Employee Engagement Fail to Boost the Relationship Between Learning Organization and Financial Performance

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Employee Engagement Fail to Boost the Relationship Between Learning Organization and Financial Performance

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Abstract

This research paper sets out to investigate the gaps in hospitality industry issues and facts in Surabaya, Indonesia. In order to substantiate future studies about employee engagement. Learning Organization constructed by seventh dimension DLOQ as measurement (continuous learning, inquiry and dialogue, collaboration and team learning, empower people, create systems, connect the organization, strategic leadership) to influence Employee Engagement with three constructs (Physical, Cognitive and Emotional) and Financial Performance with six constructs (ROA, ROE, Sales Growth, Net Profit, Market Share, Profit Growth). This research was trying to investigate the gap between hospitality industry issues and facts, also investigate the relationship of Employee Engagement as an intervening variable between Learning Organization and Financial Performance supported by Organizational Psychology and Organizational Behavior Theories. Therefore, this research trying to empirically and practically contributions for future managerial implication. The study conducted 50 full-service dining restaurant company as unit analysis in Surabaya, Indonesia. Using a questionnaire as an instrument of the measurements were 241 questionnaire collected. The result of this research Learning Organization has partially and directly influence Employee Engagement and Financial Performance supported by Organizational Psychology and Organizational Behavior Theories.

Keywords: Learning Organization, Employee Engagement, Financial Performance

INTRODUCTION

The most significant GDP contributor in the manufacturing sector outside of oil and gas is food and beverages with 32.84 percent (Thejakartapost.com, 2017). Indonesia's restaurant and food franchise sector are still consistently recorded tremendous growth supported by the country's increased income per capita and the advancement of technology which has underpinned changes in lifestyles (gbgindonesia.com, 2017).

The growth of the hospitality sector in Indonesia was inversely different from the fact of the work environment in the hospitality industry. The study in Indonesia about hospitality industry widely develops because in the turnover stage in hospitality industry quiet high (Widjaja et al., 2008) and also study by Witasari (2009) in 2005-2009 turnover for hospitality employee is high (31.7%). The hospitality industry was well known for a job that strain, overtime, lack of recognition and low pay and the workforce frequently reports emotional exhaustion and complains about hard-time working conditions that often result in absenteeism and turnover (Tongchaiprasit and Arbuddhiphongs, 2016). Therefore, research still looking how to achieve engaged employees in this particular sector (Valdivia et al., 2018).

Indonesia based on AON Hewit Employee Engagement Report 2018 in Asia Pacific, Indonesia has the highest score for an engaged employee. The conditions that explain Indonesia has highest engaged employee but its proportional inversely with the fact in the hospitality industry that high turnover and absenteeism. Measuring employees level of engagement is not enough for the organizations as there is a need to identify factors that may help managers to overcome this issue (Mann & Harter, 2016). Therefore, the concept of employee engagement is introduced to the employee - organizational relationship (Vigoda et al., 2013), which is significantly associated with employee emerging need of conducive opportunities for learning in the organization (Marsick, 2009; Baruch, 2006). Besides Senge, a widely explained in Harvard Business Review article by Garvin (1993) that a learning organization is an organization skilled at creating, acquiring and transferring knowledge, and modifying its behavior to reflect new knowledge and insights (www.hbr.org). Marsick and Watkins (2003) develop 7 (seven) dimensions of a learning organization as a measurement of effect to knowledge performance and financial performance which is continuous learning, inquiry and dialogue, collaboration and team learning, empower people, create systems, connect the organization, and strategic leadership.

Song (2014) stated that increased competition among for-profit organizations had forced organizations to focus their attention on performance-oriented organizational development activities. Many organizations want to improve human performance through several types of organizational support mechanism at both the employee and organizational system levels, including individual and team learning opportunities, empowerment, system connections and strategic leadership in

the workplace (Song and Kolb, 2009; Watkins and Marsick, 1993; Yoon et al., 2010). Song et al. (2014) quoted some organizational behavior theories that can support to develop this research to be conducted such as; Wagner et al. (1995) that in the organizational behavior perspective, culture is a collection of fundamental norms and values that shape employee behaviors and influence what employees think about their work and themselves; Lewin (1951) indicated that employee behaviors are strongly influenced by environments where an employee behaves; Senge (2006) emphasized that the foundation of the learning organization is employee motivation because it helps employees become excited, energized, and engaged in their work (Parkes and Langford, 2008; Stroh et al., 2002). Therefore, learning organization culture makes a positive contribution to employee engagement and impact to organizational performance.

The roots of this perspective are derived from the behavioral theory which suggests that behavioral change comes from learning, but the theory does not take into account perceptions and motivation of individuals and how it effects to their thinking processes or emotional development (Cole, 1995; March and Simon, 1994). The previous research also associated with stimulus and response in learning, whose greatest exponent was Skinner (1972). Skinner (1972) found it is somewhat difficult to specify the causal relationship brought about by organizational changes, as there might be other intervening factors at work between learning and performance as a result. The behavioral or adaptive learning approach affirms that learning is directly linked to some action that follows from it and also viewed as the process of adjusting behavior in response to experience (Song, 2014). Song et al. (2014) also studied workplace in organizational behavior include organizational development that many organizations have sought to improve human performance through several types of organizational support mechanisms at both the employee and organizational system levels, including individual and team learning opportunities, empowerment, system connections and strategic leadership in the workplace (Song and Kolb, 2009; Watkins and Marsick, 1993; Yoon et al., 2010). A learning organization, as a supportive organizational culture and system, seeks to build a supportive organizational learning culture (Rijal, 2010) for improving performance at the individual, team and organizational levels (Edmondson et al., 2007). Another growing area of interest in the organizational development field is employee engagement to encourage effective employee involvement in collaborative learning and decision making processes. Creating a supportive organizational climate is critical for improving performance along with employee engagement (Beatson et al., 2008) because employee engagement is a core factor for creative decision making in a dynamic work process.

Song et al. (2014) state that the theoretical foundation of the relationship between the learning organization and employee behavioral outcomes was addressed in the literature, but a few established studies have been conducted in the organizational development field. Moreover, researches conducted partial relationship between learning organization and employee engagement (Yeo, 2002; Heraty, 2004; Mancey & Schneider, 2008; Christian et al., 2011; Hatane, 2015; Malik & Gang, 2017; Hussain & Ishak, 2017; Malik, 2017; Islam & Tariq, 2017), learning organization and financial performance (Skerritt, 1995; Marsick & Watkins, 2003; Phillips, 2003; Dirani, 2006; Weldy, 2009; Abrahamson, 2010; Antonsen et al., 2010; Huang, 2011; Dahanayake & Gamlath, 2013; Atiku, 2014; Ziemak, 2015; Leufven et al., 2015; Katou, 2016; Hussein et al., 2016; Srivastava et al., 2016, Kim et al., 2016), and employee engagement and financial performance (Harter et al.,2002; Ellinger et al., 2002; Xanthopoulow, 2009; Cooke, 2010; Rich et al., 2010; Christian et al., 2011; Berg, 2013; Anitha J, 2014; Singh, 2016; Iddagoda, 2016; Kazimoto, 2016; Iddagoda, 2017; Marzuki, 2017; Smith & Bititci, 2017; Valdivia et al, 2018). Employee engagement rarely conducted comprehensively on measurement in mediating effect to explain performance improvement for the learning organization culture and financial performance (Egan et al., 2004; Song et al., 2009;).

Research and studies about the hospitality industry and from employee engagement phenomenon appeal to research investigate the gap between hospitality industry issues and facts, which hospitality industry have high growth but the facts that have high absenteeism and turnover and also to investigate the relationship between learning organization to financial performance with employee engagement as an intervening variable. This study also measures the unestablished studies and implement the measurement in full-service dining restaurant which part of hospitality industry especially in Surabaya, also measure that dimensions of learning organization have higher significant direct factor impact to financial performance and employee engagement.

This research have theoretically, empirically, and practically contributions. First, for theoretical contribution, this study have a conceptual framework by investigating employee engagement as the impact factors to learning organization which directly effect to financial performance, an improvement of individual behavior in the organization based on organizational psychology and organizational behavior theory. Second, for the empirical contribution this study investigate the relationship between learning organization and financial performance with employee engagement as an intervening variable in full-service dining restaurant which part of hospitality industry especially in Surabaya, Indonesia. Third, for practical contribution, this study trying to facilitate managerial practitioners to examine the systems, structure and processes, tent to generate an enhanced level of learning organization and employee engagement to impact financial performance in the organization.

Organizational Psychology

Jex (2008) build a theory of organizational psychology and provide an overview of both the science and practice of organizational psychology. Organizational psychology is a field that utilizes scientific methodology to understand better the behavior of individuals working in organizational settings. Effective organizations are typically more productive, often provide higher quality services to customers, and are usually more financially successful than less effective organizations. For private organizations, financial success often results in successful organizations provide employment opportunities, which helps to foster the economic well-being of society as a whole. Also, in many instances, employees in successful

organizations are more satisfied and fulfilled in their work than employees in less successful organizations. As new employees gradually become acclimated to their work environments, they eventually reach a point where they are capable of engaging in behavior that contributes positively to organizational goals and objectives: others theory developed by Kanfer (1990), Organizational Psychology that reviews and evaluates modern developments as related to individual behavior in an organizational setting which focus to address progress towards the unified perspective of motivation.

Motivation determines the form, direction, intensity, and duration of work-related behavior. The form of behavior refers to the types of activities an employee would choose to engage in at work (Jex, 2008). From an employee's perspective, the employment relationship typically carries with it certain entitlements such as pay, fringe benefits, and, possibly, other perquisites. In return, an organization expects employees to behave in ways that benefit the organization. When their behavior is not benefiting the organization, employees are expected to modify their behaviors. Employees have at least some freedom of choice regarding the behaviors they are capable of engaging in that positively or negatively influence an organization's performance. If employees had no freedom of choice, organizations would have very little to do in the way of motivating their employees and to sustain a high level of success over time, and one must never stop learning. Thus, organizations should provide learning opportunities for employees and, when possible, design work in a way that allows employees to learn. The theories that are covered have been developed specifically to explain employee motivation. It is possible to place motivation theories into categories and such as the behavioral approach emphasizes applying principles of learning to the work environment (Jex, 2008). Organizational psychologists also encounter some challenges in trying to effectively measure job performance, including such issues as all employees being given high ratings (restriction of range) and the performance of employees varying over time as a result of personal and environmental factors (Jex, 2008).

Organizational behavior

Organizational psychologists use scientific methods to study behavior in organizations (Jex, 2008). Organizational psychology is also concerned with the impact of macro-level variables and processes, but only to the extent that such variables and processes have an impact on individual behavior. Psychology seeks to measure, explain, and sometimes change the behavior of humans and other animals. Those who have contributed and continue to add to the knowledge of organizational behaviors are learning theorists, personality theorists, counseling psychologists, and, most important, industrial and organizational psychologists (Robbins, 2013). Much of the reason for this difference is that organizational behavior draws from a greater variety of disciplines than does organizational psychology. Robbins (2013) theory about organizational behavior, investigates the impact that individuals, groups, and structure have on behavior within an organization, and it applies that knowledge to make organizations work more effectively, specifically focus on how to improve productivity; reduce absenteeism. Turnover, and deviant workplace behavior; and increase organizational citizenship behavior and job satisfaction. Other contributions of organizational behaviors have expanded to include learning, perception, personality, emotions, training, leadership effectiveness, needs, and motivational forces, job satisfaction, decision-making processes, performance appraisals, attitude measurement, employee selection techniques, work design, and job stress (Robbins, 2013).

Kanfer (1990) well defined productive behavior as employee behavior that contributes positively to the goals and objectives of the organization. When productive behavior is viewed in financial terms, it represents the point at which the organization begins to achieve some return on the investment it has made in the new employee — the most common forms of productive behavior in organizations: job performance, organizational citizenship behavior (OCB), and innovation. According to Campbell (1990), job performance represents behaviors employees engage in while at work that contributes to organizational goals. This definition is more precise than merely defining performance as all behaviors that employees perform at work.

Learning Organization

Watkins and Marsick (1993, 1996) provide an integrative model of a learning organization and originally defined the concept of the learning organization as the one that learns continuously and transforms itself and learning is a continuous, strategically used process integrated with and running parallel to work. Garvin (1993) defines a learning organization as "an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights." Goh (1998) contends that learning organizations have five core strategic building blocks: clarity and support for mission and vision, shared leadership and involvement, a culture that encourages experimentation, the ability to transfer knowledge across organizational boundaries, and teamwork and cooperation. Song et al. (2017) defined a learning organization as a supportive organizational culture and system, seeks to build a supportive organizational learning culture for improving performance at the individual, team and organizational levels.

Based from the explanation above this study conclude that learning organization as a system that strategically improved by an organization to create continuously learning culture that used to an integrated working process by encouraging experimentation and ability to transfer knowledge across organizational boundaries at individual, team and organization levels (Watkins and Marsick,1993; Garvin, 1993; Goh, 1998; Song et al., 2017).

Questionnaire of Learning organization designed to measure learning culture in organizations and intends to capture the employee perceptions regarding the seventh dimensions to get a clearer picture of where needed (Leuven et al., 2015). The seventh dimensions of learning organization have been shown to be useful as a diagnostic tool that wants a comprehensive assessment and information of the learning culture to make decisions on where to intervene and the dimensions of learning

organization chosen based from organization strength and weakness (Leufven et al., 2015). Watkins and Marsick (2003) mention the dimensions of learning organization: Creating continuous opportunities (continuous learning), Learning is designed into work so that people can learn on the job, and have opportunities are provided for ongoing education and growth; Promoting inquiry and dialogue (inquiry and dialogue), People gain productive reasoning skills to express their views and the capacity to listen and inquire into the views of others, the culture is changed to support questioning, feedback, and experimentation; Encouraging collaboration and team learning (collaboration and team learning), Work is designed to use groups to access different modes of thinking, Groups are expected to learn together and work together, Collaboration is valued by the culture and rewarded; Empowering people toward a collective vision (empower people), Both high and low technology systems to share learning are created and integrated with work, Access is provided, Systems are maintained; Establishing systems to capture and share learning (create systems), People are involved in setting, owning, and implementing a joint vision, Responsibility is distributed close to decision making so that people are motivated to learn toward what they are held accountable to do; Connecting and organization to its environment (connect the organization), People are helped to see the effect of their work on the entire enterprise, People scan the environment and use information to adjust work practices, the organization is linked to its communities; Providing strategic leadership for learning (strategic leadership), Leaders model, champion, and support learning, Leadership uses learning strategically for business results

Employee Engagement

Employee engagement by Rich et al. (2010) explained the theory of employee engagement based Kahn (1990) that initially described as a multidimensional motivational concept reflecting the simultaneous investment of an individual's physical, cognitive, and emotional energy in actual, full work performance. This conceptualization not only suggests a linkage between engagement and job performance, but also represents an inclusive view of the employee side, and engagement may provide a more comprehensive explanation for performance effects than is provided by more common mechanisms that emphasize limited aspects of the employee capability. Another concept of employee engagement consists of three psychological conditions, i.e., meaningfulness, safety, and availability (Kahn, 1990) and the psychological conditions are highly correlated to vigor, dedication and absorption (Mark, 2010). Employee engagement describes the positive psychological workplace that influences the state of mind that drives an employee to active and involve themselves emotionally, cognitively and physically in performing their jobs (Valdivia et al., 2017).

Another explanation about employee engagement (Rich et al.,2010) that formally defined engagement as simultaneous employment - an expression of a person preferred self in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional) and active, full performances. In an engagement, organization members control their self-awareness in action, complete work role performances by driving personal energy into physical, cognitive, and emotional labors. Engaged individuals are described as being psychologically present, fully there, attentive, feeling, connected, integrated, and focused on their role performances. They are open to themselves and others, connected to work and others, and bring their complete selves to perform (Kahn, 1992). Kahn noted that engagement is observed through the behavioral investment of personal physical, cognitive, and emotional energy into work roles (Kahn, 1992). Based on the explanation above this study conclude that employee engagement as a simultaneous on individual's capability to invest personal presence by driving physical, cognitive and emotional energy to complete their work role performance (Rich et al., 2010; Kahn, 1990; Mark, 2010; Valdivia et al., 2017; Kahn, 1992).

Rich et al. (2010) develops a more specific level, and theoretical research has linked investments of the three energies of engagement to job performance. First, investment of physical energy into work roles contributes to organizational goals because it facilitates the accomplishment of organizationally valued behaviors at increased levels of effort over extended periods (Kahn, 1990, 1992). Because people's work roles are mainly defined by the behavioral expectations of others in their organization. Second, the investment of cognitive energy into work roles contributes to organizational goals because it promotes behavior that is more vigilant, attentive, and focused. Third, investments of emotional energy into work roles contribute to organizational goals in some related ways (Kahn, 1990). Those who invest emotional energy into their roles enhance performance through the promotion of increased connection among coworkers in pursuit of organizational goals (Ashforth & Humphrey, 1995). Investments of emotional energies also help individuals meet the emotional demands of their roles in a way that results in more complete and authentic performance.

Financial Performance

Financial performance is state of financial health and resource available for growth that is using the perceptual measurement of perceptions in practice (Watkins and Marsick, 2003). The measurement based on perceptions, not hard financial or company data, and measured the same time that measures perceptions of practices that are meant to impact the outcomes. Karaye et al., (2014) defined financial performance as an achievement of organizational objectives or as being both productive and efficient. The financial performance refers to the economic status of a firm such as profitability, sales growth, return on assets, etc. (Palagolla & Wickramasinghe, 2016). The measures of financial performance contain profit, sales growth and return on assets (Shaverdi et al., 2014; Karaye et al., 2014; Boaventura et al., 2012). The working definition has an influence of the definition by Palagolla & Wickramasinghe (2016). Their definition indicates the measurements of perceived financial performance.

The financial performance of this study uses six signals to show the change of financial condition in the organization (Lopez, Peon, and Ordas, 2005). Those are returned on assets (ROA), return on equity (ROE), sales growth, net profit, profit growth, and market share.

Previous Study

This research in several previous studies which studied the relationship between learning organization and employee engagement; learning organization and financial performance; and employee engagement and financial performance. Those researches inspire to be conducted in Indonesia context and the following research detail:

Study of the impact of a learning organization on performance which focusing on knowledge performance and financial performance (Kim et al., 2017), have a purpose of examining the relationships among a learning organization, knowledge and financial performance using the Dimensions of the Learning Organization Questionnaire and its abbreviated version. Used a secondary data set and performed a second-order factor analysis and structural equation modeling for testing the proposed relationships. Contributes to validating the current dimensionality of the theoretical framework of a learning organization proposed by Watkins and Marsick (1993, 1996) and offers a strong conceptual framework of the relationship among the learning culture and organizational performance dimensions.

One the primary purpose of this research is to provide empirical evidence on the relationship between learning organization to financial performance and employee engagement as an intervening variable in Indonesia. Based on the theory a relationship between learning organization and employee engagement is strongly believed that have a positive relationship that learning organization will effect employee engagement. In the organizational behavior perspective, culture is a collection of fundamental norms and values that impact employee behaviors and influence what employees think about work and themselves (Wagner et al., 1995). Lewin (1951) indicated that employee behaviors are strongly influenced by environments where an employee behaves. In addition, Senge (2006) emphasized that the foundation of the learning organization is employee motivation because it helps employees become excited, energized, and engaged in their work (Parkes and Langford, 2008; Stroh et al., 2002).

McBain (2007) concluded that employee engagement is a concept that keeps in the line of the employee work behavior against organizational goals and organizational reputation. The concept of employee engagement, according to McBain (2007) involves emotional and rational aspects and hence suggested that engaged employees may influence over and above discretionary effort towards meeting the demand of the job. Baumruk (2004) stated that engagement as an emotional and intellectual commitment to the organization while Kahn (1990, 1992) claimed that engagement means that employees are psychologically present when occupying and performing the organizational role. In recent years, there has a great deal of interest in employee engagement (Saks, 2006). Many have claimed that employee engagement predicts employee outcomes, organizational success, and financial performance (Bates, 2004; Richman, 2006; Baumuruk, 2004; Harter et al., 2002).

Valdivia et al. (2017) stated the need to adapt to these new labor trends in tourism is currently compelling organizations to design new formulas to motivate workers, build capabilities and engage valuable contributors. Some of the greatest opportunities for hospitality organizations to improve service, customer loyalty, growth and performance rely on reinvigorating human capital strategies. Essentially, to achieve high performance, the modern service firm must create work environments that build passion and purpose. When employee actively engaged in their environment to obtain positive reinforcement, this condition could create and maintain the self esteem (Kasa and Hassan, 2015), motivation and engagement which will ultimately avoid loss of resources (Hobfoll, 1989).

Accordingly, based on the theories and previous findings, when an organization applied to learn organization system as a strategic management tool it will elevate employee engagement levels in an organization. Thus, the following hypothesis is proposed:

H_1: Learning organization directly influence employee engagement

The second purpose of this research is to provide empirical evidence on the relationship between learning organization to financial performance. According to the theories and empirical evidence, learning organization is one that affecting financial performance in a firm.

One of the theory from Buckler's (1998) in the UK, study to compare the key elements of the learning process model with other current learning practices in the UK depend on how behavioral change has led to performance improvement achieved by the process of learning. The learning organization process can be applied to an individual, team or organizational level. Learning will embrace the acquisition of existing and the development of new knowledge, attitudes and skills such as the application of knowledge, attitudes and skills in existing or new contexts such as all with the purpose of improving the performance of the organization. Another theory from Reynolds and Ablett's (1998) that studied and develop a theory of learning organization stated that apart from the dominant emphasis on behavioral and adaptive development, is concerned with the process of change and experienced by organizations as well. Learning organization can explain as the taking the place of learning that changes the behavior of the organization itself. Therefore, organizational learning has reached the stage of successful adaptation to change and uncertainty through the development of new solutions from an uncertain climate which faced by the organization.

Watkins and Marsick (2003) widely develop the concepts of learning organization and in 2003 construct the measurement of learning organization and stated that learning in workplace learning is part of the knowledge capital of the organization, and it may lead to improved financial performance. The

measurement will discover the important the role of learning in an organization and therefore the measurement can use as one way of measuring the value added of the human resource development function. After Watkins and Marsick develop the construct of learning in the organization, Senge's (2006) who develops system thinking theory, stated the idea of a learning organization where learning organization as new ways of thinking are cultivated and individuals continue to learn how to learn. The idea from Senge supported by Ellinger et al. (2002) that cultivating a learning organization culture within an organization accomplishes performance improvement, and found there is a positive association between a learning organization and financial performance. Therefore, it is expected that an organization nurturing a learning organization culture will successfully improve organizational performance.

Weldy (2003) The learning organization is a valuable tool for facilitating learning and knowledge management, and has been described as an important strategy for making improvements in organizational performance and maintaining a competitive advantage (Buhler, 2002; Davis and Daley, 2008; Korth, 2007). Therefore, various studies have reported the significant impact of learning organization and people-level learning dimensions on performance in both business and institutions outcomes to include financial (Akhtar et al.,2011; Awasthy and Gupta; Chawla and Lenka, 2015; Khandekar and Sharma, 2006; Ponnuswamy and Manohar, 2016).

Studies explained above conducted the positive effect from learning organization to financial performance, but some studies stated that the relationship between learning organizational and financial performance not totally addressed empirically. One of the study from Steiner's (1998), that emphasized that learning is largely operationalized in terms of individual belief systems about the people around them and the organization, although the qualitative studies that have successfully examined the internal dynamics of organizational learning, the correlation between early learning styles and subsequent learning and performance is not totally addressed empirically. After reviewing the studies above, can conclude the learning organization is a valuable tool for facilitating learning and has been described as an important strategy for making improvements in organizational financial performance. Thus learning organization as evidence of improved financial performance, the following hypothesis is formulated:

H_2: Learning organization directly influence financial performance

After reviewing how studies trying to develop the relationship between the learning organization will influence financial performance, employee engagement also believed as the variable which have effect to financial performance, based organizational psychology theory builder by Jex (2008) The form of behavior refers to the types of activities an employee would choose to engage in at work which in return, an organization expects employees to behave in ways that benefit the organization. These theories developed later by Macey and Scheneider (2008) literature that bring out a chain of propositions on psychological state engagement, behavioral engagement and trait engagement, also stated an idea that employee engagement is a blend of psychological and behavioral components.

Before Jex (2008), Joo and Mclean (2006) build a conceptual model by identifying the relationships among business strategy, engaged employees, human resources practices, and organizational financial performance. Supported Xanthopoulou et al., (2009) that conducted a study to examine the link between job resources, employee engagement and organizational financial performance. and all of the studies represent the relationship and correlation employee engagement to financial performance. Another study by Christian et al., (2011) explained of substantiate that employee engagement is interrelated to employee job performance, emphasizing a high level of connectivity of an engaged employee with one's work tasks such as the force that drives employee toward the task related goals and objectives which direct to task performance and similar observation that an engaged employee is likely to initiate extra role behaviors due to their work in the organization. The relationship at the business unit level between employee engagement and employee job performance is revealed by Harter et al., (2002) that when an employee as Xanthopoulou et al., (2009) state is engaged in work and focused on customers, that person brings high profit to the organization. In recent years, as Saks & Gruman (2014) mention, the great growth of interest in employee engagement has been observed. Employee engagement conjectures organizational success in relation to financial performance such as for instance, total shareholder returns (Bates, 2004; Baumruk, 2004; Harter et al., 2002; Richman, 2006; Sahoo & Sahu, 2009). Rich et al., (2010) stated that engaged individuals invest their physical, cognitive, and emotional energies into their work roles, exhibit enhanced performance and work with greater intensity on their tasks for longer periods of time, will pay more attention to and are more focused on responsibilities, and more emotionally connected to the tasks that constitute their role. To conclude, based on the findings employee engagement have a crucial role in improving financial performance. The hypothesis regarding the relationship between employee engagement and financial performance as follows:

H_3: Employee Engagement directly influence financial Performance

The theory of organizational behaviors well explained that employees who score higher in conscientiousness develop higher levels of job knowledge, probably because highly conscientious people learn more and higher levels of job knowledge then contribute to higher levels of job performance. Conscientious individuals who are more interested in learning than in just performing on the job are also exceptionally good at maintaining performance in the face of negative feedback (Cianci et al., 2010). Cianci et al. (2010) stated that learning organization as an effect from conscientious individuals that want to learn more and contribute the higher job performance.

Based on organizational psychology theory build by Jex (2008) the form of behavior refers to the types of activities an employee would choose to engage in at work which in return, an organization expects employees to behave in ways that benefit the organization. In organizational psychology stated that employees have at least some freedom of choice regarding the behaviors they are capable of engaging in that positively or negatively influence an organization's performance. If employees had no freedom of choice, organizations would have very little to do in the way of motivating their employees and to sustain a high level of success over time, one must never stop learning (Robbins, 2013).

Some study the empirical evidence of organizational factors performance. Studies aim of the current research is to provide empirical evidence for the relationships among several organizational factors affecting team performance improvement, including the learning organization and employee engagement (Song et.al, 2014). In addition, the mediating effect of employee engagement was assessed to explain team performance improvement within the supportive learning organization. Song et al., (2014) assumed with structural equation modeling was the results support that cultural aspect of the learning organization in Korean profit firms positively and directly affect the employee engagement, whereas cultural aspects of the learning organization positively affect team performance positively and indirectly only through employee engagement, and employee engagement plays a full mediating role in explaining the relationship between the learning organization and team performance.To conclude, based on the findings employee engagement as a mediating variable explain that financial performance improvement within the supportive learning organization through employee engagement levels in an organization. The hypotheses regarding the relationship between employee engagement as an intervening role in the relationship between learning organization and financial performance as follows:

H_4: Employee Engagement has an impact as an intervening variable to the relationship between learning organization and Financial Performance

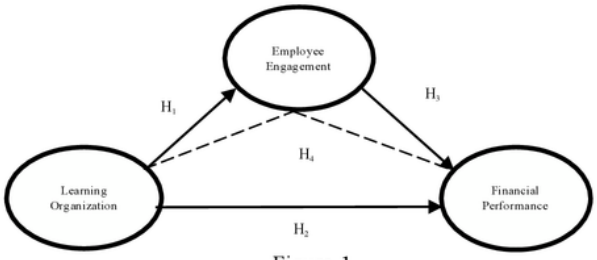

Figure 1
Research Model

H_1: Learning organization directly influence employee engagement

H_2: Learning organization directly influence financial performance

H_3: Employee Engagement directly influence financial Performance

H_4: Employee Engagement has an impact as an intervening variable to the relationship between learning organization and Financial Performance

Research Methodology

The design of this research involves elaborating on the basic elements including the researcher's interference, the unit of analysis, and the time horizon of the study. In addition, a detail description of the operationalization of the variables, data collection (population, sample, sampling, instrument), and the technique for data analysis is also provided. Each of these elements is explained in greater details in the sections to follow.

There are three variables being investigated in this study including the learning organization, financial performance and employee engagement. The detail of the indicators of each variable is explained below.

Table 1 Dimensions of Learning Organization

Dimensions	Measurement	Q Number
Create continuous learning opportunities	Learning is designed into work so that people can learn on the job	Q 1.1,1.2,1.3
	Opportunities are provided for ongoing education and growth	
Promote inquiry and dialogue	People gain productive reasoning skills to express their views and the capacity to listen and inquire into the views of others	Q 1.4,1.5,1.6
	The culture is changed to support questioning, feedback, and experimentation	
Encourage collaboration and team learning	Work is designed to use groups to access different modes of thinking	Q 1.7,1.8,1.9
	Groups are expected to learn together and work together	
	Collaboration is valued by the culture and rewarded	
Create systems to capture and share learning	Both high and low technology systems to share learning are created and integrated with work	Q 1.10, 1.11, 1.12
	Access is provided	
	Systems are maintained	
Empower people towards a collective vision	People are involved in setting, owning, and implementing a joint vision	Q 1.13,1.14, 1.15
	Responsibility is distributed close to decision making so that people are motivated to learn toward what they are held accountable to do	
Connect the organization to its environment	People are helped to see the effect of their work on the entire enterprise	Q 1.16,1.17, 1.18
	People scan the environment and use the information to adjust work practices	
	The organization is linked to its communities	
Leaders model and support learning	Leaders model, champion, and support learning	Q 1.19,1.20, 1.21
	Leadership uses learning strategically for business results	

Source: Watkins and Marsick (2003)

Engagement as simultaneous employment and expression of person preferred self in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional) and active, full performances. In the engagement, organization members control their self awareness

in active, complete work role performances by driving personal energy into physical, cognitive, and emotional labors. Engaged individuals are described as being psychologically present, fully there, attentive, feeling, connected, integrated, and focused on their role performances. They are open to themselves and others, connected to work and others, and bring their complete selves to perform (Kahn, 1992). Engagement is observed through the behavioral investment of personal physical, cognitive, and emotional energy into work roles (Kahn, 1992).

Table 2 Dimensions of Employee Engagement

Dimensions	Measurement	Q Number
Physical Engagement	Physical energy into work roles contributes to organizational goals because it facilitates the accomplishment of organizationally valued behaviors at increased levels of effort over extended periods of time	Q 2.1, 2.2, 2.3, 2.4, 2.5, 2.6
Cognitive Engagement	Cognitive energy into work roles contributes to organizational goals because it promotes behavior that is more vigilant, attentive, and focused	Q 2.7, 2.8, 2.9, 2.10, 2.11, 2.12
Emotional Engagement	Emotional energy into their roles enhance performance through the promotion of increased connection among coworkers in pursuit of organizational goals	Q 2.13, 2.14, 2.15, 2.16, 2.17, 2.18

Source: Rich et al. (2010)

Employee engagement as a simultaneous on individual's capability to invest personal presence by driving physical, cognitive and emotional energy to complete their work role performance (Rich et al., 2010; Kahn, 1990; Mark, 2010; Valdivia et al., 2017; Kahn, 1992). Based on the explanation of employee engagement, the measurement of employee engagement addressing from Rich et al. (2010) and explained more in Table 2.

Table 3 Dimensions of Financial Performance

Dimensions	Measurement	Q Number
Return on Assets (ROA)	In my organization, the return on investment is greater than last year.	Q 3.1
Return on Equity (ROE)	In my organization, average productivity per employee is greater than last year.	Q 3.2
Sales Growth	In my organization, time to market for products and services is less than last year.	Q 3.3
Net Profit	In my organization, a response time for customer complaints is better than last year.	Q 3.4
Market Share	In my organization, market share is greater than last year.	Q 3.5
Profit Growth	In my organization, the cost per business transaction is less than last year.	Q 3.6

Source: Lopez, Peon, and Ordas, (2005)

The financial performance of this study uses six signals in order to show the change of financial condition in the organization (Lopez, Peon, and Ordas, 2005). Those are returned on assets (ROA), return on equity (ROE), sales growth, net profit, profit growth, and market share and will be explained more in Table 3.

The sample of this research are selected purposively, it is also known as purposive or non-probability sampling. This sampling method involves purposive or deliberate selection of particular units of the universe for constituting a sample which represents the universe (Bavdhan. 2013). The unit analysis in this research is full dining service restaurant company which listed in Mall Directory in the year 2015 – 2018, in Surabaya. The unit observation of this research is an employee who work more than 2 years in the hospitality industry who met the purposive sampling criteria. This study uses primary data related to the variables or constructs under examination which collected through a survey questionnaire (Salkind, 2007). The survey questionnaire using 7 points Likert-scale (from 1 = never to 7 = always) to measure the seven learning organization dimensions (Watkins and Marsick, 2003; Yang et al., 2004), employee engagement (Rich et al., 2010) and financial performance (Lopez, Peon, Ordas, 2005). This research has descriptive statistics include the mean, maximum, minimum and standard deviation are calculated and using SPSS.

This study using SPSS software 23 (Statistical Package for Social Science) to examine and extracting questionnaire for validity and reliability value of variable construct. Also this study aims to predict the data through a structural equation modelling (SEM) technique, which considered for examining the complex relationship among the variables and the mediating effect to a learning organization. Basic descriptive analysis and data cleaning process were considered, including normal distribution and outlier detection. And this study utilizes the partial least square (PLS) method to estimate the hypothesized model simultaneously. The rationale behind the choice of using PLS is the exploratory nature of the research.

The sample of this research obtained by conducting a purposive sampling method which is listed above and arrived at 50 restaurants covering in 2015-2018. A total of 500 questionnaires were distributed and 241 valid responses were collected. Each variable was constructed by 7 dimensions which included 21 measurements for learning organization (DLOQ), 3 dimensions which included 18 measurements for employee engagement, and 6 measurements for financial performance. From 241 questionnaires were collected from purposive sampling and each responds data categorized by position in management, academic degree, hours to spend work-related learning, and the number of employees that represent company size. Sample description analysis will explain below. To obtain the descriptive statistics for the variables being studied in this research, the Statistical Package for the Social Sciences (SPSS) software was used. From data responses, and respondents are categorized by 4 categories which are senior management, middle management, head of division and management (staff). The most higher respondents have a position in management as management or staff (85,9%), 4,1% as senior management, 6,2% as head of a division, and 3.7% as middle management. 241 respondents in the hospitality industry in Surabaya still have employees that did not complete from high school 3.3% and 1.7% employees that have

graduated degree. Most of the employee ware high school graduate is 50.2%, undergraduate from the university which has major in hospitality or similar are 38.2% and 6.6% respondents that have a certificate or associates degree in hospitality or similar. 60,1% employees in the hospitality industry did not attend university or higher education. The higher time average employee spends time work related are 1 – 10 hours per month, but the data also shows that 2.9% of the sample are not spent their time to learn about what they worked for. 29.9% of the sample spend their time to work-related learning in 11 – 20 hours per month.

Another method for description analysis this study using descriptive statistics cross tabulation for the description of each category respondents. Description analysis that is produced from SPSS software version 23, can be seen the results of each level for respondent's response based on the value in each measurement. Each measurement hopefully can see the details and impact from each category have been determined, to see the measurements level of respondent's respond this research divide the categories using interval class. and categorized as follow, value 1.00 – 3.00 is Low, value 3.10 – 5.00 is Middle and 5.10 – 7.00 is High. The data were analyzed through the partial least square (PLS) method. The measurement portion of the model was analyzed through convergent validity, discriminant validity and reliability to establish measurement fit with the data (Hair et al., 2014). On the other hand, the structural fit of the model was confirmed through path analysis involving a bootstrap procedure to test the hypotheses for this research. Several results on the model's predictive accuracy (i.e., through the coefficient of determination R2), multicollinearity and relevance were also reported. Measurement loadings are the standardized path weights connecting the factors to the indicator variables. As data are standardized automatically in SmartPLS, the loadings vary from 0 to 1. The loadings should be significant. In general, the larger the loadings, the stronger and more reliable the measurement model and path algorithm of this research figure

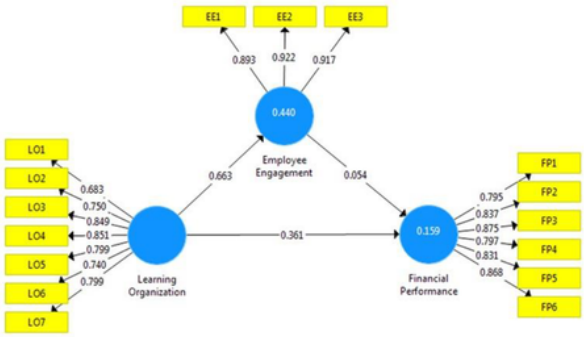

Figure 2 Path Analysis Structural Model

Convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct. The items that re-indicators (measures) of a specific construct should convergence or share a high portion of the variance. The convergent validity of the measurement model must be assessed at the indicator (standardized outer loading) and construct level (AVE).

To establish convergent validity at the indicator level, the items must load at their respective constructs above the threshold value of 0.708 (Hair et al., 2014). High outer loadings on a construct indicate that the associated indicators have much in common, which is captured by the construct. At a minimum, all indicators of outer loadings should be statistically significant. The standardized indicators of outer loading should be 0.708 or higher (Hair et al., 2014).

Based on Table 4.21 the values of standardized outer loading shown that most of all constructs of variables higher than 0.708 and means that the constructs of this research have qualified of convergent validity except dimensions of LO1 that not valid in this research. The measurement that not valid must be dropped.

Besides the standardized outer loading, a strong convergent validity of the measures also accounts for the AVE. AVE is the grand mean value of the squared loadings of the indicators associated with the construct, whereas the AVE value should be above 0.5 (Hair et al., 2014). Discriminant validity is the extent to which a construct is truly distinct from other constructs by empirical standards. Establishing discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model (Hair et al., 2014). As for the discriminant validity of the measures, the often-used criteria are the cross-loading and the Fornell-Larcker. An indicator's outer loading on the associated construct should be greater than all of its loading on other constructs. The presence of cross loading exceeds the indicators' outer loadings represents a discriminant validity problem. The cross-loading criterion establishes discriminant validity when an indicator's outer loading is greater than all of its loadings on other constructs (Hair et al., 2014).

Table 4 Cross Loading

	EE	FP	LO
EE1	**0.893**	0.239	0.555
EE2	**0.922**	0.267	0.672
EE3	**0.917**	0.293	0.575
FP1	0.070	**0.795**	0.157
FP2	0.141	**0.837**	0.238
FP3	0.187	**0.875**	0.290
FP4	0.378	**0.797**	0.486
FP5	0.293	**0.831**	0.320
FP6	0.189	**0.868**	0.279
LO1	0.379	0.237	**0.683**
LO2	0.424	0.245	**0.750**
LO3	0.549	0.383	**0.849**
LO4	0.584	0.300	**0.851**
LO5	0.479	0.340	**0.799**
LO6	0.481	0.376	**0.740**
LO7	0.672	0.276	**0.799**

Based on Table 4, the cross loading factor values for each indicator are showing greater value than other constructs, they converge into the designated construct perfectly. Value from discriminant validity by cross loading table above can conclude that from this research the construct dimensions of the variable learning organization, employee engagement and financial performance has qualified of discriminant validity test.The Fornell-Larcker criterion establishes discriminant validity when each construct's square-root AVE value must be higher than its correlation with all of the other constructs. It compares the square root of the average variance extracted values with the latent variable correlations (Hair et al., 2014).

Table 5 AVE

	Employee Engagement	Financial Performance	Learning Organization
Employee Engagement	**0.911**		
Financial Performance	0.293	**0.835**	
Learning Organization	0.663	0.396	**0.784**

Based on Table 5, it shows that the square-root AVE values for each construct greater than other value, thereby are higher than the correlation of a given construct with other constructs in the model. This signifies that discriminant validity was established. Reliability testing is used to depict the consistency of indicators (Hair et al., 2014). To test the reliability, both

Cronbach's Alpha and Composite Reliability were tested. Cronbach's alpha is a measure of internal consistency reliability that assumes equal indicator loadings. The criteria for internal

consistency reliability are the indicator and internal consistency reliability and the value should be higher than 0.60 (Hair et al., 2014).

Table 6 Cronbach's Alpha

	Cronbach's Alpha
Employee Engagement	0.877
Financial Performance	0.921
Learning Organization	0.885

Based on Table 6 shows that the Cronbach's Alpha values as a measure of reliability exhibit the value of more than 0.60. The value of employee engagement, financial performance and learning organization shown has qualified for reliability testing test and each variable has a high and very high reliability construct. Composite reliability is a measure of internal consistency, which unlike Cronbach's Alpha, does not assume equal indicator loadings. The composite reliability should be above 0.708 (Hair et al., 2014).

Table 7 Composite Reliability

	Composite Reliability
Employee Engagement	0.936
Financial Performance	0.932
Learning Organization	0.917

Based on Table 7, it shows that the composite reliability values for all constructs are more than 0.708 to 1, which means that all constructs have a high level of internal consistency reliability. This research an assessment of collinearity presence in the model was first examined. Table 8 shows that all variance inflation factor (VIF) below the cutoff point of 5 (Hair et al., 2014), thereby concluding that there is no issue of collinearity among the predictor constructs in the structural model. The

coefficient of determination (R^2 value), which assesses the

model's predictive accuracy and the Stone-Geisser's or Q^2 value to assess its predictive relevance. The R^2 value represents the percentage change in the amount of the dependent variable that is explained the changes in the independent variables. In other words, it is the combined effects of the independent variables on the dependent ones (Hair et al., 2014).

Table 8 Coefficient of Determination

	R Square
Employee Engagement	0.440
Financial Performance	0.159

Based on Table 8, it shows that employee engagement can explain 44% of the variance and in financial performance at 15.9%. The coefficient of Determination in R Square value represents the combined effects of the independent variables on the dependent ones. Based on the R Square value in this research the combined effects of the Learning Organization on the Employee Engagement is predicted 44% and effects of the Learning Organization on the Financial Performance is predicted at 15.9%. The reflection of Financial Performance measurement which used in this research is perceived financial performance that hopefully can represent the perceive of financial performance in the organization. In addition to the coefficient of determination, the model can exhibit predictive relevance for each of the endogenous construct in which the Q value must be above zero. The value Q square can be obtained by using the following formula:

$$Q^2 = 1 - (1-R^2_{y1})(1-R^2_{y2})(1-R^2_{y3})$$
$$Q^2 = 47\%$$

that is well above the zero cutoff point, the overall Q-square of this research model exhibits good predictive relevance. Based on the result of the calculation, the value of Q-square is 0.47096, meaning that the structural model represents 47% of the phenomena variance. The remaining 53% is caused by another factor, which is not explored in this research. Since good predictive relevance, as shown by the values of Q-square.

The significance testing of the direct effects regarding the relationships among constructs in the model was derived from the bootstrapping procedure. This was done to test the research hypotheses, resulting in path coefficients testing for the direct effects. A path coefficient is significant to the extent of its standard error obtained through the bootstrapping procedure, which allows for empirical t_{value} computation and p_{value}. The generally accepted level of critical value of t statistics is 1.96 in significance level 5%. As for the p_{value}, the value supposed to be less than 0.05 ($P<0.05$) for the effect to be significant at the level of confidence of 95% respectively.

Table 9 Hypotheses Result

		Coefficient			Hypothesis
		Path value	t_{value}	P_{value}	
H_1	Learning organization directly influence employee engagement	0.663	14.880	0.000	**Accepted**
H_2	Learning organization directly influence financial performance	0.361	4.044	0.000	**Accepted**
H_3	Employee Engagement directly influence financial Performance	0.054	0.626	0.531	**Rejected**
H_4	Employee Engagement has an impact as an intervening variable to the relationship between learning organization and financial Performance	0.036	0.62	0.535	**Rejected**

Table 9 shows that the H_1 as expected overall learning

organization has directly influence employee engagement in the hospitality industry in Surabaya. The result show $\beta = 0.663$, $t_{table} < t_{value}$; $1.96 < 14.880$, in significant level 5% and $p = 0.000$ at the level of confidence of 95%, which indicates strong evidence that learning organization will increases employee engagement significantly and overtime. As a result explained hypothesis 1 is accepted. Therefore, learning organization culture makes a positive contribution to employee engagement as well the result of the hypothesis.

H_2 as expected explained in table 4.30, overall learning organization has directly influence financial performance in the

hospitality industry in Surabaya. The result show $\beta = 0.361$, $t_{table} < t_{value}$; $1.96 < 4.044$, in significant level 5% and $p = 0.000$

at the level of confidence of 95%, which indicates strong evidence that learning organization will increases financial performance significantly. As a result explained hypothesis 2 is accepted. The result of hypothesis answered the purpose of this study that learning organization influence financial performance, learning organization in the hospitality industry in Surabaya have a significant influence on financial performance.

Different with H_2 as expected explained in Table 4.30, overall learning organization has directly influence financial performance in hospitality industry in Surabaya, the third hypothesis (H_3) unexpected has the result $\beta = 0.054$, $t_{table} < t_{value}$; $1.96 > 0.626$, in significant level 5% and $p = 0.531$ at the level of confidence of 95%, which indicates no evidence that employee engagement will increases financial performance significantly. As a result explained hypothesis 3 is rejected. Therefore, employee engagement directly influences financial performance not evidently proven in the hospitality industry in Surabaya as explained in a result of the third hypothesis. As the result of H_3 is rejected, H_4 evidently rejected as well following the result of indirect effect in table 4.30 and 4.31. H_4 has the result $\beta = 0.036$, $t_{table} < t_{value}$; $1.96 > 0.620$, in significant level 5% and $p = 0.535$ at the level of confidence of 95%, which indicates no evidence that employee engagement as an intervening variable in learning organization and financial performance, and the result explained hypothesis 4 is rejected. Different effect if adapted in case of the hospitality industry in Surabaya, especially employee engagement as an intervening variable of learning organization and financial performance. Another factor and discussion influence of the resulting hypothesis 3 and 4 discussed in this chapter.

Learning Organization and Employee Engagement

From hypothesis analysis, H_1 the result shown in table 4.30 which indicates strong evidence that learning organization will increase employee engagement significantly and overtime. It proves that believed the relationship between learning organization culture and employee engagement is well explained by organizational behavior theory. In the organizational behavior perspective, culture is a collection of fundamental norms and values that impact employee behaviors and influence what employees think about work and themselves (Wagner et al., 1995). Lewin (1951) indicated that employee behaviors are strongly influenced by environments where an employee behaves. In addition, Senge (2006) emphasized that the foundation of the learning organization is employee motivation because it helps employees become excited, energized, and engaged in their work (Parkes and Langford, 2008; Stroh et al., 2002). Edmonson (2008) also highlighted that learning organization is learning processes which the definition really emphasizes. There's also the learning environment that makes those processes possible and as important is leadership that really fosters and inspires the learning processes and helps create the learning environment. Learning organizations are associated with organizational characteristics such as the ability to learn, a positive attitude to change, their values and beliefs and empowerment (Dobson, 2008). Therefore, learning organization culture makes a positive contribution to employee engagement. Valdivia et al. (2017) stated the need to adapt to these new labor trends in tourism is currently compelling organizations to design new formulas to motivate workers, build capabilities and engage valuable contributors. Some of the greatest opportunities for hospitality organizations to improve service, customer loyalty, growth and performance rely on reinvigorating human capital strategies. Essentially, to achieve high performance, the modern service firm must create work environments that build passion and purpose. When employee actively engaged in their environment to obtain positive reinforcement, this condition could create and maintain the self esteem (Kasa and Hassan, 2015), motivation and engagement which will ultimately avoid loss of resources (Hobfoll, 1989).

Learning Organization and Financial Performance

The result H_2 as expected explained in table 4.30, overall learning organization has directly influence financial performance in the hospitality industry in Surabaya. The result indicates strong evidence that learning organization will increase financial performance significantly. It proves the believed and answers the second purpose of this research is to provide empirical evidence on the relationship between learning organization to financial performance. According to the theories and empirical evidence, learning organization is one that affecting financial performance in a firm.

One of the theory from Buckler's (1998) in the UK, study to compare the key elements of the learning process model with other current learning practices in the UK depend on how behavioral change has led to performance improvement achieved by the process of learning. The learning organization process can be applied to an individual, team or organizational level. Learning will embrace the acquisition of existing and the development of new knowledge, attitudes and skills such as the application of knowledge, attitudes and skills in existing or new contexts such as all with the purpose of improving the performance of the organization. Another theory from Reynolds and Ablett's (1998) that studied and develop the theory of learning organization stated that a part from the dominant emphasis on behavioral and adaptive development, is concerned with the process of change and experienced by organizations as well. Learning organization can explain as the taking the place of learning that changes the behavior of the organization itself. Therefore, organizational learning has reached the stage of successful adaptation to change and uncertainty through the development of new solutions from an uncertain climate which faced by the organization.

Watkins and Marsick (2003) widely develop the concepts of learning organization and in 2003 construct the measurement of learning organization and stated that learning in workplace learning is part of the knowledge capital of the organization, and it may lead to improved financial performance. The measurement will discover the important the role of learning in the organization and therefore the measurement can use as one way of measuring the value added of the human resource development function. After Watkins and Marsick develop the construct of learning in the organization, Senge's (2006) who develops system thinking theory, stated the idea of a learning organization where learning organization as new ways of thinking are cultivated and individuals continue to learn how to learn. The idea from Senge supported by Ellinger et al. (2002)

that cultivating a learning organization culture within an organization accomplishes performance improvement, and found there is a positive association between a learning organization and financial performance. Therefore, it is expected that an organization nurturing a learning organization culture will successfully improve organizational performance.

Weldy (2003) The learning organization is a valuable tool for facilitating learning and knowledge management, and has been described as an important strategy for making improvements in organizational performance and maintaining a competitive advantage (Buhler, 2002; Davis and Daley, 2008; Korth, 2007). Therefore, various studies have reported the significant impact of learning organization and people-level learning dimensions on performance in both business and institutions outcomes to include financial (Akhtar et al.,2011; Awasthy and Gupta; Chawla and Lenka, 2015; Khandekar and Sharma, 2006; Ponnuswamy and Manohar, 2016).

Employee Engagement and Financial Performance

The third hypothesis (H_3) unexpected has the result in Table 4.30 which indicates no evidence that employee engagement will increase financial performance significantly. Employee engagement believed as the variable which has an effect on financial performance, based on organizational psychology theory build by Jex (2008). The form of behavior refers to the types of activities an employee would choose to engage in at work which in return, an organization expects employees to behave in ways that benefit the organization.

These theories developed later by Macey and Scheneider (2008) literature that bring out a chain of propositions on psychological state engagement, behavioral engagement and trait engagement, also stated an idea that employee engagement is a blend of psychological and behavioral components. Before Jex (2008), Joo and Mclean (2006) build a conceptual model by identifying the relationships among business strategy, engaged employees, human resources practices, and organizational financial performance. Supported Xanthopoulou et al., (2009) that conducted a study to examine the link between job resources, employee engagement and organizational financial performance. and all of the studies represent the relationship and correlation employee engagement to financial performance. Another study by Christian et al., (2011) explained of substantiate that employee engagement is interrelated to employee job performance, emphasizing a high level of connectivity of an engaged employee with one's work tasks such as the force that drives employee toward the task related goals and objectives which direct to task performance and similar observation that an engaged employee is likely to initiate extra role behaviors due to their work in the organization.

The relationship at the business unit level between employee engagement and employee job performance is revealed by Harter et al., (2002) that when an employee as Xanthopoulou et al., (2009) state is engaged in work and focused on customers, that person brings high profit to the organization. In recent years, as Saks & Gruman (2014) mention, the great growth of interest in employee engagement has been observed. Employee engagement conjectures organizational success in relation to financial performance such as for instance, total shareholder returns (Bates, 2004; Baumruk, 2004; Harter et al., 2002; Richman, 2006; Sahoo & Sahu, 2009). Rich et al., (2010) stated that engaged individuals invest their physical, cognitive, and emotional energies into their work roles, exhibit enhanced performance and work with greater intensity on their tasks for longer periods of time, will pay more attention to and are more focused on responsibilities, and more emotionally connected to the tasks that constitute their role. The theories above could not be proven in hospitality context in Surabaya. Another factor may be the evidence in this case. As explained in descriptive statistics at the beginning of chapter 4, many factors explained.

The descriptive statistic in crosstabulation calculation using SPSS software for variable employee engagement based on sample's management position in the company. It showed an 83.4% total of the sample has a high score of engagement in their company. 88.2% sample who have the position as a senior manager has to feel engaged in the organization and 15.4% have a middle score. It can conclude in the hospitality industry in Surabaya has a high level of engagement in their company. It is based on the analysis the highest score of engagement shown in dimension "Physical Engagement" which have 88% level of high engagement that 100% employee in a senior management position has physical engagement. Physical engagement means that physical energy into work roles contributes to organizational goals because it facilitates the accomplishment of organizationally valued behaviors at increased levels of effort over extended periods of time. Different from another dimension that has total 76.3% score in "Cognitive Engagement" and 77.6% total score in "Emotional Engagement". Cognitive engagement means employee give their cognitive energy into work roles contributes to organizational goals because it promotes behavior that is more vigilant, attentive, and focused; and emotional engagement means employee give their emotional energy into their roles enhance performance through the promotion of increased connection among coworkers in pursuit of organizational goals — based from the hospitality industry phenomenon stated in chapter 1, the hospitality industry well known for a job that strain, overtime, lack of recognition and low pay and the workforce frequently reports emotional exhaustion and complains about hard-time working conditions that often result in absenteeism and turnover (Tongchaiprasit and Ariyabuddhiphongs, 2016). These reasons could relate the result of hypothesis if employee engagement did not directly influence financial performance, also the high score of physical engagement not followed with cognitive and emotional engagement. Harter et al. (2002) build the theory about workplace well being that explains how important positive environment and other factors support the managerial to achieve better performance. another theory from Fredrickson (1998), purposed a "broaden and build" model that has evolutionary roots how positive emotions broaden the scope of attention, cognition, and action, and build physical, intellectual, and social resources. This theory model correlates with human basic needs theory which conceptualization by Kahn (1990). Kahn stated that the effects of a positive workplace environment, employees could become more cognitive and emotionally engaged when their basic needs are met.

The explanation above can provide summaries that in the hospitality industry in Surabaya employee have high score engagement in physical engagement but not fully engaged in

cognitive and emotional engagement except the sample who not complete high school also have full engagement in physical, cognitive and emotional engagement. It shows by the score of engagement 83.4% total of the sample have a high score of engagement in their company. In engagement level employee who not complete high school, certificate or associates degree, and graduate degree have 100% engagement score in their organization. The analysis shows the detail responses of the sample in dimensions of measurement of variable employee engagement. It is based from the tables the highest score of engagement shown in dimension "Physical Engagement" which have 88% level of high engagement that 100% employee who not complete high school have physical engagement. Physical engagement means that physical energy into work roles contributes to organizational goals because it facilitates the accomplishment of organizationally valued behaviors at increased levels of effort over extended periods of time. Different from another dimension that has total 76.3% score in "Cognitive Engagement" and 77.6% total score in "Emotional Engagement". Cognitive engagement means employee give their cognitive energy into work roles contributes to organizational goals because it promotes behavior that is more vigilant, attentive, and focused; and emotional engagement means employee give their emotional energy into their roles enhance performance through the promotion of increased connection among coworkers in pursuit of organizational goals. Both measurements have 100% employee who not complete high school also have cognitive and emotional engagement.

Compared from all descriptive analysis and research test, can conclude that employee engagement in the hospitality industry in Surabaya, mostly have the physical engagement that employee has physical energy into work roles contributes to organizational goals because it facilitates the accomplishment of organizationally valued behaviors at increased levels of effort over extended periods of time. But their physical engagement could have affected by their learning activities which in the hospitality industry in Surabaya have mostly range employee have learning activities 11-20 hours/month (83.4%).

Learning Organization, Employee Engagement and Financial Performance

As the result of H_3 is rejected, H_4 evidently rejected as well following the result of indirect effect in table 4.32 and 4.33. H_4 indicates no evidence that employee engagement as an intervening variable in learning organization and financial performance. As explained in hypothesis construct, the theory of organizational behaviors well explained that employees who score higher in conscientiousness develop higher levels of job knowledge probably because highly conscientious people learn more and higher levels of job knowledge then contribute to higher levels of job performance. Conscientious individuals who are more interested in learning than in just performing on the job are also exceptionally good at maintaining performance in the face of negative feedback (Cianci et al., 2010). Cianci et al. (2010) stated that learning organization as an effect from conscientious individuals that want to learn more and contribute the higher job performance. Based on organizational psychology theory build by Jex (2008) The form of behavior refers to the types of activities an employee would choose to engage in at work which in return, an organization expects employees to behave in ways that benefit the organization. In organizational psychology stated that employees have at least some freedom of choice regarding the behaviors they are capable of engaging in that positively or negatively influence an organization's performance. If employees had no freedom of choice, organizations would have very little to do in the way of motivating their employees and to sustain a high level of success over time, one must never stop learning (Robbins, 2013).

The theories above could not be proven in hospitality context in Surabaya. Another factor may be the evidence in this case. As explained in descriptive statistics at the beginning of Chapter 4, many factors explained. For example, based on Table 4.14 shown that only 58.5% of respondents that have work-related learning activities in their companies thought that have better financial performance. 42.5% that respondents that have work-related learning activities in their companies thought that not have better financial performance as a result of their learning process. Even in the hospitality industry have a high level of engagement but in the result, most of all have a physical engagement that could not be related with their improvement to engaged cognitively and emotionally in the organization. Their high level of financial performance, could be affected by the time their well learned about their task but not completely by employee psychological behavior nature.

Conclusion

Research and studies about the hospitality industry and from this employee engagement phenomenon this study investigate the gap between hospitality industry issues and facts, which hospitality industry have high growth but the facts that have high absenteeism and turnover and also to investigate the relationship between learning organization to financial performance with employee engagement as an intervening variable. This study also investigates the relationship of the learning organization, employee engagement and financial performance to measure the unestablished studies and implement the measurement in hospitality industry especially in Surabaya, also measure that dimensions of learning organization have higher significant direct factor impact to financial performance and employee engagement.

The findings support the research contribution that is trying to have theoretically, empirically and practically contribution. First, for theoretical contribution, this study trying to have the conceptual framework by investigating employee engagement as the impact factors to learning organization which directly effect to financial performance, an improvement of individual behavior in the organization based on organizational psychology and organizational behavior theory. Second, for the empirical contribution this study trying to investigate the relationship between learning organization and financial performance with employee engagement as an intervening variable in the hospitality industry especially in Surabaya, Indonesia. Third, for practical contribution, this study trying to facilitate managerial practitioners to examine the systems, structure and processes, tent to generate an enhanced level of learning organization and employee engagement to impact performance in the organization.

According to the result of the hypothesis can conclude that, there have strong evidence that learning organization directly

influence and increases employee engagement significantly.; Learning organization has directly influence financial performance in hospitality industry in Surabaya; Employee engagement in the hospitality industry in Surabaya have higher physical engagement than cognitively and emotional engagement which not effects to financial performance; Employee Engagement in this case could not be related to the level of financial performance, even employee have time to well learned about their task but not completely by employee psychological behavior nature to improve employee performance. The facts that building employee engagement needs time and high turnover will affect to engage employee to company.

Practical Implications & Suggestions

According to the result, there are some managerial implications that could be a use for the organization to improve their strategy and performance. First, managerial can have better systems, structure and processes tend to generate enhanced levels of a learning organization that proved can improve performance in an organization. For example, measurement of learning organization which is Create Systems to Capture and Share Learning; and Empower People Towards a Collective Vision, have a significantly high score for measurement in factor loading. Managerial could improve the systems and technology in the organization; and also try to involving employees in setting, owning, and implementing a joint vision that could motivate to learn continuously toward an accountable task. Another improvement for employee engagement, the organization can improve not only physical engagement but also cognitively and emotional engagement by spending the time to work related learning also could improve better performance as employee psychological nature to improve performance.

Second, managerial may consider providing employees with resources and benefits that would instigate a reciprocity norm among them. When employees feel the need to give feedback to the organization, they are more likely to have a higher level of engagement. In addition, because different things are perceived like culture and another background might not be the most effective. To increase engagement, managers may aim to better understand their individual employee's needs like emotional and cognitive well-being (Harter et al. 2002) and align the resources and social support with their needs. Also development employee engagement for long term and process that requires constant interactions and communication (Saks, 2006). If organizational leaders are seriously committed to enhancing employee engagement in their organizations, engagement needs to be considered as a part of the broad organizational and cultural strategy and involve all levels of the organization's hierarchy (Saks, 2006).

Third, managerial can improve the learning in an organization such as learning systems that can affect more to financial performance especially using Learning Organization measurement. This research proved that The Seventh Dimension of Learning Organization (DLOQ) by Marsick and Watkins (2003) directly influence financial performance.

Also based on research results, there has an improvement for future studies: First, future studies can improve wider the research not only in the hospitality industry in Surabaya context but can improve in the Indonesian context.; Second, there are still many possible determinants that have yet discovered in the Indonesian context. Future studies will serve as a great contribution if determinants from various industry can be investigated, especially in a learning organization and employee engagement context.; Last, future studies also can use this research topic empirically and practically improved, especially in employee engagement and its effects on performance. Future studies can explore more about others industry phenomenon related with practical findings of employee engagement and performance especially financial performance.

Research Limitations

The limitation of this research deals with the sample of this research which is chosen purposively and it is only in the hospitality industry especially full service restaurant in Surabaya. The results could not be generalized into all sectors in Indonesian firms.

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