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**The Impact of Employees Engagement and Organizational Citizenship Behavior on PIA, s  
Performance: The Moderating Role of Job Stress**

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**ABSTRACT**

*This study investigates the impact of employee engagement on organizational performance in Pakistan International Airlines (PIA), with particular emphasis on the mediating role of Organizational Citizenship Behavior (OCB) and the moderating effect of job stress. As a state-owned enterprise operating in a highly competitive airline industry, PIA has experienced persistent financial and service performance challenges over the past two decades. While prior research in private sector contexts suggests a positive association between employee engagement and firm performance, limited empirical evidence exists regarding such relationships within state-owned organizations in developing countries. Grounded in organizational behavior and corporate governance literature, this research proposes that employee engagement positively influences PIA's performance. Furthermore, it hypothesizes that OCB, characterized by altruism, courtesy, civic virtue, sportsmanship, and conscientiousness, mediates the relationship between engagement and performance by encouraging voluntary, extra-role behaviors that enhance organizational effectiveness. Simultaneously, job stress is expected to negatively moderate this relationship, potentially weakening the positive effects of engagement on performance outcomes. The study adopts a quantitative research design using structured questionnaires distributed to employees of PIA. Established five-point Likert scale instruments are employed to measure employee engagement, OCB, job stress, and organizational performance. Data analysis will be conducted using SPSS, applying mediation analysis through the Preacher and Hayes technique along with other relevant econometric methods.*

*The findings aim to contribute to theoretical and practical understanding by offering context-specific insights for improving performance in state-owned enterprises, particularly within Pakistan's aviation sector.*

**Keywords:** Employee Engagement, Organizational Citizenship Behavior, Job Stress, Organizational Performance, Pakistan International Airlines, State-Owned Enterprises, Mediation, Moderation.

**Introduction**

Renowned corporate scandals in Pakistan Railways, Kohinoor Textile Mills Ltd, Adamjee Insurance, PTCL, and PIA triggered to work on robust corporate governance mechanism in corporate economy. Tibiletti et al., (2021) finds that it is a system of managing and controlling and regulating organizational activity in best interest of all Bona fide stakeholders. Fooladi & Nikzad Chaleshtori, (2011) states that good corporate governance not only helps to resolve the agency problems in corporate relations but also improve organizational performance. Iqbal et al., (2019) claims that effective corporate governance mechanism not only improve performance of the system but also helps to strengthen the corporate sustainability.

While discussing the corporate governance mechanism of Pakistan, Pakistan International Airline stand out as a critical example. Pakistan International Airline is a state owned entity and largest set up of Pakistan in terms of all operating capabilities. Hanif et al., (2020) states that states

owned entities form and manage by government. Pakistan International Airline is state owned organization. Government of Pakistan claims 86% of control. President of Pakistan, Chief Executive and Board of Directors supervise operations of PIA. Where established aims of the all private and state owned organization are to earn revenue but unfortunately continuous loses in PIA for more than two decades remain a hot topic for stakeholders of corporate spheres to fix it. Lin (2012) empirically evidenced the poor performance of Pakistan International Airline. Likewise, Selase (2018) evidenced that financial and service performance of Pakistan International Airline is highly poor.

In the light of these mentioned findings, exploring the new dimension with relationship of PIA, s performance becomes essential. Where, the relationship between employee's engagement and performance is newly developed. Most of the studies context is developed states and findings of this research cannot applied in developing countries as it is. So, where insights from these studies can be useful to understand the concepts but proper contextual researches has its more significant to resolve the corporates issues of developing countries. Smith et al., (2021) state that employee's engagement improved firm performance during Covid Pandemic. Likewise, Mathushan (2022) reports that employees engagement improve firms financial performance in Sri Lankans textile industry.

However, the dynamics of state owned organizations introduce new challenges. Aharoni (1986) state that state owned organizations heavily rely on government resources to survive and flourish. Monsen (1983) finds that in state owned organizations interference of ministers and their proxies are very frequent. Zahra & Jadoon, (2016) presents that When government interfere in state owned organizations either in formal or informal way, it adversely affects strategic autonomy of system. Boohene & Asuinura (2011) declared that Human Resource Management Practices for State owned organizations are not as much effective as for private sectors.

The strategic differences between state owned organizations and private sectors entities further complicate the issue. These differences between state owned organizations and the private sectors are institutional preference, cultural difference, goals. Government of Pakistan currently operating more than 150 organizations, but performance of these organizations is becoming more and more worse due to political and managerial incompetency. Pakistan International Airline being state owned organization is one of them that has overall significant impact on Pakistan economy. But the implementation of private sector's business techniques and tools in Pakistan International Airline (PIA) never remain easy to help it come out of its continuous losses. Thus understanding the context of corporate governance, corporate issues of PIA, significance of employee engagement in private sector and the strategic differences of operating mechanism between state owned organizations and private sectors, we found research gap that extant researches of private sectors organizations are not optimal solution to implement due to their strategic operating differences as stated by Boohene & Asuinura, (2011) that private sectors HRMP cannot be easily implemented in state owned organizations. So, here questions arise to investigate that."

1. Whether employee's engagement positively associated with PIA, s performance while having a strategic structural difference between PIA and private sectors organizations.
2. whether organizational citizenship behavior mediate the relationship of employee's engagement and PIA, s performance.
3. whether job stress moderate the primary relationship of employee's engagement and PIA, s performance.

After knowing the nature of these relationships, we will be able to provide new insights that how the relationship of employee's engagement with PIA, s performance is associated. Because in private sectors it is perceived as natural positive. This study could provide novelty in the context of PIA because being more influential in airline sectors in Pakistan's but less performer that model grant new potential benefits that might be helpful to improve PIA, s performance.

### Literature

Tough competition in modern and high-tech airline sectors is a big problem for PIA where its past poor performance has already put it in corporate trouble. In this scenario, strategic stakeholders have responsibility to resolve this issue as soon as possible. Because we know that Pakistan International Airline is biggest airline of Pakistan and its role in Pakistan overall economy is highly significant.

Focus on employee's engagement and its possible association with organizational performance is a hot topic. The most probable positive association with performance is less explored areas in private sectors. But where we see that employees engagement has positive connection with organizational performance as finds by Mathushan (2022) & Smith et al., (2021) but these researches were conducted in private sectors. MacLeod & Clarke (2009) states that employee's engagement is workplace strategic mechanism that improve firm performance.

So, where results of the developed countries cannot be easily implemented in developing countries. Research findings of private sectors also cannot be generalized for state owned organizations. So, no evidence witnessed about the probable association in airline sectors because strategic difference between state owned organizations and private sectors makes it difficult to adapt same concepts and techniques. So, differences in results might come across in two different contexts.

So, we can hypothesize that.

### **H1: There is Positive Association between Employee's Engagement and PIA, s Performance.**

Organizational citizenship behavior is an attitude of employee towards additional responsibilities and duties under courtesy, consciousness, altruism, sportsmanship and civic virtue (Kissi et al., 2019). Courtesy is fined tuned interpersonal relationship among employees. Consensus is an act more than organizational expectation. Altruism is a helping of employees each other on workplace. Sportsmanship is making conducive workplace. Civic virtue is the generation of dedications beyond organizational development. So, in short, organizational citizenship behavior is voluntary participation in activities that are not confined by their organizational contracts (Celiker & Guzeller, 2024). There are two contradictory points of view regarding organizational citizenship behavior and firm performance. Optimistic view point states that organizational citizenship behavior improve firm performance (Yaakobi & Weisberg, 2020). Pessimistic view point states that organizational citizenship behavior not helps to improve performance because OCB causes job stress and conflicts (Fu et al., 2022).

Sun & Yoon (2022) states that employees engagement improves organizational citizenship behavior. Likewise, Sutarya et al., (2023) states that employees engagement improve firm performance and when organization become capable to build organizational citizenship behaviors, it could help to improve firm performance.

We know that the ultimate relationship between OCB and firm performance in private sector is positive. And employee's engagement building organizational citizenship behavior that helps to directly improve performance. Furthermore, our requirement to evaluate the effect of organizational citizenship behavior in PIA, s performance is keen to understand.

So, we can hypothesize that.

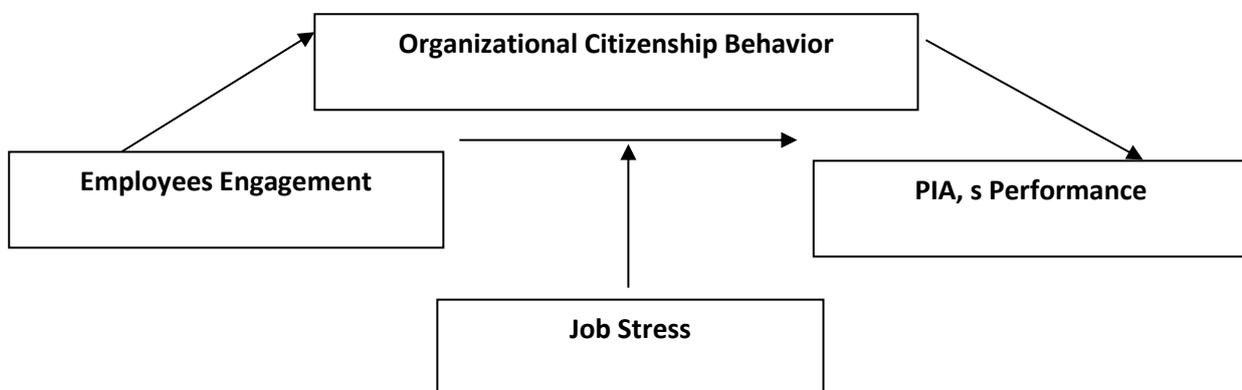
**H2: Organizational Citizenship Behavior Mediates the Relationship of Employee’s Engagement and PIA, s Performance.**

McGrath (1976) state that stress is a situation when employees need to meet defined and assigned duties over and above resources and capabilities. It is a condition that kills well-being of person. Robbins & Sanghi (2006) claims that stress is when the results are important but uncertain. Where competition in increasing day by day, service quality and performance of PIA found very poor. Varca (2009) state that work related stress decreased service quality and performance ultimately reduced.

So, we can hypothesize that.

**H3: Job Stress Negatively Moderate the Relationship of Employees Engagement and PIA, s Performance.**

**Conceptual Framework**



**Methodology**

It is a questionnaire based quantitative study. Questionnaire will be developed with the help of online google forms. Context is Pakistan International Airline. Questionnaire will be distributed to HRM dept of PIA. Employees engagement as an independent variable of conceptual framework is five point Likert Scale is measure by (Payambarpour & Hooi, 2015). Organizational performance as dependent variable of model is measure by five point Likert scale developed by (Payambarpour & Hooi, 2015). Job stress is measured by five point Likert scale of (Lait & Wallace, 2002). Organizational citizenship behavior is five point Likert scale developed by (Podsakoff et al., 1990). Point 1 for strongly disagree to point 5 for strongly agree. Data Analysis would be conducted on SPSS to test the mediation and direct path. Preacher and Hayes technique for mediation test is being expected. all relevant econometrics techniques would be applied to reach conclusion.

**Conclusion**

This study set out to examine the impact of employee engagement on the performance of Pakistan International Airlines (PIA), while considering the mediating role of Organizational Citizenship Behavior (OCB) and the moderating influence of job stress. In the context of persistent financial losses, weak service quality, and managerial challenges faced by PIA as a state-owned enterprise, identifying internal organizational drivers of performance is both timely and necessary. The findings of this research contribute to a more nuanced understanding of how human resource–related factors can influence performance outcomes in public sector organizations operating within developing economies.

The results support the proposition that employee engagement plays a significant and positive role in enhancing organizational performance. Engaged employees tend to demonstrate higher levels of commitment, dedication, and involvement in their assigned roles, which directly translates into improved service delivery, operational efficiency, and overall effectiveness. In a competitive and high-pressure industry such as aviation, where customer satisfaction and service reliability are critical, engagement emerges as a strategic asset rather than merely a human resource concept. For PIA, fostering engagement can serve as a foundational step toward restoring organizational credibility and competitiveness.

Furthermore, the study confirms the mediating role of Organizational Citizenship Behavior in the relationship between employee engagement and performance. Employees who are highly engaged are more likely to exhibit voluntary, extra-role behaviors such as helping colleagues, maintaining positive interpersonal relationships, and actively contributing to organizational improvement initiatives. These behaviors collectively strengthen teamwork, reduce workplace conflict, and enhance service quality. The mediating effect indicates that engagement does not influence performance solely through formal task execution but also through discretionary efforts that create a supportive and productive organizational climate. This insight is particularly important for state-owned enterprises, where bureaucratic structures may limit flexibility, making voluntary employee contributions even more valuable.

However, the findings also reveal that job stress negatively moderates the relationship between employee engagement and organizational performance. Although engagement can improve performance, excessive job stress weakens its positive impact. In high-stress environments characterized by resource constraints, political interference, and role ambiguity conditions often associated with state-owned organizations employees may struggle to sustain high levels of performance despite being engaged. Therefore, stress management becomes essential to fully leverage the benefits of engagement and OCB. Without addressing stressors, the organization risks diminishing returns on its engagement initiatives.

From a practical perspective, this study suggests that PIA's management should adopt comprehensive human resource strategies aimed at enhancing engagement, encouraging OCB, and reducing job stress simultaneously. Initiatives such as transparent communication, fair performance appraisal systems, employee recognition programs, leadership development, and improved work-life balance policies could significantly strengthen organizational outcomes.

In conclusion, this research contributes to the literature by providing empirical evidence from a state-owned enterprise in a developing country context, highlighting that employee engagement, supported by OCB and controlled job stress levels, can serve as a sustainable pathway to improved organizational performance. For PIA and similar public sector organizations, investing in people-centered strategies may be instrumental in reversing long-standing performance challenges and achieving long-term stability and growth.

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