FACTORS AFFECTING EMPLOYEE ENGAGEMENT: A REVIEW OF LITERATURE

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ABSTRACT

The paper will strive to examine key drivers of Employee Engagement revealed from previous researchers. The objective of research paper is to explore which impact Employee Engagement. Methods/Statistical Analysis: For this study, review of literature has been used of around forty academic and popular journals in the area of Employee Engagement. Various researchers have propagated factors of Employee Engagement. The review process intends to strengthen existing literature. Findings: In this research paper, various organizational factors have been discussed of Employee Engagements Suggestions presented in this paper include different employee engagement practices adopted in various organizations. The findings of this study will be useful to any organization, irrespective of the type of business, to initiate Employee Engagement. The research paper will throw light on the positive outcomes of Employee Engagement in the organizations.

Keywords: Engagement, Factors, organizational outcomes

INTRODUCTION

Employee engagement is a workplace approach resulting in the right conditions for all members of an organization to give of their best each day, committed to their organization’s goals and values, motivated to contribute to organizational success, with an enhanced sense of their own well-being. Employee engagement is about having a clear understanding of how an organization is fulfilling its purpose and objectives, how it is changing to fulfill those better, and being given a voice in its journey to offer ideas and express views that are taken account of as decisions are made.

Employee engagement is about being included fully as a member of the team, focused on clear goals, trusted and empowered, receiving regular and constructive feedback, supported in developing new skills, thanked and recognized for achievement.

Attracting, retaining and utilizing talent has become a major challenge for the organizations due to technology advancement, complexity in running business successfully and scarcity of people with exceptional skills. In the changed business scenario, the organizations can become world class through people as creators of assets. Employee engagement is significant for managing people in organizations because engaged employees deliver high quality/committed service. The present study is an attempt to assess the drivers for employee engagement and the practices which the organizations should adopt to engage their employees.
Robinson et al. (2004) define employee engagement as a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organizations develop and nurture engagement, which requires a two-way relationship between employer and employee."

CATEGORIES OF EMPLOYEE ENGAGEMENT

Employees can be broadly classified into three categories:

**Engaged**: Engaged employees are enthusiastic about their jobs, loyal, motivated, committed and productive. They have a strong emotional allegiance to their workplace and are driven to succeed.

**Not engaged**: The employees who are Not engaged employees do not have any psychological connection with the organization. They work hard and contribute but are less driven to succeed than their engaged counterparts and are more likely to engage in absentee behaviour and/or leave the company.

**Actively disengaged**: Actively disengaged employees are emotionally and cognitively divorced from their work, they have in a sense “checked out” although they are physically there. They are disgruntled, unhappy to be there and their negativity is palpable, infectious and disruptive for the organization.

Employee engagement is directly associated with the organizational outcomes. After studying various research papers following outcomes have been extracted of employee engagement.

REVIEW OF LITERATURE

**EMPLOYEE ENGAGEMENT AND ORGANIZATIONAL OUTCOMES**:

Meere (2005) concluded in a study which was based on the personal survey conducted by ISR on 360000 employees from 41 companies in the world’s 10 economically strong countries finds that both operating margin and net profit margins reduced over a three year period in companies with low engagement, while these measures increased over the specified period in companies with high levels of engagement.

Development Dimensions International (DDI, 2005) revealed five things for the managers to do for creation of highly engaged workforce. These are:

- Align efforts with strategy
- Empower
- Promote and encourage teamwork and collaboration
- Help people grow and develop
- Provide support and recognition where appropriate

McBassi & Co.(2006) revealed that high scorers in five categories of human capital management (leadership practices, employee engagement, knowledge accountability, workforce organization, and learning capacity) posted higher stock market returns and better safety recorded common business goals and leadership.

IBM and the Human Capital Institute highlights. (2008) study showed that 56 percent of financial performers understand and address employee engagement. This is just one piece of a large body of evidence that illustrates how the cultures built within our organizations are crucial to attract and retain key talent.

The University of Wisconsin conducted research that, taken together with Right Management’s 2008-2009 global benchmarking study, revealed significant relationships between engagement and key organizational metrics. This study used the Right Management engagement methodology and research data, studying 3,200 employees from 343 companies, and examined factors such as the relationship...
between engagement and key organizational indices. According to the survey following results were revealed:

1. There is a strong relationship between the level of employee engagement and organizational performance.
2. Engaged employees reported much higher levels of perceived customer satisfaction.
3. Engaged employees are 7 times less likely to leave in the next year and 1.5 times more likely to stay for at least 5 years.
4. There is a very strong link between productivity and engagement.

**Gallup in 2006** examined 23,910 business units and compared top quartile and bottom quartile financial performance with engagement scores. They found that:

- The employees with engagement scores in the bottom quartile calculated 31–51 per cent more employee turnover, fifty one per cent more inventory shrinkage and 62 per cent more accidents.
- The employees with engagement scores in the top quartile averaged 12 per cent higher customer advocacy, 18 per cent higher productivity and 12 per cent higher profitability.

Harter et al in the Harvard Business Review revealed that customer and employee engagement supplement each other at the local level, creating an opportunity for accelerated improvement and growth of overall financial performance. They made an analysis of the performance of 1,979 business units in ten companies and the research revealed that those units that scored above the median on both employee and customer engagement were on average 3.4 times more effective financially (in terms of total sales and revenue performance to target and year over year gain in sales and revenue) than the total units in the bottom half of both measures.

**Tower Perrins-ISR** revealed in a study by global survey in 2006 which included data gathered from opinion surveys of over 664,000 employees from over 50 companies around the world, representing a range of industries and sizes. The research survey compared the financial performance of organizations with a highly-engaged workforce to their peers with a less-engaged workforce, over a 12 month period. And they revealed that the results indicated a significant difference in bottom-line results in companies with highly-engaged employees when compared with companies with low levels of employee engagement.

Those companies which have highly engaged workforce improved **operating income** by 19.2 per cent over a period of 12 months, whilst those companies with low engagement scores saw operating income decline by 32.7 per cent over the same period.

Over a year, those companies with high engagement scores demonstrated a 13.7 per cent improvement in **net income growth** whilst those with low engagement saw net income growth decline by 3.8 per cent.

**Standard Chartered Bank** (2007) concluded that organizations which have a statistically significant increase in levels of employee engagement (0.2 or more on a scale of five) had a 16 per cent higher profit margin growth than branches with decreased levels of employee engagement.

**Harter et al. (2009) and Buckingham (1999)** demonstrated that employee engagement and business outcomes share a directly proportional relationship. However, these results were based on a meta-analysis of data from several organizations and associated business units rather than business units of a single engineering services firm over consecutive time periods. Harter et al. conducted a meta-analysis encompassing 199 research studies across 152 organizations in 44 industries and 26 countries. The researchers with the help of statistical tools and techniques calculated the available data on business/work unit level relationship between employee engagement and performance outcomes within in each study. The studies included 32,394 business or work units and 955,905 employees (Harter et al. 2009). Their findings calculated significant differences between business units ranking in...
the top and bottom 25% on engagement. The researchers concluded an 18% drop in productivity between the top and bottom performers. Additionally, there was a 60% drop in quality (measured by defects in products). In a similar study of 100 companies, it was found that there was a dramatic 1,000 percent increase in errors among disengaged versus engaged employee populations (Gonring, 2008).

Dharmendra Mehta and Naveen K. Mehta revealed in an article Employee engagement at work feel motivated and they contribute more in terms of organizational productivity and support in maintaining a higher commitment level leading to the higher customer satisfaction. Employees Engagement saturates across the boundary of employee and customer, where revenue, corporate goodwill, brand image are also at stake.

Winkler et al (2012), in their analysis of multi wave employee’s attitude survey data and area-level performance in a retail bank, find that employee engagement predicted subsequent business unit performance in three year time frame and that business unit performance predicted engagement only over a single year.

Since studies have proved various positive organizational outcomes of employee engagement so in recent years organizations are striving hard to increase the level of employee engagement in the organization. Various factors drive employee engagement personal or organization. The following paragraph will describe the factors which drive employee engagement.

**FACTORS AFFECTING EMPLOYEE ENGAGEMENT**

1. **Leadership**: Burns (1978) explained the term transformational leadership as a process that occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. The dimensions of transformational leadership idealized impact confidence and trust; inspirational motivation, which deals with motivating the entire organization; intellectual stimulation, which involves arousing and changing followers’ awareness of problems and their capacity to solve those problems; and individualized consideration, which involves responding to the specific, unique needs of followers to ensure they are included in the transformation process of the organization. These dimensions motivate leaders to behave as strong role models fostering followers’ transformation into more successful and productive individuals (Hay, 1995).

2. **Job characteristics**: Hackman and Oldham’s (1980) five-facet measure of job design, both May et al. (2004) and Saks (2006) concluded a positive relationship between the presence of the five job characteristics and engagement. However, in both studies, the job characteristics were combined into a single measure of job enrichment. There are significant theoretical and practical implications of doing so because the results do not provide information on how individual job characteristics can be altered to generate engagement. One of the challenges in job redesign involves choosing which job design feature to alter to achieve the (re)design goal (Morgeson & Humphrey 2006). Analyzing each of the five job characteristics, rather than a composite score of them (i.e. motivating potential score), enables the development of specific, actionable recommendations for organizations. This analysis reveals the relative strength of each job characteristic on the dependent measures (Hackman and Oldham 1974).

3. **Reward and Recognition**: The perceptions that employees perceive of the rewards and benefits they would receive from a work-role acts as a stimulator of the level of engagement the employee displays (Kahn, 1990). Additionally, employees perceive a sense of return on investment, from the extrinsic rewards and recognition coupled with meaningful work. Researchers claim that it can be expected from the employees to perform in such a manner in their work-roles and to that extent which can provide them with greater rewards and recognition. For want of appropriate and just rewards and recognition, employees may experience burnout or exhaustion (Maslach et al., 2001) In terms of Social Exchange Theory (SET), the employees feel obliged to return with
higher levels of engagement when their organizations looks to reward and recognise the employees justly.

4. **Organizational support**: Kahn (1992) envisages that a condition of psychological safety is experienced by the employees, when an individual employee is free from any kind of negative consequence and can show and employ his/her self without negativity. This safety can be experienced by the employees when there is a perception among them that the superiors and the organization cares for them and provides them with requisite support.

5. **Organizational justice**: Ghosh, Piyali & Rai, Alka & Sinha, Apsha. (2014). Organizational justice and employee engagement: Exploring the linkage in public sector banks in India. Revealed that distributive, procedural and interactional are inter-related with each other. Further, distributive and interactional justice take precedence over procedural justice in determining job engagement, while distributive justice plays the most important role in determining OE, followed by procedural and interactional justice. Organizational justice has an important role in promoting employee engagement in corporate sector particularly in banking. Leaders in banking sector may enhance the level of employee engagement by employing organizational systems which strengthen justice in and around organizational practices.

6. **Empowerment**: According to strategic human resource perspective, Huselid, M.A., S.E. Jackson and R.S. Schuler, 1997 revealed in the study that high performance work practices including empowerment and training influence organizational an employee performance. The same result is consistent with the study of Jose Geetha and the study revealed that Psychological Empowerment leads to Employee Engagement. Employee motivation is enhanced through training and empowerment. This motivation leads to better organizational performance through higher engaged behavior of employees

**CONCLUSION**

After extensive literature of review It has been concluded that there is positive relationship between employee engagement and positive organizational outcomes or employee engagement effect positively on organizational outcomes. Organizations need to instill a sense of involvement, positive emotions about their work and a sense of community in their employees. Emphasis should be given employee opinions and opportunities should be provided to them to be heard. Based on the above findings from the research it was suggested that organizations use appropriate training programmes to ensure supervisors build a supportive environment to empower their subordinates

**REFERENCES**


