual framework, the existence of IRC (i.e. Initiation and Enhancement/Maintenance) is central to increased employee performance as described earlier. Given the importance of the IRC construct in influencing employee performance, it follows that individual employee relational competence should be assessed as a normal function of the performance management system (Figure 2).

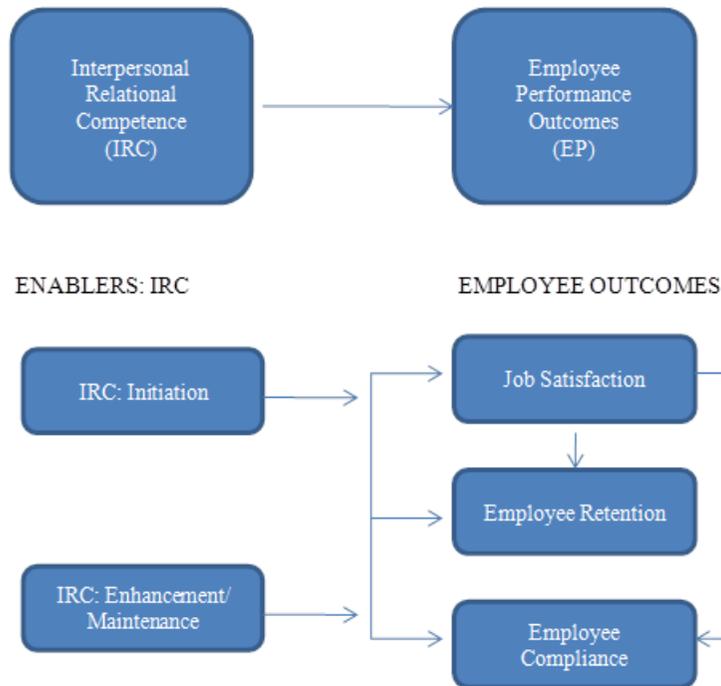


Figure 2: Conceptual Model of Interpersonal Relational Competence (IRC) and Employee Performance Outcomes (EP)

In light of research related to initiation as a function of IRC, high levels of dominance and assertiveness may be positively associated with an increase in employee job satisfaction, retention and compliance. HR managers in setting policy relating to performance management and retention strategies must ensure that position and job descriptions clearly articulate the desired relational competencies to be achieved. In high performance work cultures for instance, employees should be able to exercise discretion, dominance and assertiveness (Boxall and Macky, 2009). Similarly, human resource managers must train employees on how to use their dominance and assertiveness wisely so that employee compliance is attained. This compliance may also be positively associated with increased job satisfaction. Employees with high levels of instrumental competence are more likely to perform their job roles more effectively. However, these employees may also be less satisfied if their goals of upward mobility are not balanced by considering others' needs as they carry out their daily tasks. The challenge for human resources managers is to recruit and retain staff with high levels of instrumental competence. For instance, IRC such as interpersonal sensitivity and perspective taking may indeed be the key to identifying gaps in current procedures. Other interpersonal relational competencies such as intimacy, trust and altruism can also be developed to maintain and/or increase employees' levels of job satisfaction, retention and compliance. A greater investment in training and learning on-the-job may be required.

Commitment to the organisation in the light of IRC is a two way street. On the one hand, employees will be personally committed when they can attain and demonstrate relational competencies related to their own performance. On the other, the organisation must provide

a high performance work system that encourages job satisfaction, increased retention and greater compliance. In relation to the IRC of enhancing and maintaining the relationships of employees, the ability to interact with others may be positively associated with the level of employee adaptability shown. To achieve this, performance evaluation systems should measure these competencies.

When employees are unsure about how to perform their jobs, their instrumental competence, self efficacy and job satisfaction can decline. This is especially an issue in the initiation stage of the relationship when employees may be shy with higher levels of social anxiety. Managers should make every effort to ensure that employees fully understand their role requirements and expectations. Although good socialization and training programs can help lessen employees' role ambiguity (Hartline and Ferrell, 1996), success will largely depend on the manager's ability to communicate with his or her employees. Training may include the development of relational competencies such as intimacy, trust, interpersonal sensitivity, altruism and perspective taking.

Discussion and Conclusions

The purpose of this paper was to examine the extant literature in interpersonal relational competence, the motivational aspects of job performance and the link between these variables and employee performance. The discussion outlined a number of important relationships. A developmental model was proposed as a way to connect the relationships in subsequent research (Figure 2). While previous research focused on various forms of interpersonal relational competence, the link between IRC, job satisfaction, and employee performance has been vague and ambiguous. The discussion here suggests that an organisation can strengthen its performance and competitive advantage by developing stronger links between IRC and employee satisfaction. Simultaneously, every organisation needs to build strong retention policies and HRM practices that lead to increased employee compliance. Enhanced interpersonal relationships will need to be developed and nurtured and be tied in to the performance metrics of job satisfaction.

The relationships proposed in this research potentially address an important gap between interpersonal relational competence and employee performance. That is, the development of interpersonal skills is located within the HR literature as a key group of competencies to be developed. The precise location for IRC is most probably within the high performance work systems of greater autonomy and discretionary power, linking increased social and intellectual capital with competitive advantage (Barney, 2001; Boxall and Macky, 2009; Wright et al., 2001). It is proposed that firms can assess their employees' performance success according to the typology by using the dimensions of IRC (Figure 2).

Implications for Future Research

The IRC construct has never been tested in the context of improving social capital and building the human capital stock in previous research. It may be useful in future research to consider IRC as equally important as other aspects of job satisfaction that lead to increases in employee performance. For example, if trust, loyalty and leadership (among others) is important in building a satisfying job, then initiating relational competencies such as self confidence and assertiveness (among others) should be chosen as variables in future studies

connecting the relationship between job satisfaction and employee performance. Similarly, maintenance relational competencies such as trust, intimacy, and interpersonal sensitivity may be equally important variables in determining future relationships. Future research may also examine the casual ordering between the elements of relational competence and employee performance by developing a simpler causal model.

The IRC construct is important as we consider the role of interpersonal dynamics in the workplace. It would be interesting to determine for instance the role of social networks including the ability of people to make friends and feelings of social attachment and how these relationships influence employee performance.

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