

AN OVERVIEW OF EMPLOYEE ENGAGEMENT ON PERFORMANCE: A LITERATURE REVIEW

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ABSTRACT

The study reveals Gallup Organization research reveals that organizations with world-class employee engagement are 18 percent more productive and 12 percent more profitable than industry competitors with bottom quartile performance! In fact, top decile companies realize 3.9 times the Earnings per Share (EPS) growth rate compared with low engagement performers within their industry. A 2006 study by the Gallup Management Journal found that engaged employees make up an average 29 percent of a company's workforce, leaving a startling 71 percent who are "not engaged" or "actively disengaged." (Cue offstage scream.). Engagement comes not from dollars but from more personal factors.

The paper conceptually reveals the various strategies adopted by firms in employee engagement. The organizations are adopting various types of strategies like talent management, open communication, employee retention practices in engaging the employees. The organization effectiveness can be achieved through employee engagement and it has been proved by various studies.

KEYWORDS: *Germination Engagement, Organization Effectiveness, Drives for Engagement, Talent Management, and Employee Retention*

INTRODUCTION

Attracting, retaining and utilizing talent has become a major challenge for the organizations due to technology advancement, complexity in running a 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. It is Employee engagement assumes significance as a way of 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.

An engaged employee puts his best effort into his work in the form of time, brainpower, and energy, above and beyond what is considered adequate. An engaged employee has a desire and commitment to always doing the best job. They grip any task with energy and enthusiasm. They bring fresh ideas, infuse their teams with their own engagement and are less likely to seek opportunities to work elsewhere. They believe in the purpose of their organization and demonstrate that belief through their actions and attitudes.

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.”

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: Not engaged employees are not totally psychologically connected to their companies. They work hard and contribute but are less driven to succeed than their engaged counterparts and are more likely to engage in absentee behavior 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.

Employees who are who are engaged in their work (Saks, 2006) and display a deep, emotional connection to their workplace (Wagner and Harter, 2006; Kahn, 1990). States (2008) suggested that field of employee’s engagement is expanding as companies pour resources into developing a more engaged workforce. Many organizations believe that employee engagement is a dominant source of competitive advantage and thus have been drawn to its reported ability to solve challenging organizational problems such as increasing workplace performance, productivity (Macey and Schneider, 2008, Macey et al. 2009)

SIGNIFICANCE/RELEVANCE OF EMPLOYEE ENGAGEMENT

According to the book “First, break all the rules”, which compiled the results from the Gallup organization’s program of research on engagement, less than 1 out of 5 employees is actively engaged in their work (Buckingham, 1999 as referenced in Attridge 2009). The same results, showing a low rate of engagement, continued to be presented in many other surveys conducted in the past decade. This represents the tendency for a crisis in productivity and the worker’s well-being (Attridge 2009). These results enforced the managers to realize the need for engaging the employees to take appropriate action in time and not to lose productivity.

The distinctive feature of employee engagement as an idea is that it pulls these positive jobs and work attitudes together under one umbrella. Advocates argue that the research clearly shows that when employee engagement is high, organizations do better.

REVIEW OF LITERATURE

Various management persons and researchers have identified various factors in employee engagements. Here are some identified drivers for employee engagement from past researchers,

The Blessing White (2006) study has found that almost two thirds’ (60%) of the surveyed employees want more opportunities to grow forward to remain satisfied in their jobs. An strong manager-employee relationship is a crucial ingredient in the employee engagement and retention formula.

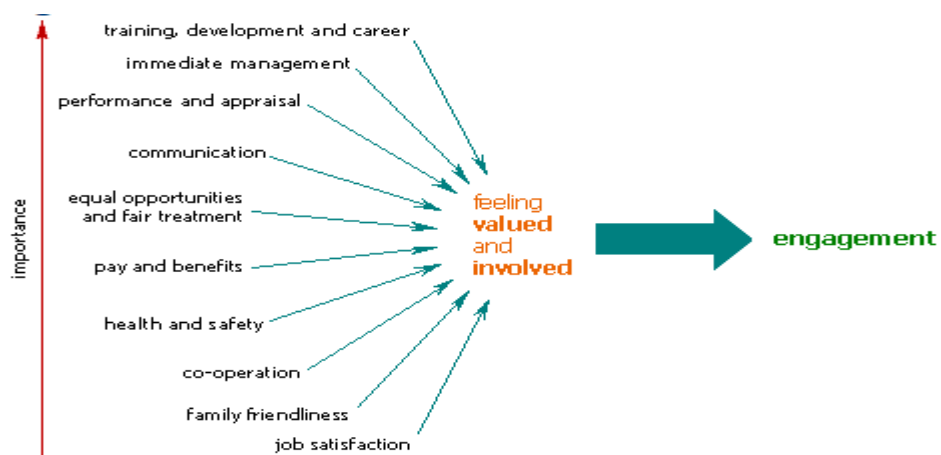
Development Dimensions International (DDI, 2005) states that a manager must do five things to create a highly engaged workforce. They are: Align efforts with strategy, Empower, Promote and encourage teamwork and collaboration and to Help people grow and develop Provide support and recognition where appropriate

The Towers Perrin Talent Report (2003) identifies the top ten workplace attributes which will result in employee engagement. The top three among the ten drivers listed by Perrin are: Senior management's interest in employees' well-being, Challenging work and Decision-making authority.

CIPD (2006) based on 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.

The oldest consulting organization in conducting engagement survey, Gallup has found that the manager is the key to an engaged workforce. James Clifton, CEO of Gallup organization indicates that employees who have close friendships at work are more engaged workers (Clifton, 2008). Vance (2006) explains the fact that employee engagement is inextricably linked with employer practices. To shed light on the ways in which employer practices affect job performance and engagement, he presents a job performance model. According to him, Employee engagement is the outcome of personal attributes such as knowledge, skills, abilities, temperament, attitudes and personality, an organizational context which includes leadership, physical setting and social setting and HR practices that directly affect the person, process and context components of job performance

Robinson et al (2004) model of the drivers of employee engagement The approach to employee engagement, discussed by Robinson et al (2004), focus on the key factor feeling valued and involved by the organizations which can be approached through a number of drivers. Robinson et al. (2004) state that this can be a better approach to organizational effectiveness.



Source: IES Survey, 2003

Figure 1: NHS Case Study

Analysis of the NHS case study data indicates that opinions about, and experiences of, many aspects of working life are strongly correlated with engagement levels. 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 must develop their jobs
- The extent to which the organization is concerned for employees' health and wellbeing.

Talent Management and Performance: Various researchers have proved that employee engagement has been the important factor in organizational effectiveness. Here are the results of some studies which prove the efficiencies of employee engagement practices,

Blessing White, 2006; Perrin Report, 2003 revealed in their study 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.

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.

Accord Management Systems (2004), revealed 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

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

- There is a strong relationship between the level of employee engagement and organizational performance.
- Engaged employees reported much higher levels of perceived customer Satisfaction.
- 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.
- There is a very strong link between productivity and engagement.

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 records—two common business goals that are top of mind for today's senior 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 attracting and retaining key talent.

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

Those with engagement scores in the bottom quartile averaged 31 – 51 percent more employee turnover, 51 percent more inventory shrinkage and 62 percent more accidents.

Those with engagement scores in the top quartile averaged 12 percent higher customer advocacy, 18 percent higher productivity and 12 percent higher profitability.

Harter et al in the Harvard Business Review found that customer and employee engagement augment 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 units in the bottom half of both measures.

Hay Group in their publication Engage Employees and Boost Performance 2001 conclude that engaged employees generate 43 percent more revenue than disengaged ones

Marks and Spencer Marks and Spencer recently completed a longitudinal study which found that long-term employee engagement trends are directly linked to long-term sales performance Using data from a study group of 137 high street stores over four years, those stores with an improving engagement trend over the four years significantly outperformed the stores where engagement scores were declining (compared to respective sales targets).

Winkler et al (2012, p. 514), in their analysis of multi-wave employee attitude survey data and area-level performance in a retail bank, find that employee engagement predicted subsequent business unit performance over a three-year horizon and that business unit performance predicted engagement only over a single year.

The Kenexa High-Performance Institute published evidence based on their research in 158 organizations from a wide range of industries illustrating that both diluted earnings per share and three-year total shareholder return were directly linked to employee engagement. Analysis of Work Trends survey data from 22,500 employees in 14 countries has also led Kenexa to conclude that organizations with high employee engagement levels outperformed those with low engagement in total shareholder return and annual net income.

Aon Hewitt research shows a strong correlation between employee engagement and financial performance, even in turbulent financial times. They analyzed their Employee Engagement Database of more than 5,700 employers, representing five million employees worldwide, and their work showed that in 2010 organizations with engagement levels

of 65% or greater posted total shareholder returns that were 22% higher than the market average. Conversely, companies with the engagement of 45% or less generated returns that were 28% lower than the same market benchmark

ENGAGEMENT AND PERFORMANCE

Various theories and models have been propounded in employee engagement.

Sirota consulting developed a model of employee engagement in the research of 40 years or research cognitive, effective, and behavioral components to engagement:

Intellectually Engaged employees are constantly improving the company with new and creative ideas and innovations while maintaining a generally positive view of both the company itself and their relationship with it.

Emotionally Engaged employees are proud, passionate and enthusiastic about the company.

Behaviourally Engaged employees are willing to go above and beyond for the company, their customers, and their team members while advocating on behalf of the company and remaining loyal.

Based on findings, described in detail in our book *The Enthusiastic Employee*, They have developed a distinctive model of Employee Engagement. Sirota's Three-Factor Model. According to their research engagement is achieved through the satisfaction of three primary engagement factors.

Achievement: To take pride in one's accomplishments by doing things that matter and doing them well, to receive recognition for one's accomplishments, and to take pride in the organization's accomplishments.

Camaraderie: Having warm, interesting, and cooperative relations with others in the workplace; achieving a sense of community, belonging, and collegiality.

Equity: Being treated justly in relation to the basic conditions of employment with respect to others in the organization as well as minimum personal/societal standards.

Sirota's Three: Factor Model of Engagement



Figure 2: Sirota's Model

Strategies for Talent Engagement: The researchers have proved that employee engagement is an important key to organizational success. But it is a challenge for the managers to engage its employee. Here are some practices have given by researchers to engage its employees.

- The organizations should have clear policies from talent acquisition to talent retention. Effective recruitment programmes should be there to hire the best employees in the war of talent. The managers should be careful in pooling out the potential talent of the new employee through effective recruitment. The recruitment and orientation programme should be general as well as specific so that the new employees can have a better understanding about the company mission, vision, values, policies and specific with their job responsibility, job expectations, goals and current priorities of the department. After hiring the employee should be provided suitable job position according to his education, skills, and education to avoid role conflict.
- Management should take initiative: Employee engagement requires an employee to be dedicated and feel passionate about the jobs. The employees are very much influenced by their leaders or superiors. The leaders should initiate their employees to be engaged in the organizations by creating leadership commitments through establishing the clear mission, vision, and values. Unless the people at the top believe in it, own it, pass it down to managers and employees, and enhance their leadership, employee engagement will never be more than just a “corporate fad” or “another HR thing”.
- Communication: Managers should promote two-way communication. The managers should understand that the employees are not machines so that they can run them from power without giving them any change to say on the issue related to their job and life. Clear and consistent communication make the employees feel that they can express what they feel. Participative decision making feels the employees a sense of belongingness with the organizations.
- Opportunities for development. The employees should be provided proper opportunities for further development. Even some organizations sponsor further studies of their employees so that the employees can develop their career. Encourage independent thinking through giving them more job autonomy so that employees will have a chance to make their own freedom of choosing their own best way of doing their job so long as they are producing the expected result.
- Effective training and development programmes: Training programmes help employees in learning the specific skill which helps them in their current job as well as for their further development. The development programmes help the employees in enhancing their decision-making skills and analytical skills so that they can be prepared for the promotions. From training programmes employees have a better understanding of their job and expectations. They really get to know what is expected of them and their confidence increases by being able to work without much supervision which in turn builds their self-efficacy and commitment.
- Strong feedback system: Companies should develop a performance management system which holds managers and employees accountable for the level of engagement they have shown. Conducting a regular survey of employee engagement level helps make out factors that make employees engaged. After finalizing the survey, it is advisable to determine all the factors that driving engagement in the organization, then narrow down the list of factors to focus on two or three areas.
- Pay and Incentives: Several management theories have indicated that when employees get more pay, recognition, and praise, they tend to exert more effort into their job. There should be a clear link between performance and

incentives given to the employees.

- Corporate culture: Companies should promote a strong work culture in which the goals and values of managers are aligned across all work sections. Companies that build a culture of value and respect by keeping success stories alive will keep their existing employees engaged.
- Focus on top-performing employees: A study conducted by Watson Wyatt Worldwide in 2004/05 on HR practices of 50 large USA firms shows that high-performing organizations are focusing on engaging their top-performing employees. According to the finding of the same research, what high-performing firms are doing is what top-performing employees are asking for and this reduces the turnover of high-performing employees and as a result leads to top business performance.

IMPLICATIONS OF EMPLOYEE ENGAGEMENT

Below are various engagement practices in organizations across India:

Tata Tele Services

The company's HR practices include a strong HR model that talks about alignment, assignment, engagement, empowerment, and pride of the workforce. Their reward and recognition (R&R) policy aim to create a framework for recognizing and rewarding the contributions of individuals and teams, and institutionalizes a culture of openness, transparency, and meritocracy."

TTSL strives to provide career growth in consonance with performance, merit, and potential of an employee while considering organizational needs. The opportunities include Career Progression Policy and CAS (Career Advancement Scheme),

To ensure a supportive and encouraging environment, TTSL has focused its efforts towards institutionalizing several initiatives like the employee health and well-being policy, Long Service Award on completion of five and 10 years of service, Medical Insurance, Liberal Personal Accident Insurance coverage etc.

TTSL engages in many activities to offer employees an opportunity to display the creative side of their personalities. TTSL encourages employees to enhance their skills and come up with innovative ideas and best practices through initiatives like Mind Beans, Propel (Six Sigma) and Promising Practices."

Employees are also actively encouraged to develop their personalities. The portal Gyaan Jyoti enables people to enhance their skills through e-learning. Employees list their fields of interest and expertise on Gyan Tarang

HCL Technologies

The company believes that training and engagement are the main impetus to engage employees. The various engagement programs of the company include the Employee First Councils which is a platform that encourages every HCL employee to pursue his/her passion and make a difference. Then there is Fundoo Friday which is synonymous with Fun @ work at HCL Technologies. An hour on Fridays of every week is celebrated with a lot of activities, events, contests, and competitions across HCL offices in India.

Recognition programmes at HCL include a platform called Make a Difference Jamboree or MAD JAM. This is essentially a platform which recognizes and showcases the contribution of those employees who have made a sizeable and positive contribution to the organization. Another is the O2 League of Extraordinary that recognizes the achievements of extraordinary individuals who have been outstanding performers and have been rated 'Outstanding' for 2 consecutive years.

Another recognition program is Xtramiles that inspires HCL employees to recognize a colleague for a job well done. The program empowers employees to recognize the efforts of one's direct reports, manager(s), colleagues and peers across HCL on a set of criteria that further motivates them. Recognition is in the form of 'miles' or points one earns, that keep adding to the miles account and provide employees an opportunity to be part of a select club of achievers.

To help employees learn and grow, HCL has tied up with two leading institutions of higher education and advanced learning of its workforce - U21 Global and Harvard Business School Publishing (HBSP). To help employees understand their passions and drivers for growth the company has also implemented a self-assessment tool called EPIC (Employee Passion Indicative Count. Companies like HCL Technologies have reaped the benefits of having a well-defined engagement program. The success is reflected in employees being involved with and enthusiastic about their work who have a positive emotional attachment to their employer and lead their organization to success.

IBM

IBM offers tailored Employee Engagement Surveys that translate employee feedback into business performance. These surveys measure what matters most to your company—improving your business. When your workforce is engaged, your employees work harder, stay longer, care more about their job and find more gratification in helping your company succeed.

IBM Employee Engagement Surveys Offer

- Four-step process featuring program design, administration, reporting, and behavior change to help your survey program run smoothly.
- A solid partnership with IBM that includes understanding your desired outcomes and providing best practices for action planning.
- Innovative design that allows you to ask the kind of questions you need to ask and focus on the key items that will help you create a more engaged and productive workforce.

APPLE

Apple, in a very real sense, pioneered the core concept of 360-degree engagement: emphasizing the connection between passionate employees and customer retention and thus business profitability. Here are four simple lessons from the Apple model that Jobs created—and examples of how some lesser-known companies are putting them into practice.

- **Build a Culture of Fandom**

Of all the fans of Apple and its products, probably none are more enthusiastic than the company's own employees. One of the chief reasons is that Apple allows employees to use many of its latest products daily. Apple

employee discounts usually fall in the 15 to 25 percent range, making it easy for staff to buy the latest, “gotta have” Apple products for friends and family. Apple frequently gives every employee gifts ranging from the iPod shuffle to the iPhone. Also, before Apple recycles a computer, it gives employees the opportunity to take it home. All of this makes every employee a brand ambassador.

- **Emphasize Employee Retention**

The Apple attitude has a lasting impact on its employees. Even after leaving the company, former employees say they still “bleed six colors,” about the original six-color Apple logo, according to Joe Moreno, a former Apple engineer.

Communication plays a big part in creating that loyalty. At Apple, employees can raise issues with upper management by posting on the Can We Talk section of the internal human resources website.

- **Create Great Customer Experiences**

Apple believes a high-quality buying experience, with knowledgeable sales staff who conveys the value of its products and services, greatly enhances its ability to attract and retain customers. Apple’s service program offers customers personal training sessions with the company’s frontline employees on all things Mac, iPhone, iPad, and iPod.

CONCLUSIONS

Engaged employees lead to increased productivity, retention, customer loyalty, and profitability.

Various studies demonstrate that communication, participative decision making, feeling valued by management, providing more opportunities to employees are the top drivers of the employee. As studies indicate, employees do not give much importance to pay and benefits. The employees are attracted by non-financial rewards such as value and respect. The literature indicate that employee engagement is closely linked with organizational performance outcomes. Companies with engaged employees have higher employee retention because of reduced turnover and high retention ratio, productivity, profitability, growth and customer satisfaction. The Managers should enhance two-way communication, ensure that employees have all the resources they need to do their job, give appropriate training to increase their knowledge and skill, establish reward mechanisms in which good job is rewarded with various financial and non-financial incentives, build a distinctive corporate culture that encourages hard work and keeps success stories alive, develop a strong performance management system which holds managers and employees

With an increase in responsibilities at home and a desire to excel in their careers, employees often get distracted from their work which needs to be taken care of. Employees are the assets of the organization and if they are not given a space whereby they can make a perfect blend of both work, fun, optimum performance from them may be difficult. Employee engagement focuses on the importance of employee communication on the success of a business. An organization should realize the importance of employees, more than any other variable, as the most powerful contributor to an organization’s competitive position. Organizations and employees share a symbiotic relation, where both are dependent on each other to satisfy their needs and goal. Therefore; employee engagement should not be a one-time exercise, but a continuous process of learning, improvement, and action.

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