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The Impact of Employee Engagement in Improving Organizational Performance

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Abstract:

Employee engagement is a workplace approach designed to ensure that employees are committed to their organization's goals and values, motivated to contribute to organizational success, and are able at the same time to enhance their own sense of well-being. There is a firm correlation between employee engagement and high organizational productivity and performance, across all sectors of the economy. As well as performance and productivity, employee engagement impacts positively on levels of absenteeism, on retention, on levels of innovation, on customer service, on positive outcomes in public services and on staff advocacy of their organizations. An engaged employee experiences a blend of job satisfaction, organizational commitment, job involvement and feelings of empowerment.

Keywords: *Employee engagement, employee productivity, job involvement, employee commitment*

1. Introduction

No wonder that increasing employee engagement is seen as a major priority by today's managers. Businesses are determined to increase their performance. Managers are under pressure with many challenges to succeed putting their company ahead of competitors. All areas of the economy are experiencing financial strain, including the public sector where the workforces have to negotiate a considerable amount of change. Given that employee engagement is an idea that helps develop strong positive attitudes among people towards their work and their organization, and this plays a major role in ensuring that they give their best even when times are tough, surely we need to improve it now more than ever. The distinctive feature of employee engagement as an idea is that it pulls all of these positive job and work attitudes together under one umbrella. Advocates argue that research clearly shows when employee engagement is high, organizations do better. It is also clear that engagement impacts more on performance than the other way around. A study in a leading retail bank found that employee engagement levels predicted subsequent business level performance over a three year horizon while business unit performance predicted engagement only over a single year.

This article confines itself to discuss only the basic concepts about employee engagement based on recent literatures. It contains four major parts. Firstly, it explores the history and meaning of employee engagement, Secondly, it identifies the drivers of engagement, Thirdly, the focus is on the relationship between employee engagement and organizational performance, and Finally this paper suggests some recommendations for engaging employees successfully.

2. Meaning of Employee Engagement and its Contributors

2.1. Meaning of Employee Engagement

Employee engagement is a workplace approach designed to ensure that employees are committed to their organization's goals and values, motivated to contribute to organizational success, and are able at the same time to enhance their own sense of well-being. There is no single definition of employee engagement. It's a concept that outwardly has a very simple meaning, but we know underneath that there are multiple layers, multiple shades that add to its complexity.

William Kahn provided the first formal definition of employee engagement as "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances." Kahn (1990). 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 organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee." Schaufeli et al. (2002, p. 74) define engagement "as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption." According to Sharlyn Lauby employee engagement lies at intersection of maximum contribution for the business and maximum satisfaction for employees. It's a sustainable level of high performance that benefits both the company and the employee.

Employee engagement is the emotional commitment the employee has to the organization and its goals. This emotional commitment means engaged employees actually care about their work and their company. They don't work just for a paycheck, or just for the next promotion, but work on behalf of the organization's goals. When employees care—when they are *engaged*—they use discretionary effort. Engaged employees lead to better business outcomes. In fact, according to Towers Perrin research companies with engaged workers have 6% higher net profit margins, and according to Kenexa research engaged companies have five times higher shareholder returns over five years.

2.2. What Contributes to Employee Engagement?

The first use of the term employee engagement occurred in a 1990 Academy of Management Journal by William A. Kahn. Kahn's article on the "Psychological conditions of personal engagement and disengagement at work" examined the conditions at work which contribute to engagement and disengagement. He discovered that the individual and contextual sources of meaningfulness, safety, and availability had a significant impact on engagement.

During the mid-1990's Gallup started to refine and extend their Q12. The Q12 is a twelve question copyrighted survey asking such questions as, do you know what is expected of you at work? And, do you have a best friend at work? Gallup has asked these questions millions of times and created a significant data base and spawned the industry of employee engagement. Gallup's questions were simple and the implications of a more engaged workforce were compelling.

In 2006, The Society for Human Resource Management (SHRM) commissioned a publication on employee engagement and commitment as an extension of the Effective Practice Guidelines Series. Two years after the SHRM study, The American Society for Training and Development (ASTD) commissioned a study in association with Dale Carnegie Training to look at employee engagement (Czarnowsky, 2008). This study focused on the role of learning in the employee engagement construct, marking the first major research publication by ASTD on employee engagement and the first look into the construct from a training perspective.

At the end of 2012, the Engage for Success group released a report nailing the business case evidence on employee engagement with the business benefits of performance, safety, profits, retention, wellbeing, etc.

3. Drivers of Employee Engagement

Research shows that committed employees perform better. If we accept that engagement, as many believe, is 'one step up' from commitment, it is clearly in the organization's interests to understand the drivers of engagement. Analyzing and understanding the drivers of engagement can help identify where and how engagement initiatives should be targeted. Here are some options to consider: According to Gallup, engagement is based on a) the clarity of expectations for employees and the provision of basic materials and equipment needed to perform their jobs, b) a feeling of contribution to the organization, c) a sense of belonging to something beyond the self, and d) a feeling that they have opportunities to discuss career progress and grow.

One review of the engagement literature suggests that engagement is influenced by a) feedback to employees, b) job design and employees' fit with their organization, c) the support and resources provided by the organization and supervisors, d) working conditions that minimize demanding and difficult situations, e) the corporate culture, and f) leadership style.

Another empirical review of the literature suggests that organizations should design jobs that convey to employees the value and meaning of their work and provide opportunities for employees to use a variety of skills and accomplish a variety of work tasks. Other aspects of the job—such as feedback, autonomy and leadership—may not be as important to engagement. However, the strongest driver of all is a sense of feeling valued and involved. This has several key components:

- involvement in decision making
- the extent to which employees feel able to voice their ideas, and managers listen to these views, and value employees' contributions
- the opportunities employees have to develop their jobs
- the extent to which the organization is concerned for employees' health and wellbeing.

4. Understanding the Impact of Employee Engagement on Organizational Performance

Why should organizations care about their workforce engagement level? The primary goal of a business is to make money; even nonprofit organizations exist to fund their specific causes. This means that organizations need to get employees at all levels focused on driving revenue. Many studies have linked employee engagement to workforce performance, customer satisfaction, productivity, absenteeism, turnover, and support of the organization—all of which can significantly impact on the bottom line.

A 2011 Corporate Leadership Council (CLC) Human Resources Insight explores how organizations can create and leverage a sustainable employee engagement strategy. The study reveals that 70 percent of business leaders surveyed believe employee engagement is critical to achieving business objectives. However, despite widespread belief in the importance of employee engagement and significant investments by HR, only 20 percent of these business leaders feel their engagement initiatives are driving business outcomes. This may be because most organizations approach employee engagement as a static rather than a dynamic problem, measuring engagement as a point-in-time level. Such static views do not account for past experience and future expectations that may influence an employee's engagement. These findings suggest the need for organizations to develop new measurement approaches and more effective engagement strategies in order to affect long-term business improvements. But is the investment worth it? Some recent findings suggest that it is. A 2011 Corporate Leadership Council study revealed that performance against revenue expectations is 23 percent greater for

companies with high engagement capital compared to those with low engagement capital. In addition, a recent Gallup study found that lost productivity of actively disengaged employees costs the U.S. economy \$370 billion annually (Gallup, Employee Engagement Survey, 2010). Seizing the opportunity to capture these kinds of significant performance gains — or avoid staggering productivity losses — through effective employee engagement strategies simply makes sound business sense.

5. Employee Engagement Strategies

Understanding the key drivers of engagement is a great start. The next step is to put actionable strategies in place to optimize these drivers for employees across the organization. The following recommendations can help HR leaders focus their budget and resources on initiatives aimed at fostering mutually beneficial manager/employee relationships, creating opportunities for leveraging employee skills and abilities, and encouraging autonomy and independence in order to effect maximum organizational change.

5.1. *Providing Career Development Opportunities*

In order to continually challenge employees and provide ongoing career development opportunities, organizations need to transform performance management from a static, once-a-year event into a dynamic ongoing process. HR leaders need to implement a framework in which employees and managers work together in setting weighted goals, competencies, and development activities that meet individual needs and drive corporate objectives. To ensure follow-through and optimize engagement, employees and managers should meet periodically throughout the year- not just at the annual performance review-to discuss progress against development activities. Even if budget constraints limit rewards like bonuses and salary increases, managers can still motivate employees by presenting them with opportunities that expand their expertise, exercise their leadership skills, and expose them to other areas of the business.

5.2. *Communicating the Engagement Strategy*

Organizations often fail to adequately communicate their engagement strategy in ways that go beyond just informing employees and leadership of engagement survey results. Possibly the most valuable piece of your engagement strategy is a detailed plan on how the organization will communicate it to employees, leadership and other stakeholders. The plan should cover the following elements:

- The importance of engagement to the organization, framed in terms of tangible outcomes such as profit, turnover or other relevant outcomes.
- What will be measured (i.e., engagement and relevant organizational outcomes), and how it will be measured (e.g., through surveys, existing employer data).
- Detailed results of the engagement survey.
- What specific actions the organization will take to address the results of the engagement survey, the intended goals of these actions and the parties involved.

5.3. *Identifying Action Areas*

Trying to address every possible action item identified by an engagement survey will stretch resources thin and is likely to overwhelm employees and managers, creating a turbulent organizational environment. A better approach is to use the results of the engagement survey to strategically determine where to focus resources for maximum impact.

In other words, an engagement strategy should include a plan to identify the drivers of employee engagement- that is, the aspects of the work environment that are most critical in determining employees' level of engagement.

There are numerous ways to identify drivers of engagement, including sophisticated statistical modeling of engagement data, holding focus groups to ask employees what is most important or including survey items to this effect on engagement surveys.

5.4. *Identifying Measurable Outcomes*

An engaged workforce produces tangible outcomes-such as reduced turnover or increased profitability. These are the ultimate goals of an engagement strategy and the metrics against which it is evaluated. To identify relevant outcomes, include input from senior leadership and other stakeholders, and consider how these outcomes align with organizational goals, mission, strategy and values. The relevance of various outcomes may vary across organizations-for example, whereas a manufacturing organization may want to focus on increased productivity, a service organization might focus on customer satisfaction.

5.5. *Creating an Action Plan*

An action plan specifies an organization's engagement related goals. In particular, it identifies SMART engagement goals for the organization—that is, goals that are specific, measurable, attainable, relevant, and time-bound, and those are aligned with the strategic initiatives of the organization and complement, inform and enhance organizational strategy. Engagement-related goals are directly and explicitly linked to drivers of engagement, and information is provided about how and when to measure goal progress and about the specific resources needed to pursue each goal. Perhaps most importantly, action plans integrate and specify the role of supervisors. The support of management is essential to an engagement strategy, and a large body of research has consistently demonstrated the significance of employees' direct supervisors to the formation of work attitudes such as engagement. As a result, the greatest improvement in engagement is likely to come when management is actively involved in disseminating results and determining engagement goals.

5.6. *Get Feedback from Managers in the Moment*

It is also imperative that managers check in with employees throughout the year to discuss progress toward goals, balancing acknowledgement of accomplishments with constructive coaching to help them be successful. In other words, managers and employees need to discuss engagement on a regular basis as part of an open, honest relationship built on trust. This approach helps to ensure that employees stay productive and engaged while managers can successfully keep their teams focused on strategic priorities for bottom-line impact.

5.7. *Connect Engagement to Business Results*

Communication of how engagement influences tangible organizational outcomes helps build and sustain the business case for an engagement strategy. Additionally, employers should communicate to employees that engagement efforts are sincerely geared toward improving the quality of the organizational environment.

5.8. *Gain Leadership Support*

Engagement efforts need support from leadership, and integration of engagement goals into organizational policies and decisions should be encouraged with the ultimate goal of making employee engagement a core organizational value.

6. Conclusion

Business leaders have long recognized that attracting and retaining top talent is critical for organizational success. Over the past two decades, organizations have increasingly focused on employee engagement as a way to maximize the capabilities and talent of their human capital. High levels of engagement are related to important business outcomes, including customer satisfaction, employee productivity, company profit, employee turnover and occurrence of safety incidents.

To increase engagement, the first step is to create a broad engagement strategy, of which the engagement survey is just one part. Designing and implementing an effective and sustained engagement strategy requires input and buy-in from employees, leadership and other stakeholders, but it is well worth the effort. To ensure success, tie your engagement strategy to relevant organizational outcomes and demonstrate how engagement positively affects business metrics. By creating a culture of engagement, you can help produce tangible, bottom-line results for your organization.

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