

Employee Engagement and Its Impact on Organizational Performance

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Abstract:

Employee engagement is a vast construct that touches almost all parts of human resource management facets we know hitherto. If every part of human resources is not addressed in appropriate manner, employees fail to fully engage themselves in their job in the response to such kind of mismanagement. The construct employee engagement is built on the foundation of earlier concepts like job satisfaction, employee commitment and Organizational citizenship behaviour. Though it is related to and encompasses these concepts, employee engagement is broader in scope. Employee engagement is stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee compared to the three earlier constructs: job satisfaction, employee commitment and organizational citizenship behaviour. The organization must work to develop engagement of employees which encourages and motivates them to develop positive attitudes and behaviours which in turn will enable them to increase their performance to meet the objectives of an organization.

Keywords: Job Involvement, Employee Engagement, Competitive Advantage, Job satisfaction

1.INTRODUCTION:

Managers widely agree that the current century demands greater efficiency and productivity than ever before. To stay competitive, businesses are continuously striving to enhance performance. However, managers face numerous challenges in positioning their companies ahead of rivals. To support them, scholars, researchers, and consultants have introduced various approaches aimed at improving managerial effectiveness. Among these, concepts such as Total Quality Management (TQM) and Business Process Reengineering (BPR) gained significant recognition in the latter half of the twentieth century. These approaches proved valuable in boosting organizational performance by emphasizing operational and process improvements. They continue to serve as important tools for managers in planning, executing, and controlling desired changes in operational quality. Performance management is a critical aspect of organizational effectiveness (Cardy, 2004). Because it is the key process through which work is accomplished, it is considered the “Achilles Heel” of managing human capital (Pulakos, 2009) and should therefore be a top priority of managers (Lawler, 2008). However, less than a third of employees believe that their company's performance management process assists them in improving their performance, and performance management regularly ranks among the lowest topics in employee satisfaction surveys (Pulakos, 2009).

In the process of engaging employees, management needs to take a proper assessment of attitude, behaviour and outcomes and address their concerns attentively. More of their capability and potential can be nurtured through a two way communication process to motivate them towards their work. The organizations need to execute specific engagement plans and create an inclusive environment to inculcate higher confidence level and enthusiasm to learn and innovate for successful job roles. The various parameters of assessing engagement can be: level of job satisfaction, commitment, involvement, emotional attachment and feelings of empowerment.

2.Objectives and Importance of the Study:

The objective of this study is to explore the benefits of employee engagement in terms of both personal and professional development, and to examine how it creates a win-win situation for organizations by driving better performance. Since

human resources are the most critical differentiating factor for any organization, this study holds significance in fostering synergy within the internal and external environments of organizations.

3. Employee Engagement – Meaning, Definitions, Scope and Nature:

Employee engagement is a matter of concern for leaders and managers in organisations across the globe, as it is recognized as a vital element in determining the extent of organizational effectiveness, innovation and competitiveness. The term employee engagement is rooted in academic research, though it was considered largely as practical consultancy issue till 1990s. Though, since then, the concept is attracting greater attention from scholars in disciplines such as business and management, psychology and organizational behavior (Xu and Thomas, 2011), it is equally to that there is a paucity of critical academic literature on the subject (Kular et al, 2008) It is a difficult and an extensive exercise to define engagement and outline its scope. Each study on employee engagement explores it under a different context. As a result, there is absence of a universal and unanimous definition and measurement of employee engagement. In addition to this, employee engagement has been associated with other well researcher and established constructs such as ‘organisational commitment’, ‘Organisational Citizenship Behaviour’, ‘Job Involvement’, ‘Flow’, etc. Thus, in order understand the construct of employee engagement with greater clarity, we have to rely on several studies on the subject. This paper presents several definitions of employee engagement in chronological order. Thus, it helps in understanding the evolution of the concept. An earlier piece of engagement literature by Goffman (1961) puts forth that the concept of engagement is rooted in role theory. He defined engagement as the “spontaneous involvement in the role” and a “visible investment of attention and muscular effort” (as cited in Wildermuth and Pauken, 2008). Katz and Kahn (1966) stressed on the general need for employees to engage with their work and organisations. Though their work doesn’t use the term ‘employee engagement’ directly, it acknowledges the need for engagement and its association with organizational effectiveness. Csikszentmihalyi (1982) expressed employee engagement as a flow concept, wherein flow is a holistic sensation which employees experience when they are totally involved in their work. W.A. Kahn, who is considered as an academic parent of the employee engagement movement, developed the concept of ‘personal engagement’. In his work, he defines personal work engagement as the “harnessing of organisation members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively and emotionally, during role performances”. To explain the phenomenon, Kahn associated three conditions, viz. psychological safety, psychological meaningfulness and psychological availability, which lead to employee engagement. Employees experience psychological safety in the presence of other members when they relate themselves to their role performances and they are provided with sufficient personal resources to dedicate themselves to such performances. Their work is sufficiently meaningful to them. As employees feel psychologically safe and their work is meaningful to them, they are psychologically available. Thus, the condition of psychological availability refers to a situation, wherein employees and draw on their whole selves in an integrated and focused manner to enhance their role performances. Thus, Kahn’s definition of employee engagement suggests that employee engagement is a multi-faceted construct. Kahn claims that the more of ourselves we give to a role, the more exciting and comfortable is our performance. Goffman and Kahn both observe that individuals do not assign themselves equally to each role. Schaufeli et al (2002) define engagement as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption.” May et al (2004) tested the Kahn’s model and their findings supported that the psychological conditions of meaningfulness, safety and availability are positively linked to engagement. Robinson et al (2004) define engagement as one step ahead of commitment. They define employee engagement as a positive attitude of employees towards their organisation and its values, wherein employees have awareness of business context and work to improve job and organizational effectiveness. More importantly, this study stresses the two-way nature of employee engagement. Another prominent definition of engagement emerged from the contribution of Schaufeli and Bakker (2004). They coined the term ‘job engagement’ and further, defined it as “a positive, fulfilling, work-related state of mind that is characterized by vigour, dedication and absorption”. Thus, engagement is characterized by vigour, dedication and absorption. Hewitt Associates (2004), developed an 18-item scale to measure employee engagement. It defines engagement as “the state in which individuals are emotionally and intellectually committed to the organisation or group, as measured by three primary behaviours: Say (Employees speak positively about the organisation to others inside and out), Stay (Employees display an intense desire to be a member of the organisation) and Strive (Employees exert extra effort and engage in behaviours

that contribute to business success).” Engaged employees exhibit these three behaviours, namely Say, Stay and Strive. Saks (2006) extended the concept of employee engagement to include two important aspects, job engagement and organisation engagement. It is widely believed that his work restored employee engagement as a serious construct. Fleming and Asplund (2007) of Gallup, in their book, titled ‘Human Sigma: Managing Employee-Customer Encounter’ define employee engagement as “the ability to capture the heads, hearts, and souls of your employees to instill an intrinsic desire and passion for excellence.” They further point out that engaged employees want their organization to succeed because they feel connected emotionally, socially, and even spiritually to its mission, vision, and purpose. CIPD (2006) published a report, titled, ‘How Engaged Are British Employees’, which presents findings of a survey on employee attitudes and engagement, which covered a sample of 2000 employees across United Kingdom. This research was conducted for the CIPD by Kingston Business School and Ipsos MORI. This report defines employee engagement as “passion for work”, which involves feeling positive about your job, as well as being prepared to go the extra mile to make sure you do your job to the best of your ability”. The study identifies three dimensions of employee engagement: emotional engagement – being very involved emotionally with one’s work; cognitive engagement – focusing very hard while at work; and physical engagement – being willing to ‘go the extra mile’ for your employer.

4. Drivers of Employee Engagement:

Many researches have tried to identify factors leading to employee engagement and developed models to draw implications for managers. Their diagnosis aims to determine the drivers that will increase employee engagement level. According to Penna research report (2007) meaning at work has the potential to be valuable way of bringing employers and employees closer together to the benefit of both where employees experience a sense of community, the space to be themselves and the opportunity to make a contribution, they find meaning. Employees want to work in the organizations in which they find meaning at work. Penna (2007) researchers have also come up with a new model they called “Hierarchy of engagement” which resembles Maslow’s need hierarchy model. In the bottom line there are basic needs of pay and benefits. Once an employee satisfied these needs, then the employee looks to development opportunities, the possibility for promotion and then leadership style will be introduced to the mix in the model. Finally, when all the above cited lower level aspirations have been satisfied the employee looks to an alignment of value-meaning, which is displayed by a true sense of connection, a common purpose and a shared sense of meaning at work. The BlessingWhite (2006) study has found that almost two third’s (60%) of the surveyed employees want more opportunities to grow forward to remain satisfied in their jobs. Strong manager-employee relationship is a crucial ingredient in the employee engagement and retention formula. Development Dimensions International (DDI, 2005) states that a manager must do five things to create a highly engaged workforce. They are: Align efforts with strategy Empower Promote and encourage teamwork and collaboration Help people grow and develop Provide support and recognition where appropriate The Towers Perrin Talent Report (2003) identifies the top ten work place attributes which will result in employee engagement. The top three among the ten drivers listed by Perrin are: Senior managements interest in employees well-being, Challenging work and Decision making authority. After surveying 10,000 NHS employees in Great Britain, Institute of Employment Studies (Robinson et al., 2004) points out that the key driver of employee engagement is a sense of feeling valued and involved, which has the components such as involvement in decision making, the extent to which employees feel able to voice their ideas, the opportunities employees have to develop their jobs and the extent to which the organization is concerned for employees’ health and well-being. CIPD (2006) on the basis of its survey of 2000 employees from across Great Britain indicates that communication is the top priority to lead employees to engagement. The report singles out having the opportunity to feed their views and opinions upwards as the most important driver of people’s engagement. The report also identifies the importance of being kept informed about what is going on in the organization.

Most drivers that are found to lead to employee engagement are non-financial in their nature. Therefore, any organization who has committed leadership can achieve the desired level of engagement with less cost of doing it. This does not mean that managers should ignore the financial aspect of their employees. In fact, performance should be linked with reward. Nevertheless, this is simply to repeat the old saying of Human Relations Movement which goes “as social being, human resource is not motivated by money alone.” As Buckingham and Coffman (2005) said, pay and benefits are equally important to every employee, good or bad. A company’s pay should at least be comparable to the market average. However, bringing pay and benefits package up to market levels, which is a sensible first step, will not take a company very far- they are like tickets to the ballpark, -they can get the company into the game, but can’t help it win.

5. Employee Engagement and Organizational Performance

Why should companies invest in employee engagement? The answer is because employee engagement is interwoven significantly with important business outcomes. In this part we will see how employee engagement impacts organizational performance in the light of various research works done. Studies have found positive relationship between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty and safety. Researches also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. Employee engagement is found to be higher in double-digit growth companies. Research also indicates that engagement is positively related to customer satisfaction (Coffman, 2000; Ellis and Sorensen, 2007; Towers Perrin Talent Report, 2003; Hewitt Associates, 2004; Heintzman and Marson, 2005; Coffman and Gonzalez-Molina, 2002). Engaged employee consistently demonstrates three general behaviours which improve organizational performance: Say-the employee advocates for the organization to co-workers, and refers potential employees and customers Stay-the employee has an intense desire to be a member of the organization despite opportunities to work elsewhere Strive-the employee exerts extra time, effort and initiative to contribute to the success of the business (Baumruk and Gorman, 2006) What will happen to an organization if its employees are disengaged? Employees who are not engaged are likely to be spinning (wasting their effort and talent on tasks that may not matter much), settling (certainly do not show full commitment, not dissatisfied enough to make a break) and splitting (they are not sticking around for things to change in their organization), have far more misgivings about their organization in terms of performance measures such as customer satisfaction (BlessingWhite, 2006; Perrin Report, 2003). Meere (2005) based on the 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. Financial News, March 2001, as cited by Accord Management Systems (2004), reveals that disengaged employees are more likely to cost their organization. According to the report, Employees who are disengaged:

Miss an average of 3.5 more days per year

Are less productive

Cost the US economy \$292 to \$355 billion per year

6. Employee Engagement Strategies:

So far, we have discussed the evolution and definition of employee engagement, the factors influencing it, and its importance in driving business performance. At this stage, an inquisitive reader may ask: *So what?* The following employee engagement strategies provide the answer. For organizations to build an engaged workforce, managers need to focus on ten key practices. These can be thought of as “tablets” to cure employee disengagement.

1. Start on Day One:

Most organizations have well-structured recruitment strategies but often lack effective retention strategies. Recruitment and orientation are the first building blocks. A new employee should receive both a general orientation (covering the company's mission, vision, values, policies, and procedures) and a job-specific orientation (covering duties, responsibilities, departmental goals, and priorities). This helps develop realistic job expectations and reduces future role conflict. After hiring, managers must ensure a good role–talent fit and make consistent efforts to retain talent.

2. Begin at the Top:

Employee engagement requires visible leadership commitment. Unless top leaders believe in it, own it, and model it through action—not just words—it risks becoming another “HR initiative.” True engagement starts with leaders who live the company's values and *lead by example*.

3. Foster Two-Way Communication:

Managers should encourage open dialogue rather than one-way communication. Employees should have a voice in

issues that affect their work and lives. Clear and consistent expectations, combined with participative decision-making, build a sense of belonging and strengthen engagement.

4. Provide Opportunities for Growth:

Encourage employees to think independently by granting job autonomy. Focus on managing results rather than micromanaging processes. When employees are trusted with freedom in how they achieve goals, engagement deepens.

5. Ensure Access to Resources:

Managers must provide employees with the necessary resources—whether material, financial, or informational—so they can perform effectively.

6. Invest in Training:

Offer continuous learning opportunities to help employees enhance their skills and confidence. Well-trained employees require less supervision, display stronger self-efficacy, and show higher commitment.

7. Build a Strong Feedback System:

Organizations should implement performance management systems that hold both managers and employees accountable for engagement. Regular employee surveys help identify engagement drivers. Rather than addressing everything at once, companies should prioritize two or three critical areas and develop specific, measurable, time-bound action plans to improve them.

8. Use Incentives Wisely:

Incentives—both financial and non-financial—play a key role in fostering engagement. Employees who receive fair pay, recognition, and appreciation are more likely to put extra effort into their jobs, as supported by various management theories. To be effective, incentives must be clearly linked to performance.

9. Build a Strong Corporate Culture:

Organizations should cultivate a distinctive work culture where goals and values are aligned across all levels. A culture rooted in mutual respect and reinforced by celebrating success stories not only keeps current employees engaged but also inspires new employees to embrace this positive spirit from the beginning.

10. Prioritize Top Performers:

Research by Watson Wyatt Worldwide (2004/05) on HR practices in 50 large U.S. firms revealed that high-performing organizations actively focus on engaging their top performers. These companies understand and respond to the needs of high-achieving employees, thereby reducing their turnover and driving superior business performance.

Key Takeaway

While these insights are valuable, existing literature provides limited guidance on the challenges leaders face in improving employee engagement scores. Most studies focus on identifying drivers of engagement but rarely present clearly defined strategies for implementation. Furthermore, although the suggested approaches inevitably carry financial implications, research seldom offers a detailed analysis of the actual costs involved in enhancing engagement.

7. Conclusion:

At present, there is no universally accepted definition of employee engagement. However, a growing consensus among scholars suggests that the construct is distinct from related concepts in management, such as employee commitment, organizational citizenship behavior, and job satisfaction. Unlike these, employee engagement emphasizes a two-way exchange of effort between employees and employers, thereby extending its meaning beyond the aforementioned constructs. Research on engagement is still in its early stages, with efforts continuing to establish a clearer and more widely accepted definition.

Most studies highlight that key drivers of engagement include employees feeling valued by management, open two-way communication, genuine concern for employee well-being, and opportunities for growth and development. Interestingly, pay and benefits appear to hold less importance in influencing engagement. This trend may reflect the fact that many surveys have been conducted in economically well-off countries. In contrast, priorities might differ significantly in developing nations, such as those in Africa. Hence, there is a pressing need for more inclusive global surveys that capture perspectives across a wider range of countries.

Beyond traditional factors like salary hikes, training, and better work environments, management must regularly assess engagement and address employee grievances. Appreciation, respect, and a personal touch from leaders strongly motivate commitment. Providing opportunities and training helps employees hone skills and boost performance. Open communication, recognition, rewards, empowerment, and feedback strengthen their bond with the organization. Involving employees in decision-making further drives motivation and alignment with organizational goals. Employees are not just workers but brand ambassadors whose strength and belief create real value for the organization.

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