

Factors Persuading Employee Engagement and Linkage of EE to Personal & Organizational Performance

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Abstract

Considerable attention has been given to the identification of key drivers of Employee engagement and its linkage to the financial results. For this purpose following study is an endeavor to investigate the Factors Persuading Employee Engagement and Linkage of EE to Personal & Organizational Performance in banking sector of Pakistan. A quantitative approach based survey in form of close ended structured Five Point Likert-scale questionnaires was designed and used to implore the response. The data collected from 250 employees in Private commercial banks of Pakistan was analyzed through structural Equation Modeling and independent sample t-tests using AMOS/SPSS software. Outcome epitomizes that following factors influence the Employee Engagement which are: Decision Making / Co-ordination, Employee Performance Appraisals, Performance Reward Systems, Employee Involvement, Training and Career Development, and Human Resource Practices. The results show that there is significant relationship among Employee Engagement and Decision Making / Co-ordination, Performance Reward Systems and Employee Involvement where as Training and Career Development and Employee Performance Appraisals are insignificantly related. The study need to be extended to foreign as well as public sectors banks with a larger sample size of employees in the light of other variable such as motivation, non monetary benefits.

Key Words: Employee Engagement, Human Resource Practices, Employee Performance Appraisals, Performance Reward Systems and Employee Involvement.

Introduction

Employee engagement is the key focus of both business entrepreneurs and academic researchers and is blistering issue of modern business environment. Every organization wants to gain competitive advantages over others and employee engagement is the best tool for it. In fact, employee engagement is considered to be the most powerful factor to Measure Company's vigor (Baumruk, R. 2004). Engagement is creating prospect for human resources to attach with their managers, colleagues and organization. It's concern is to shape a milieu where employees are motivated and connected with their job in real caring manner to do a high-quality job. Engagement is a perception that places continuous improvement, change and flexibility at the empathy of what it means. So an employee as well as an employer must understand the twenty-first-century workplace requirements. [Chartered Institute for Personnel & Development (CIPD), 2009]. (Cindy, 2008) states that, engagement is the capacity of employee's work endeavor, obligation and aspiration enduring in a business, engagement is a conditions of intellectual and emotional pledge to a

group or an organization creating conduct that will assist accomplish an organization's promise to customer to ensure the improvement in business results. Decision Making / Co-ordination is an important variable bearing an influencing role and creating effect on employee engagement (Konrad, Alison M. 2006).

Training and Career Development another important dimension in the process of engaging employees and this call for the dying need of formulating diversity & conflict management policies. Performance of engaged employees lead the company towards customer satisfaction which ultimately direct an organization towards profitability or business outcomes (Bassi, Laurie 2010). They further argue that modern business anticipate their employees should be positive and take responsibility for developing their expertise. They are expected to be devoted to excellent performance appraisal standards. Organizations needed employees who are active, committed and enthralled to their job. (Ruth & Ruth, 1998) promulgates that the management efficiently involve their employees in their works and receive high performance among employees. This can be done through right selection of candidates, proper training, power sharing, work-information sharing, knowledge or employee skills and performance rewards system. (Konard, 2006) claims in his study that how high-involvement work practices can contribute in effective employee engagement. High involvement work practices are the techniques used by the management to efficiently involve their employees in their works and receive high performance among employees. A company caring more for its customer contentment and is focused on customer than it can also drives employee to get more engaged. If there is no career progression or limited career advancement opportunities, then employees will definitely be disengaged at certain level and shall not remain committed with an organization. Organization's repute as a good employer, availability of resources needed to perform job in high quality and communication of clear vision for long term success by the higher management are also critical factors in building employee engagement. (Andrew Paradise, 2008). Few studies have been carried to date in Pakistani banking circles to find out the significance and impact of varied dynamics influence the employee engagement. The consequences of this study surely append to the literature and assist the policy makers to draft policies workable at institutional level as well as national level on the whole. This study indicates different elements which persuade any employee towards engagement and categorize them under HR practices & policies. Having review of literature, one comes to know that there are three types of employees; engaged, not engaged and actively disengaged.

Literature Review

Most frequently Employee engagement is the combination of unique attributes contained by the employees in shape of developing emotional relations with the cerebral commitment to the organization. It is the amounts of optional endeavor demonstrated by employees in a particular profession (Frank et al 2004). (Saks, 2006) states that it is a approach for employees to pay back through their level of engagement to their organization. As suggested by (Kahn, 1990) workers prefer to engage into different levels of commitments in reply to the income they accept from the respective organization. People show their engagement by way y of devoting their more energy in shape of more time and effort. This is a way the employees are observed as fully engaged in the organizations' work. The degree to which employees are engaged is observed by the motivational level which the employees add to organizational achievement through their optional willingness with respect to effort, time, intelligence and accomplishment of organizational (Baumruk, 2004). According to (Richman, 2006), when employees are open and without any organizational pressure render their service voluntarily in terms of extra time and put extra effort and energy into their job is called engagement. (Kahn, 1990) further states about engagement, when staff consider themselves indebted and they put more profound effort in their job as

compare to the payment as what they receive from their organization to bring themselves more indulged into their jobs. It means that if an organization provides necessary resources essential by employees to efficiently perform their jobs, they really performed well, and keep themselves engaged. But if an organization fails to do that, the result will be vice versa. When an organization anytime is unable to meet the requirements of the employees, the staff also in response withdraws its energies from the job engagement. They change their role with respect to their physical and emotional attachments (Frank, 2004). The engagement is the level of commitment and involvement focused work efforts, passion, enthusiasm and energy, an employee has towards the organization, results in high performance and superior business results. This level of commitment can be nurtured by an organization only if an organization can win the rational commitment and emotional commitments of their employees in ways that lead extraordinary efforts to compete today (Miller, 2002) & Benson (2006).

In modern world, HRM is the solution finder of several of the problem which influences the capability of work to provide for individual growth. HR managers are in charge for staffing, selection, orientation, training and development, performance appraisal and safety matter as clear, for employee engagement, HRM is a subject of activity where numerous essential issues dealing with employees and employers arise and solved (Purcell and Boxall 2003). (Paradise, 2008) states that employees highly praise their companies for retaining high-quality workers and also agree that performance evaluations were fair and rated their job training as favorable. According to him some employees stated that there are few opportunities for advancement and what was required to move up. Most of workers believed that their companies took a real concern in employee's welfare. Organizations use language of a soft approach when talking of training, commitment and development.

According to Storey (1995), HRM in more detailed logic involves top management and line management in practicing the principle which makes business personnel capable and committed to endow with a competitive advantage. Theory of HR verdict as being of commercial and strategic significance and encourages growth of an organizational flexibility, commitment, and culture of consensus. Keeping in view this explicit notion of HRM, a careful differentiates is propounded by Storey which is a hard and soft a description of HRM. Soft HRM culture is in which employees are considered as a resource of ingenious vigor and all the employees in the organization take full part in decision making keeping in view profitability on long-term basis. Whereas a hard HRM culture is in which importance is on arrangement of the structure and strategy is more unambiguously focused on organizational control, carefulness, and profitability (Lafferty & Pinnington 2003). As the HRM practices are been given more importance and implemented, the more there is extent for direct involvement of employees through schemes of employee engagement. The workers will have more understanding and optimistic emancipation in the sense that they experience more opportunities to contribute in implementation and manipulation over company's pertinent verdict (Guest 2003). Human resources is the important variable for the sustainability and growth of any organization. The process starts the recruitment of good quality employees and selection of the precise people for the precise jobs. Employee's engagement is directly related on the selection of right people for right jobs (Hunter & Schmidt, 1983). When the employees are accepted in the decisions making process in dealing routine matters it has a successful impact on the organizations. If these actions and decisions are predisposed by their individual inner drives and enthusiasm it is assumed that employees are fully engaged and are working in positive direction. (Iaffaldano & Muchinsky, 1985).

Training and development still an important factor for the Human Resource Management for employee engagement (Andrew, 2008). Training and development is important for all

service processes as these are subject to errors and are no different. Training improves service inaccuracy can at once impact service performance and employee engagement (Keaveney, 1995). For employees engagement training has usually been established by management to develop a particular range of brain thinking, developing skills, logical reasoning and problem solving. Training is essential for all future as well as present managers to acquire fast changing technologies, system based thinking and on time logical decision making abilities. All such abilities can only be possible by careful designing of training programs. Training is an important variable for the organizations to keep the employees engaged (Ohayun, 2002),

(Denison, 1990) reports that organizations in which employees were participative in decision-making practices at higher levels have showed more employee engagement and their financial performance relative to their opponents gradually increased. Financial assets of any company have always engaged central importance whenever it has come to management decisions; world's recent financial crisis has raised the significance of decision making to critical level. This has directly affected the financial sector specially banks. As the organizations cannot control external environment in period of recession, more direct importance has been put on management of internal environment in decision making and coordination at all levels of hierarchy (Huselid, 1995). This not only increases the employee's value but also employee's engagement. He further states that HR should not be neglected because it can bring competitive advantage to organization. Therefore HR should be managed with equal importance with other functions of the business (Ganzach, 2002). (Cascio, 1997) promulgates that employee most of the time through involvement in decision making give back their organization in shape of engagement. Employees prefer to fit into place in the organization as they are paid. Response of an Individual's to an organization's action depicts one's full role and involvement in the decision making towards organization's physical resources.

It is complex for workers to diverge from concentration of work performance, as performance appraisal is used as the source for reward and additional managerial assessments. Therefore, it is expected from employees to swap their engagement for benefits and resources made available by the business (Brainin, 2002)

Financial reward as (Herman & Gioia, 2000) implies that profit and compensation are a key issues considered by employees. Therefore they anticipated that financial rewards are critical elements of success. Pay alone cannot consider as the sole aspect for engaging employees rather employees must believe their package is market-related in order to acquire utmost employee engagement. Reward is most impressively delivered through a combination of pay, bonuses and other financial rewards and also through nonfinancial rewards like extra holiday, voucher schemes. Employees also need to feel cherished in an appropriate and timely feedback and must be given due acceptance of employee's contribution by the employer to keep the employees happy for a longer time in employee engagement (Bruce, 2002). Delivery of enhanced employment practice to employees, HR departments and organizations exclusively have to play a significant role in providing best to the staff, which are the most important part in the organization. To enhance employee engagement material and financial rewards sometimes mislay the capability to persuade the employees to a certain level. So organizations must to adopt and develop and varied strategies to connect the emotional and intellectual resources among the employees to satisfy the growing demands employees in order to remain intact with the organization (Hymowitz & Murray, 1999). (Rose 2003) states that to get employees engagement, extrinsic indicator of satisfaction, such as satisfaction with pay are significant while deeming to appraise the impact of HRM practice on job satisfaction.

Research Methodology

A quantitative approach based on survey design in form Five point Likert-scale close ended structured questionnaires is used for the proposed study. Data is collected from 250 employees i.e. below 30 years, above 40 years but below 30 and above 40 years of differently working in Private commercial banks of Pakistan. The data is analyzed through structural SPSS software to substantiate the research hypotheses. To find out the relationship between the following variable a research model is proposed to observe the impacts of Decision Making / Co-ordination, training and development, Performance appraisal, Performance Rewards with dependent variable Employee Engagement among the banks.

Table 01: Correlation

		Employee Engagement	Employee involvement	Training and Career Development	Performance Reward Systems	Decision Making / Co-ordination	Employee Performance Appraisals
Employee Engagement	Pearson Correlation	1	.262**	-.055	.209**	.179**	.103
	Sig. (2-tailed)		.000	.390	.001	.005	.103
	N	250	250	250	250	250	250
Employee involvement	Pearson Correlation	.262**	1	-.248**	.858**	.721**	.639**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	250	250	250	250	250	250
Training and Career Development	Pearson Correlation	-.055	-.248**	1	-.219**	-.263**	-.153*
	Sig. (2-tailed)	.390	.000		.000	.000	.015
	N	250	250	251	250	250	250
Performance Reward Systems	Pearson Correlation	.209**	.858**	-.219**	1	.668**	.679**
	Sig. (2-tailed)	.001	.000	.000		.000	.000
	N	250	250	250	250	250	250
Decision Making / Co-ordination	Pearson Correlation	.179**	.721**	-.263**	.668**	1	.619**
	Sig. (2-tailed)	.005	.000	.000	.000		.000
	N	250	250	250	250	250	250
Employee Performance Appraisals	Pearson Correlation	.103	.639**	-.153*	.679**	.619**	1
	Sig. (2-tailed)	.103	.000	.015	.000	.000	
	N	250	250	250	250	250	250

Table 1 is correlation matrix, which reveals the following analysis. There is positive correlation between Employee Engagement (dependent variable) and Employee involvement , Decision Making / Co-ordination and Performance Reward Systems (all independent variables) showing the values of . 262, .209 and .179 and are significant at 5 % level of significance, respectively. The above table also shows that there is insignificant correlation between Employee Performance Appraisals and Training and Career Development.

Table 2

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.133	.110		19.470	.000
	Training and Career Development	-.276	.064	-.263	-4.295	.000

a. Dependent Variable: Decision Making / Co-ordination

Table 2.shows the positive and significant relation between and Training and Career Development with Decision Making / Co-ordination beta value .263 and are its significance level is 5%.

Table 3

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.544	.078		6.966	.000
	Performance Reward Systems	.664	.046	.679	14.570	.000

a. Dependent Variable: Employee Performance Appraisals

Table 3.shows the positive and significant relation between Performance Reward Systems with Employee Performance Appraisals beta value .679 and is its significance level is 5%.

Table 4

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.926	.111		17.372	.000
Employee Performance Appraisals	-.160	.065	-.153	-2.442	.015

a. Dependent Variable: Training and Career Development

Table 4 depicts the fitness of the model showing the significant relationship between Employee Performance Appraisals and Training and Career Development value of .153, which is significant at level of 5%.

Table 5

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.245	.056		4.395	.000
Employee involvement	.857	.033	.858	26.303	.000

a. Dependent Variable: Performance Reward Systems

Table 5 expresses the positive and significant relation between Employee involvement and Performance Reward Systems with beta values .858 and the significance level is 5%.

Findings and Recommendations

It is observed in broad-spectrum the employees working in various banks have a positive approach toward employee’s engagement. Factors like: Employee Engagement, Human Resource Practices, Decision Making / Co-ordination Training and Career Development, Employee Performance Appraisals, Performance Reward Systems and Employee Involvement. In addition, the most of the employees viewed that employee engagement adds to the profitability and services improvement in respective banks. Employee engagement inclination differs from department to department on employee to employee basis and employee’s mind-set toward employee engagement is also different. Employees

are inclined towards engagement if they are given proper rewards system, involvement in major organizational activities with an active participation in decision making. These finding are also supported by the literature and as well as our statistical results. Where as, training and development and performance appraisal is not significantly related to the employee engagement. The study is an endeavor to create an impact in the body of knowledge as these variables have not been studied in different and complex environment of Pakistani banking system. This study can provide help to higher management while darting strategic decision relating to HR policies. This study still needed to be expanded at broader dimension engulfing more employees in the survey and increasing the number of banks both local as well as foreign banks. There are numerous other variables like performance, non monetary benefits and motivation which directly and indirectly influencing the employee engagement.

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