

# **LINKING EMPLOYEE ENGAGEMENT AS AN ANTECEDENT TO ENHANCED ORGANISATIONAL PERFORMANCE AND ORGANISATIONAL SUCCESS**

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## **ABSTRACT**

*Employee Engagement is the latest buzz word of modern day management. Employee Engagement is referred to as an elusive force which motivates the employee towards higher levels of performance. Employee engagement is the emotional connect of an employee that can be measured by the level of commitment and involvement of the employee towards the organization and its environment.*

*The paper will focus upon employee engagement as an antecedent to business success. The aim of this study is to conduct an analysis of the individual research findings on the topic and put forward an interlink between employee engagement, job performance and organizational success. It will discuss the factors contributing to employee engagement and effective measures that can be implemented to increase engagement. Employee engagement occurs at the intersection of employee motivation, satisfaction and effectiveness. A engaged employee is critical to the performance and success of business, specifically in the globally competitive 21<sup>st</sup> century. The Human Resource Departments of organisations must stress upon understanding the engagement level of employees and introduce measures to enhance it. Several studies have proved that generally levels of involvement, loyalty and positive approach of engaged employees are much higher leading, to improved job performance and sustained growth of business.*

**Keywords:** *Business Success, Employee Engagement, Employee Efficacy*

## **I. INTRODUCTION**

An Engaged Employee is conscious about business context and willingly contributes to enhance team performance for achieving organizational objectives. Kahn (1990) defines employee engagement as an employee's willingness to fully invest them self physically, cognitively and emotionally into their work roles<sup>1</sup>. The globally competitive business environment makes it critical for every organization to concentrate upon improving employee performance to achieve best returns from people investment.

The Modern day business is characterized by: diverse and dispersed business workplace; super specialized skill base; flat and agile organization structure; virtual and flexible work space which is driven by advanced technology. In such a dynamic and volatile work structure Employee Engagement has emerged to be a significant driver for achieving business success. Employee engagement is directly related to improving employee retention and productivity. It leads to improved customer relations, share holder value and corporate

image. Hence, the Human Resource Departments must plan and strategies to foster a culture of engagement and commitment amongst employees.

## II. NEED OF THE STUDY

Research by Development Dimensions International in the area reveals that a mere 19% of employees are highly engaged<sup>2</sup>. The corporate executive board which surveyed more than 50000 employees around the world has put only 11% employee into the true believer category.<sup>3</sup> The Towers Perrin's survey of 35000 employees has reported 17% as highly engaged employees<sup>4</sup>. Several studies have classified anywhere between 40 to 70% as neutral, agnostic employees. An even more alarming revelation is 10 to 20% of employees being graded as disengaged who are not only whiling away time at work but also badmouthing the organization and its bosses. Gallup has estimated unengaged employees in UK causing cost damage to their companies to the extent of \$ 64.8 bn a year. In Japan the loss of productivity due to disengaged employees is estimated to be \$ 232 bn each year<sup>5</sup>. One of the primary reasons for such discouraging numbers is continuous downsizing which leads to erosion of commitment and loyalty amongst employees. High attrition rates and increasing employee costs has forced managements to look anew into modes for improving employee involvement, initiative and performance.

## III. METHODOLOGY

A study of several individual research findings on the topic have been conducted and an in depth analysis done to establish a link between employee engagement, job performance and organizational success. The paper discusses the role of employee engagement as a catalyst in fostering competitive advantage for business through improved employee performance. The study has attempted to assess factors that influence engagement levels of employees and suggested drivers to be implemented for improving engagement levels. It also determines the impact of high employee engagement on several performance factors resulting in organizational success.

## IV. EMPLOYEE ENGAGEMENT AN IMPERATIVE

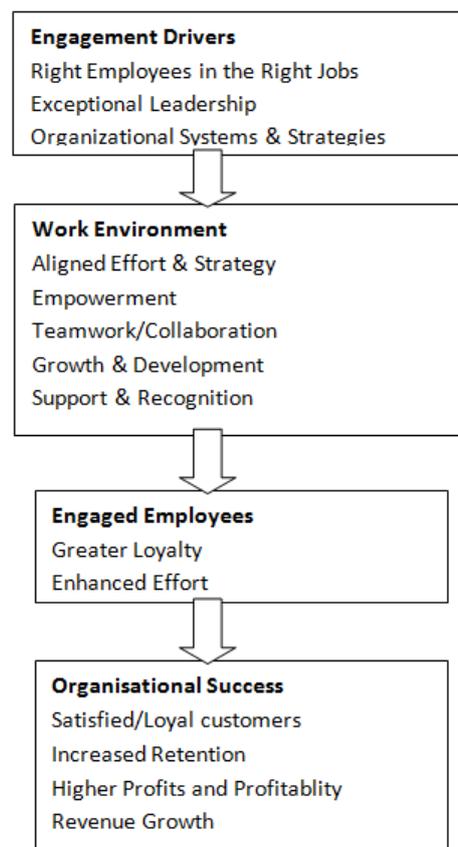
For past few decades organizations have started using innovative management initiatives to build team spirit, employee development and empowerment, all with an overall goal of increasing employee engagement. The primary reason for increased management interest in employee engagement is the change in source of market value for business, over the last few decades. The Brookings institute examined that in 1982 - 38% of market value for business was derived from intangible assets and 62% from tangible assets. In 2002 80% of market value for business comes from intangible assets comprising of quality of manpower, intellectual property and brand value<sup>6</sup>. With the war for talent at an all time high, it is important to view employee engagement as a critical factor in retaining key employees and attracting best talent.

An engaged workforce can become the strongest competitive advantage of a firm. Moreover it is impossible to be replicated by the competitor. Engagement is a head and heart matter and is often referred to as appealing to the head and heart of the individual to increase levels of involvement and passion. Engagement needs to be worked upon with patience and by creating a suitable supportive environment.

Employees who are engaged are more likely to stay with their current organisation and stay committed to their organization<sup>7</sup> With the current global economic turmoil managements are zooming into organisational

efficiency and reducing operating costs in order to remain competitive. In such a scenario high level of employee engagement helps to focus on attracting new talent in the labour market<sup>8</sup>.

Engaged employees do not simply materialize, there is a need to include dreams that can build an engagement work environment. Beginning with hiring of employees who fit their job requirements it is equally pertinent to develop leaders who can provide the required support and build strong systems and strategies. An engaged environment works on the motivation of employees to make them put in those extra efforts which creates the differentiating factors and provide a competitive edge. An organization with engaged employees will experience the benefits in improved bottom line, through better quality product, loyal customers and high growth potential.



**Figure 1: DDI's Engagement Value Proposition<sup>2</sup>**

## V. ENGAGEMENT ENABLERS

It is pertinent to understand that there cannot be a one fit all solution. Some employees may enjoy working in team whereas others prefer working independently. While some may prefer high risk high reward jobs whereas others are comfortable with a more stable job and predictable salary. Hence the managements should look into the interest and skill quotient of employees and accordingly match them with their job roles, so as to derive high levels of job engagement.

Creating a mode of establishing connection between the contribution of the employee with the achievement of goals and mission of the organization will act as a crucial enabler in improving the engagement level of an employee.

Making the employee feel recognized and appreciated for their contribution works best towards higher engagement levels however a suitable reward system in place is equally necessary.

Though engagement can be in highly abstract behavioral format yet experts have outlined certain observable behavior which can indicate engagement levels. Example; high level of excitement and energy at work, taking initiative and risk, working towards continuous improvement can be defined as some behavioral traits of high. It is believed that right feelings result in right behavior and right behavior leads to high levels of engagement and improved performance.

Based on its more than three decades of experience and research DDI has outlined certain aspects important to build high levels of engagement:

- Engagement is the primary enabler of successful execution of any business strategy
- Engagement is not a short term initiative
- Engagement must be driven from the top
- One of the best ways to have highly engaged employees is to hire them
- Engagement is all about fit
- No one impacts the state of engagement more than an employee's immediate leader
- Measuring the engagement and demonstrating its business impact is crucial, but it is only small part of winning the battle
- Engagement means reaching the heart

Based on twelve major studies conducted by research firms like Blessing White, Gallup, Towers Perrin and others, the Conference Board in its article outlined 26 key drivers to mention a few: Trust & integrity, Nature of the job; Line of sight between employee performance and company performance; career growth opportunities; pride about the company; employee development; feedback; fair reward; effective leadership<sup>3</sup>.

### VI. ENSURING ENGAGEMENT

- Engagement being a simple concept yet is difficult to execute. High levels of engaged employees can be built steadily over the years and the gains will wither off if it is not managed strategically.
- Engagement cannot just be an organizational initiative. It should become a business imperative to be worked with the support of top management. Human resource department must play a key role in driving high engagement level. Without highly engaged leaders it will be impossible to develop highly engaged employees.
- To have engaged employees, organization will have to ascertain a match between the values and skill set and the job offered and culture of the organization. Aligning the can do I.e the talent and skill of the employee with the will do i.e the motivational quotient of the employee by ensuring high fit jobs, through effective selection, placement and promotion decisions.
- Almost every empirical study reveals that highly engaged team was lead by a leader who was driven by success and empowered his team to set and achieve goals and made them feel valued for their achievement.
- A judicious investment strategy towards improving employee engagement level is very important. Though it is necessary to have a suitable measuring system of engagement level, however planning and implementing suitable engagement drivers is highly important.

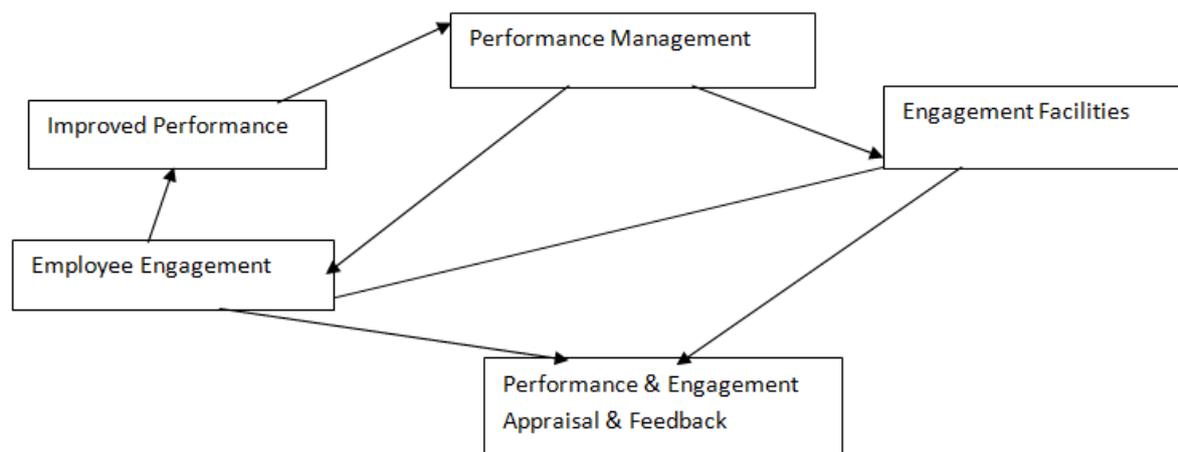
- It is widely believed that caring organizations and managements attract and retain engaged employee. Engaged employees are ready to put in the extra efforts because they feel cared and recognized.

### VII. MEASURING EMPLOYEE ENGAGEMENT

HR professionals have been striving over several years to find ways to demonstrate the worth of their functioning. Linking HR metrics to engagement levels of employee has effectively filled this void. Most executives believe there is a clear need to improve employee engagement because of its direct connection to competitive advantage of business. Yet most of them find establishing metrics and methods to effectively quantify engagement initiatives and its impact on business importance to be a challenge.

A survey conducted by Selvarasu and Subbu found that many companies find it challenging to measure engagement and tie its impact to financial results. Fewer than 50% of the companies said that they are measuring employee engagement against business performance metrics like customer satisfaction or increased market share<sup>9</sup>.

Gruman & Saks (2011) have emphasized on incorporating Employee Engagement in Performance Management system and hence presented a model focusing on the relationship between Employee Engagement and Performance<sup>7</sup>.



**Figure 2: Gruman Sak's Engagement Management Model**

### VIII. THE DATA VALIDITY

A study of the following research results clearly validates the positive relationship between Employee Engagement and the performance of the employee and the organization:

An engagement database compiled by DDI covering 200 organisations and thousands of employees has analysed as under:

- Employees with higher level of engagement reflect higher job satisfaction, are less likely to leave the job and more capable of achieving performance goals. One of the fortune 100 manufacturing company, employee turnover averaged 14.5% and absentism around 8% amongst low engagement teams whereas for high engagement team turnover was 4.1% and absenteesm 4.8%. For the low engagement team quality errors were measured as 5658 and only 52 per million manufactured parts for high engaged team. The sales

goal achieved by high engaged employee were averaged as 99% whereas it was 91% for disengaged employees.

According to Michael Tracy<sup>10</sup> employee engagement score was 21% higher in double digit companies as compared to single digit business growth companies. Further her study also reveals that companies with 60 to 70% engaged employees had total shareholder return of 24.2% whereas companies with 49 to 60% employees had total shareholder returns of only 9.1% and companies with below 25% engagement suffered negative total shareholder return.

Towers Perrin<sup>5</sup> also proved in his studies that employee engagement has a positive relationship with lower cost of goods, reduced turnover, increased sales and high customer satisfaction.

It is also revealed by certain studies that companies with highly engaged employees have at least 1% higher revenue growth compared to the competitors in their sectors.

The company executive board<sup>3</sup> which surveyed 59 organizations and 50000 employees analyzed that as compared to highly engaged employees, the employees with lower engagement had 4 times higher tendencies to leave the job. Moreover companies with high engagement were benefitted with a 21% in performance.

The largest study on engagement done by Gallup organization<sup>4</sup> has made a landmark observation that companies with employee engagement above the median had 70% more likelihood of success.

A study conducted by ISR covering 41 cos. And 10 geographical markets has reported operating margin for high engagement companies as 3.75% and net profit margin as 2.06% compared to low engaged companies with an operating margin of 2.1% and a negative net profit margin of 1.38%.

Melcrum<sup>11</sup> a UK based research organization conducted 40 in depth case histories covering 1000 HR personnel. The study had concluded a 50% improvement in customer loyalty and satisfaction due engagement initiative and one third cases reported improvement in productivity.

Two conceptual models The Service Profit Chain to Work<sup>12</sup> and The Balanced Scorecard<sup>13</sup>, effectively demonstrate the importance of people oriented strategy on company performance.

Great deal of evidence has linked importance of employee engagement to performance including the ability to adapt to new technologies at workplace, ability to generate new ideas and grow to managerial levels, to cope with changes in career plans, to acquire new skills, to perform better as team<sup>14</sup>.

Several studies have established a positive relationship between employee engagement and organizational performance factors like employee retention, productivity, customer satisfaction and loyalty and business profitability<sup>14</sup>.

### IX. CONCLUSION

Thus it is observed from the above studies that a definitive relationship exists between employee engagement to improved job performance and organizational success. Various studies have concluded that employee engagement expects employee outcomes, financial performance and organizational success<sup>9</sup>. These studies point out existence of positive traits among engaged employees which lead to achieving of personal aspirations which are aligned to organizational goals. It can also be observed that the research have outlined various determinants of organizational success, to be much higher amongst organizations with higher engagements as compared to those with lower employee engagement.

Hence we can conclude that engaged employees drive higher levels of organizational performance by enabling improved individual, team performance and effective execution of business strategies. The organization and its employees share a symbiotic relationship, where both depend on each other to gratify their needs and goals. Hence, employee engagement should not be a onetime activity but a continuous process<sup>14</sup>. To achieve high levels of initiative, commitment and efficiency organizations need to extend required job resources which will lead to affective, emotional and cognitive bonding of the employee with their work and result in enhanced employee engagement and performance.

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