

# Importance of Employee Engagement: A literature Review

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**Abstract-** Organizations are trying one or another formula and investing to create a culture of harmony, wellbeing and a productive environment. 'Employee Engagement' is the recent concept in the same direction given by Kahn in 1990. Different studies have proved that employee engagement is directly proportionate to organizational performance. Since there is change in the attitude of the present generation regarding their job therefore it is time to redesign our men management policies and practices and include those attributes in organizational environment which can enhance our employees' and organizational performance. It is a generally believed that there is a connection between employee engagement and business results; a meta-analysis conducted by Harter *et al* (2002:272) confirms this connection. Seeing the importune of this construct it is required to evaluate, analyze and implement the HR strategies to enhance and maintain the engagement level of employees.

**Keywords-** Employee Engagement, organizational performance, employees' performance, strategies.

## I. INTRODUCTION

Different business strategies, HR policies and practices are made to survive and compete in the business world but research evidence has shown that there can be no magic one formula or set of 'off the shelf' prescriptions that can be applied in securing employee commitment towards the organization goals. Still organizations are trying one or another formula and investing to create a culture of harmony, wellbeing and a productive environment. 'Employee Engagement' is the recent concept in the same direction given by Kahn in 1990. Thus, it is not surprising that organizations of all sizes and types have invested substantially in policies and practices that foster engagement and commitment in their workforces. Indeed, in identifying the three best measures of a company's health, Jack Welch, a business consultant and former General Electric CEO, recently cited employee engagement first, with customer satisfaction and free cash flow coming in second and third, respectively (Welch, J., & Welch, S. (2006, May 8). The importance of employee engagement in the current business scenario attains significance and it has been labeled as the "hottest topics in management" in recent times (Welbourne 2007). Previous researches show that the prime factor for the health of an organization is the engagement of employees. The employees who are engaged in their work and committed to their organizations give companies crucial competitive advantages including higher productivity and lower employee turnover.

## II. EMPLOYEES' ENGAGEMENT AND ORGANISATIONAL PERFORMANCE

Though the concept of employees engagement of recent origin yet it has been proved that it is positively correlated with the organizational performance. According to Watson Wyatt ([www.watsonwyatt.com](http://www.watsonwyatt.com)), research companies with clear strategic directions are the most successful at engaging their employees. Engaged employees are not only highly committed but understand how they can make a positive contribution. i.e.

Strategic direction = engaged employees = competitive advantage

Robert J. Vance gives tow examples of the companies in his research article that benefited from enhancing engagement and commitment. i.e.

### A. Reaping Business Results at Caterpillar:

Construction-equipment maker Caterpillar has garnered impressive results from its employee engagement and commitment initiatives, including:

- \$8.8 million annual savings from decreased attrition, absenteeism and overtime (European plant).
- A 70% increase in output in less than four months (Asia Pacific plant).
- A decrease in the break-even point by almost 50% in units/day, and a decrease in grievances by 80% (unionized plant).
- A \$2 million increase in profit and a 34% increase in highly satisfied customers (start-up plant).

### B. Engagement Pays Off at Molson Coors Brewing Company:

Beverage giant Molson Coors, engaged employees were five times less likely than nonengaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. Moreover, the average cost of a safety incident for engaged employees was \$63, compared with an average of \$392 for nonengaged employees. By strengthening employee engagement, the company saved \$1,721,760 in safety costs during 2002. Engagement also improved sales performance at Molson Coors: Low-engagement teams fell far behind engaged teams in 2005 sales volumes. In addition, the difference in performance-related costs of low- vs. high-engagement teams totaled \$2,104,823.

### III. CHANGING ATTITUDE TOWARDS WORK

Employee attitudes represent an important barometer of performance related behaviors. Employee attitude can affect levels of morale, commitment to the organization, levels of absenteeism and nature and scope of discretionary behavior which influence the level and quality of performance. In a survey of present Indian workforce (Generation Y), it is found that for them the 'Ideal Work Environment is'-1. Work-life balance, not such routine work, 2. Linked more directly to customers, more leisure, more informal areas, 3. More sharing with colleagues, more fun, 4. Motivation, other than monetary, i.e. holidays, team building events, 5. Change, 6. Computer is the foundation of work process, 7. Growth in terms of business & personal development. (Study of Gen-Y in India in October 2009 by Steelcase Workspace Futures) T. Shankar and J. Bhatnagar puts that Work-life Balance (WLB) has been an issue of for the last few decades. The current context of globalization and the changing nature of work have the impetus for this topic. The current work scenario is marked by the fast pace of change, intense pressure, constant deadlines, changing demographics, increased use of technology and the co-existing virtual workplace. Juxtaposed with this, the increase in average income and rise in living standards his te individuals striving for better work atmosphere, improved family and personal life. Today it time when employees want it all (T Shankar and J Bhatnagar, 2010) As per Izabel Robinson, although attitudes to the work can be attributed partly to psychological differences between individuals, they are likewise shaped by the organizational context within which work is performed and the management practice. Attitudes to work are thus influenced by the degree to which an organization regards its employees as an asset to be invested in, as a resource to be developed, or as a commodity to be exploited (Izabela Robinson, 2007). Thus it is time to redesign our men management policies and practices and include those attributes in organizational environment which can enhance our human and organizational performance.

### IV. DECLINE IN EMPLOYEES' ENGAGEMENT

Over the past decade, and particularly in the past four years, employers and employees have faced human capital challenges in the uncertain economy. The economic downturn that started in 2008 has had a big impact on companies and decisions made by management. These decisions have impacted employee engagement levels globally. Secondly the organizational environment and policies only on papers are responsible for the decline of employees' engagement. In his book 'The Idea of Justice', Prof Amartya Sen refers to the two Indian philosophical concepts of Niti and Nyaya. Niti relates to the policies, principles and institutions of justice while the Nyaya

refers to the actual delivery of justice. Prevention of injustice is very different from pursuit of perfect justice. They are two sides of the same coin, but their value perception is different. So far as the Indian legislative framework is concerned, laws pertaining to worker relations have for long needed to be updated. Labor reforms have been widely discussed, but the subject remains on the pending agenda. (R Gopalakrishnan) As per 'Watson Wyatt's Work Asia Survey Report for 2008-09', Indian employees continue to be among the most engaged workers across Asia-Pacific, but the downturn has taken its toll with employee involvement dwindling at the workplace. This report further explains that the employee engagement score, measured in terms of engagement, commitment and line of sight has declined 3 per cent in India compared to the last year. In a recent survey, 'Trends in Global Employee Engagement' conducted by 'Aon Hewitt' ([www.aonhewitt.com](http://www.aonhewitt.com)), it is found that "The overall global average employee engagement score is 56% in 2010, down from 60% in 2009." As per another report, 'A 2011/2012 Kenexa High Performance Institute Work trends Report' - In 2011, declines for each individual EEI (Employee Engagement Index) item, as well as the collective EEI score, were seen across the six major economies that account for almost 50 percent of the world's gross domestic product: Brazil, China, Germany, India, the United Kingdom and the United States. Between 2007 and 2009, EEI scores actually increased before flattening out in 2010 and then declining in 2011. Hewitt's research shows that about half of these organizations improved their engagement levels in a one-or-two year period, while only 15 percent had experienced a decline. However, the past two years have been more challenging: the percent of organizations with declining engagement has been steadily growing. This trend is particularly notable in 2010. Hewitt's research shows that 46 percent of organizations experienced a decline in engagement levels in the quarter ending June 2010, while just 30 percent saw an improvement.

### V. EMPLOYEE ENGAGEMENT; A PRIORITY FOR LEADERSHIP

As per previous discussions it is clear that engagement of employees is necessary for employees and business. Now there is big question that who is responsible to take care of employees; government, society, coworkers or the superiors. With the link between psychological wellbeing and organizational outcomes becoming increasingly clear, there is a need to understand more about how leaders affect the psychological wellbeing of those who report to them- both individually and as a group. Central to this is the need to explore more directly how line managers and other leadership roles can achieve the right balance between challenging and

supporting the members of their workgroup. (Ivan T. Roberston & Jill Flint-Taylor 2008) From the previous researches the role of leader to enhance engagement of employees is clear. The concept of Transformational leadership was given by James McGregor Burns (1978). He distinguish transforming leaders (who appeal to the moral values of followers and attempt to raise their consciousness about ethical issues and get them to reform organization) and transacting leaders ( who sue rewards and punishments to incent followers to do what the leader want them to do). So, may the leader adopts any style of management or leadership but it is the priority of the leader to have engaged employees in the present competitive scenario.

## VI. THE BENEFITS OF EMPLOYEES' ENGAGEMENT

Employee engagement and psychological well-being are different but related constructs. It has been proved by the researchers that the engagement of employees is the result of psychological well-being. As per Ivan T. Robertson et al, it should now be clear that psychological well-being is important for employees. In fact it may be even more important for employers and organizations. Explaining the reasons he said, people with higher levels of psychological well-being learn and problem solve more effectively, are more enthusiastic about change, related to others more positively, and accept change more rapidly. It is difficult to think of another set of characteristics, apart from job-specific skills, that are more important to an organization's success. As cited by J. Bhatnagar and Soumendu Biswas, more recently employee engagement has been related to building a firms' competitive advantage. Employee engagement in fact can make or break the business bottom line (Lockwood 2006), Martel (2003:30, 42) is of the opinion that in order to obtain high performance in postindustrial, intangible work that demands innovation, flexibility, and speed, employers need to engage their employees. They say that objectives are more easily met when employee are engaged are more likely to fall short when they are not. They further said that in a study they proposed linkage between firm performance and employee engagement, but in a reverse feedback loop. This entails that those firms which are finically robust will have a higher employee engagement score. The above studies reveal that performance and financial status of an organization is directly related to the engagement of employees of that organization. Practitioners and academics tend to agree that the consequences of employee engagement are positive (Saks 2006). As cited by Sandeep Kular at el, there is a general belief that there is a connection between employee engagement and business results; a meta-analysis conducted by Harter *et al* (2002:272) confirms this connection. However, engagement is an individual-level construct and if it does lead

to business results, it must first impact individual-level outcomes. Therefore, there is reason to expect employee engagement is related to individuals' attitudes, intentions, and behaviors. Although neither Kahn (1990) nor May *et al* (2004) included outcomes in their studies, Kahn (1992) proposed that high levels of engagement lead to both positive outcomes for individuals, (eg quality of people's work and their own experiences of doing that work), as well as positive organizational-level outcomes (eg the growth and productivity of organizations). From the above discussion it is clear that employee engagement is sought field of researchers and practitioners for the benefit of employees and employers. The practitioner and consultancies have given long list and data of benefits of this construct. And researchers also in favor of practice and for further research of this construct.

## VII. CONCLUSION

In recent years, there has been a great deal of interest in employee engagement. Though initially this topic was adopted by consulting organizations for research and practice yet this is most discussed field of HR in developing countries like US, UK, New Zealand etc. It has been proved by the researchers that the engagement of employees is the result of psychological well-being. Different studied proved the connection between employee engagement, business results and organizational performance. Therefore it is required to evaluate, analyze and implement the strategies to enhance and maintain the engagement level of employees.

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