

# Employee Engagement in Organizations

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## Abstract

Organizations seek to maximise the productivity and profitability of their staff! Individuals seek satisfaction from their work! If both can be achieved concurrently, there is a true Win-Win! The impact of an engaged workforce over an unengaged one is dramatic. Engaged in a work contract –but what does it mean for staff to be engaged at work? Most people understand engagement as an attitude or behaviours that imply being busy with, involved in, attracted by, committed to, retained and held fast in our work or organisation. It encompasses many well researched, traditional organisational psychology concepts such as job satisfaction, organisational commitment and intention to stay with an organisation, as well as emerging concepts in the field such as proactivity, adaptivity and flow. Employee engagement, also called worker engagement, is a business management concept. An "engaged employee" is one who is fully involved in, and enthusiastic about their work, and thus will act in a way that furthers their organization's interests. According to Scarlett Surveys, "Employee Engagement is a measurable degree of an employee's positive or negative emotional attachment to their job, colleagues and organization that profoundly influences their willingness to learn and perform is at work". Thus engagement is distinctively different from employee satisfaction, motivation and organizational culture.

**Keywords:** Employee Engagement, organizational commitment.

## INTRODUCTION

Employee engagement refers to a condition where the employees are fully engrossed in their work and are emotionally attached to their organization. One can't achieve anything unless and until one is serious about it. An employee must be dedicated towards his work and should take it as a challenge. Work should never get monotonous as it would then be a burden for the individual. Problems arise when individuals have nothing creative to do and sit idle the whole day. They start interfering in each other's work and tend to become negative for the organization. They start finding reasons to fight with their fellow workers and crib about almost everything.

The employees must be assigned challenging assignments as per their interests and expectations so that they devote their maximum time to work rather than loitering and gossiping around. The team leaders or the managers must ensure to review their team member's performance on a weekly basis to find out whether they are enjoying their work or not? An employee must not treat his organization as a mere source of earning money only. An organization is a place where employees go to upgrade their skills and learn something new every day. One must respect and love his job to expect the same. Never talk ill of your organization in front of anyone.

## Effective ways to enhance Employee Engagement

- The team leader should understand his members well. Do not assign anything which the employee would not find interesting.
- Effective communication enhances employee engagement. Make sure there is transparency in communication at all levels and everyone is aware of what is happening around him.
- The management must constantly motivate his employees. Cash prizes, trophies, gift vouchers, certificates are an effective way to motivate the employees and keep them engaged in their work. Give them a target and ask them to achieve that within a particular time frame to earn handsome incentives or lucrative prizes. This way, the employees would not waste their time and spend their maximum time working and aiming for the rewards.
- The team leader or the manager must be in constant dialogue with his team members. He should know what his team members are up to. Performance monitoring is important. The team members should be answerable to their immediate bosses.
- Be friendly with your team. Don't ask them to stay back late unnecessarily. They are likely to commit more mistakes and eventually lose interest in work. Let them go back home on time and enjoy their personal lives as well. Rejuvenation is essential for an individual to remain happy and stress free. More than a strict boss, be a mentor to them and stand by them always.
- Encourage your team members to think out of the box. Ask them do their work in a little different way than they normally do. The employees must put on their thinking caps at workplace and accomplish the task in the most innovative way.

Such activities help the employees to develop a sense of trust and loyalty towards the management and stick to the organization for a longer period of time. They consider the organization's goals as their goals and thus try to achieve them at any cost. The employees learn to take ownership of their work and do every possible thing which satisfies them as well as the organization. Employee engagement was described in the academic literature by Schmidt et al. (1993). A modernized version of job satisfaction, Schmidt et al.'s influential definition of engagement was "an employee's involvement with, commitment to, and satisfaction with work. Employee engagement is a part of employee retention." This integrates the classic constructs of job satisfaction (Smith et al., 1969), and organizational commitment (Meyer & Allen, 1991). Harter and Schmidt's (2003) most recent meta-analysis can be useful for understanding the impact of engagement. The opposite of employee engagement is a zombie employee. A zombie employee is a disengaged employee that will stumble around the office, lower morale and cost the company money. .

Linkage research (e.g., Treacy) received significant attention in the business community because of correlations between employee engagement and desirable business outcomes such as retention of talent, customer service, individual performance, team performance, business unit productivity, and even enterprise-level financial performance (e.g., Rucci et al, 1998 using data from Sears). Some of this work has been published in a diversity context (e.g., McKay, Avery, Morris et al., 2007). Directions of causality were discussed by Schneider and colleagues in 2003.

Employee engagement is derived from studies of morale or a group's willingness to accomplish organizational objectives which began in the 1920s. The value of morale to organizations was matured by US Army researchers during WWII to predict unity of effort and attitudinal battle-readiness before combat. In the postwar mass production society that required unity of effort in execution, (group) morale scores were used as predictors of speed, quality and militancy. With the advent of the knowledge worker and emphasis on individual talent management (stars), a term was needed to describe an individual's emotional attachment to the organization, fellow associates and the job. Thus the birth of the term "employee engagement" which is an individual emotional phenomenon whereas morale is a group emotional phenomenon of similar characteristics. In other words, employee engagement is the raw material of morale composed of 15 intrinsic and extrinsic attitudinal drivers.(e.g. Scarlett Surveys 2001).

More recently employee engagement has become an area of focus within organizations for the purpose of retention as a means of avoiding expensive employee replacement costs resulting from staff who voluntarily quit their jobs.

### **Research studies**

Engaged employees care about the future of the company and are willing to invest discretionary effort. Engaged employees feel a strong emotional bond to the organisation that employs them (Robinson), which results in higher retention levels and productivity levels and lower absenteeism. When reliably measured, positive employee engagement can be causally related or correlated to specific positive business outcomes by workgroup and job type. Many Surveys refers to these statistical relationships as engageonomics.

### **Emotional attachment**

Only 31% of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organization forward. 88% of highly engaged employees believe they can positively impact quality of their organization's products, compared with only 38% of the disengaged. 72% of highly engaged employees believe they can positively affect customer service, versus 27% of the disengaged. 68% of highly engaged employees believe they can positively impact costs in their job or unit, compared with just 19% of the disengaged. Engaged employees feel a strong emotional bond to the organization that employs them. This is associated with people demonstrating a willingness to recommend the organization to others and commit time and effort to help the organization succeed. It suggests that people are motivated by intrinsic factors (e.g. personal growth, working to a common purpose, being part of a larger process) rather than simply focusing on extrinsic factors (e.g., pay/reward).

### **Involvement**

Eileen Appelbaum and her colleagues (2000) studied 15 steel mills, 17 apparel manufacturers, and 10 electronic instrument and imaging equipment producers. Their purpose was to compare traditional production systems with flexible high-performance production systems involving teams, training, and incentive pay systems. In all three industries, the plants utilizing high-involvement practices showed superior performance. In addition, workers in the high-involvement plants showed more positive attitudes, including trust, organizational commitment and intrinsic enjoyment of the work. The concept has gained popularity as various studies have demonstrated links with productivity. It is often linked to the notion of employee voice and empowerment.

### **Commitment**

It has been routinely found that employee engagement scores account for as much as half of the variance in customer satisfaction scores. This translates into millions of dollars for companies if they can improve their scores. Studies have statistically demonstrated that engaged employees are more productive, more profitable, more customer-focused, safer, and less likely to leave their employer.

Employees with the highest level of commitment perform 20% better and are 87% less likely to leave the organization, which indicates that engagement is linked to organizational performance. For example, at the beverage company of Molson Coors, it was found that engaged employees were five times less likely than non-engaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. In fact, the average cost of a safety incident for an engaged employee was \$63, compared with an average of \$392 for a non-engaged employee. Consequently, through strengthening employee engagement, the company saved \$1,721,760 in safety costs in 2002. In addition, savings were found in sales performance teams through engagement. In 2005, for example, low-engagement teams were seen falling behind engaged teams, with a difference in performance-related costs of low- versus high-engagement teams totaling \$2,104,823.3 (Lockwood).

### **Life insurance industry**

Two studies of employees in the life insurance industry examined the impact of employee perceptions that they had the power to make decisions, sufficient knowledge and information to do the job effectively, and rewards for high performance. Both studies included large samples of employees (3,570 employees in 49 organizations and 4,828 employees in 92 organizations). In both studies, high-involvement management practices were positively associated with employee morale, employee retention, and firm financial performance. Watson Wyatt found that high-commitment organizations (one with loyal and dedicated employees) out-performed those with low commitment by 47% in the 2000 study and by 200% in the 2002 study.

### **Productivity**

In a study of professional service firms, the Hay Group found that offices with engaged employees were up to 43% more productive.

The most striking finding is the almost 52% gaps in operating incomes between companies with highly engaged employees and companies whose employees have low-engagement scores. High-engagement companies improved 19.2% while low-engagement companies declined 32.7% in operating income during the study period. For example, New Century Financial Corporation, a U.S. specialty mortgage banking company, found that account executives in the wholesale division who were actively disengaged produced 28% less revenue than their colleagues who were engaged. Furthermore, those not engaged generated 23% less revenue than their engaged counterparts. Engaged employees also outperformed the not engaged and actively disengaged employees in other divisions....

### **Employee Engagement and Economic Conditions**

Employees worldwide were as engaged in their work at the beginning of 2012 as they were at the beginning of 2008. In general, employees became more engaged near the peak of the economic crisis in 2009, but a backwards look shows that a downslide in GDP growth was already underway. Comparing the same years, in general we see an odd trend that as GDP goes down, engagement goes up. Likewise, as unemployment rates go up (an economic indicator highly correlated with changes in GDP), we also see engagement go up. This seems puzzling on the surface, as one might guess that engagement would fall under scenarios of economic stress and worries of job security.

Looking at potential lagged effect between these economic indicators and engagement sheds some light on the relationship between economic indicators and engagement—in particular as it relates to the downward spike in economic data in 2009 and slight recovery in 2010. From 2008 to 2009—when annual GDP growth trended negative globally and also in many regions individually—the change in engagement trended negative in the subsequent year in all global regions except for Latin America. Likewise, when GDP grew from 2009 to 2010, engagement had a positive increase a year later from 2010 to 2011 in many regions across the globe.

Our analysis indicates engagement patterns closely align with unemployment trends. Here we also see a lagged relationship, where increases in unemployment rates are followed by decreases in employee engagement in the subsequent year. We should note that we may not see the reverse of this condition—meaning a sharp decrease in unemployment may not show an increase in employee engagement.

Explaining same-year relationships between the economy and employee engagement is difficult. While a tight economy can have negative impacts on employees in many ways, it appears that employees may be temporarily more engaged and committed to their employers. Could it be that employees are thankful to have a job and are truly more committed? More than likely, as these data illustrate engagement lags economic

conditions—unemployment increases generally follow decreases in GDP, and downward engagement trends tend to follow both of those economic indicators. Further, the temporary engagement increase in 2009 was not only lagging more favorable economic conditions from 2007 to 2008, but the engagement bubble popped in 2010, a year after the fall in economic indicators in 2009. Finally, most employees, and even economists, were not certain of the presence or severity of the recession until subsequent quarters or years, so the lagged engagement effect seems more likely than a concurrent relationship.

Economic disruptions come and go—and the estimated lag time duration of the effects varies. The way organizations react to economic cycles often predicts how well they succeed or survive. During turbulent times and uncertain forecasts, many organizations have been less focused on how to manage their talent and engage their employees. It may be tempting to think engagement is just a function of the economy, but there are many things within the control of management that can improve and sustain engagement in times of economic health as well as crisis—and engagement is repeatedly seen as a leading indicator of business performance. Smart leaders realize that while they may need to find short-term solutions, they must also identify longer-term talent management strategies to remain viable. During recovery periods, engagement becomes even more crucial, as organizations ask fewer people to do more—creating increased risk that top-performing employees may leave as conditions improve. The first step to engaging top performers is understanding engagement itself.

### **Drivers of engagement**

While it is possible to measure engagement itself through employee surveys, this does not assist in identifying areas for improvement within organizations. There are a range of factors, known as drivers, that are thought to increase overall engagement. By managing the drivers, an organisation can effectively manage engagement levels of its employees. Drivers such as communication, performance clarity and feedback, organisational culture, rewards and recognition, relationships with managers and peers, career development opportunities and knowledge of the organisation's goals and vision are some of the factors that facilitate employee engagement. Some points from the research are presented below:

- \* **Employee perceptions of job importance** - "...an employee's attitude toward the job's importance and the company had the greatest impact on loyalty and customer service than all other employee factors combined."
- \* **Employee clarity of job expectations** - "If expectations are not clear and basic materials and equipment are not provided, negative emotions such as boredom or resentment may result, and the employee may then become focused on surviving more than thinking about how he can help the organization succeed."
- \* **Career advancement/improvement opportunities** - "Plant supervisors and managers indicated that many plant improvements were being made outside the suggestion system, where employees initiated changes in order to reap the bonuses generated by the subsequent cost savings."
- \* **Regular feedback and dialogue with superiors** - "Feedback is the key to giving employees a sense of where they're going, but many organizations are remarkably bad at giving it..." "What I really wanted to hear was 'Thanks. You did a good job.' But all my boss did was hand me a check."
- \* **Quality of working relationships with peers, superiors, and subordinates** - "...if employees' relationship with their managers is fractured, then no amount of perks will persuade the employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss."
- \* **Perceptions of the ethos and values of the organization** - "'Inspiration and values' is the most important of the six drivers in our Engaged Performance model. Inspirational leadership is the ultimate perk. In its absence, [it] is unlikely to engage employees."
- \* **Effective Internal Employee Communications** - which convey a clear description of "what's going on". "If you accept that employees want to be involved in what they are doing then this trend is clear (from small businesses to large global organizations). The effect of poor internal communications is seen as its most destructive in global organizations which suffer from employee annexation - where the head office in one country is buoyant (since they are closest to the action, know what is going on, and are heavily engaged) but its annexes (who are furthest away from the action and know little about what is happening) are dis-engaged. In the worst case, employee annexation can be very destructive when the head office attributes the annex's low engagement to its poor performance... when its poor performance is really due to its poor communications."
- \* **Reward to engage** - Look at employee benefits and acknowledge the role of incentives. "An incentive to reward good work is a tried and test way of boosting staff morale and enhancing engagement." There are a range of tactics you can employ to ensure your incentive scheme hits the mark with your workforce such as: Setting realistic targets, selecting the right rewards for your incentive program, communicating the scheme effectively and frequently, have lots of winners and reward all achievers, encouraging sustained effort, present awards publicly and evaluate the incentive scheme regularly.

### **Key Ingredients of employee engagement**

**Nature of work**-Is the nature of the work, mentally stimulating day-to-day?

**Support**-Does the employee feel supported by his line manager and colleagues?

**Recognition**-Does the employee feel that his efforts are recognized and valued?

**Advocacy**-Is the employee willing to recommend their company to family and friends?

**Loyalty**-Does the employee want to stay with the company and develop their career?

**Values**-Does the employee feel that managers and colleagues “walk the talk” in terms of the company’s values?

### Initiatives

Some of the initiatives commonly undertaken by HR departments towards employee engagement are:

- **On-boarding:** When an employee joins the organisation s/he needs to be exposed to the organizations policies and culture. There may be some fresh out of campuses that need to know the basics of communication skills and job related skills. During the induction program itself, they can be given an exposure about these aspects, skills sets and the expectations. The on-boarding event experience itself leaves a mark on the minds of the new recruits about the company’s desire to enhance their skills.
- **Learning and development events:** When business practices and processes are changing. In this environment, there is an acute necessity for enhancing the skill levels of employees already discharging various functions.

### Engagement levels

Organizations that believe in increasing employee engagement levels concentrate on the following levels:

- **Culture:** It consists of a foundation of leadership, vision, values, effective communication, a strategic plan and HR policies that are focused on the employee. Commitment - It is the foundation of engagement. Employees with high level of organisational commitment are willing to exert considerable effort for the organisation and make discretionary contributions.
- **Cooperation:** It encompasses positive relationship among employees within a group. It is the inherent willingness of individuals working in a team to pull in the same direction and achieve organisational goals.
- **Taking responsibility:** Taking initiative and responsibility to become a part of the solutions is an important ingredient of engagement. For an employee to display loyalty towards his organisation, the first thing he needs to do is to take responsibility. “Taking responsibility” refer to feeling empowered. Employees who feel empowered have a sense of belonging and excitement about their jobs, they feel engaged at an emotional level and are willing to give their best all the time.

### Advantages of engaged employees

- They will perform better and are more motivated
- There is a significant link between employee engagement and profitability
- Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success.
- Creates a sense of loyalty in a competitive environment.
- Provides a high energy working environment.
- Engaged employees serve as a brand ambassador of the organisation.

### Conclusion

Engaged employees deliver better performance, which is critical for business success. They understand their role in the business strategy, have a strong connection and commitment to the company, are more involved, and strive to go above and beyond in their jobs. The bottom line is that employee engagement matters—now more than ever. And the solutions for maintaining or improving engagement are increasingly complex for companies operating in an environment of instability and varied economic conditions. Striving to maintain a higher level of employee engagement not only contributes toward short-term survival during economic volatility, but is also a key factor for longer-term business performance and better positioning when market conditions become favorable. The companies that get engagement “right” will enjoy a source of competitive advantage in talent strategy and business results that is hard for others to replicate.

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