Factors Influencing Employee Engagement and its Impact on Organizational Performance

Nabin Prajapati

Abstract

*Purpose:* The purpose of this study is to identify the factors affecting the employee engagement as well as to examine the effect of employee engagement on organizational performance.

*Design/Methodology/Approach:* Descriptive and Analytical research design was used for data analysis. A convenient sample of 200 employees of Nepal Telecom responded to a structured questionnaire. Correlation and Regression analysis were performed to examine the hypothesis.

*Findings:* The result shows that identified factors like career development, compensation, work environment, team and co-worker relationship, organizational policies and workplace wellbeing have positive and significant impact on employee engagement whereas Leadership has negative and insignificant impact on employee engagement. Further, the result also shows employee engagement had significant impact on organizational performance.

*Practical Implication:* Organization must focus and effort on the factors like organizational policies and team and co-worker relationship as they have shown significantly higher impact on employee engagement and organizational performance. Organization should develop favourable organizational policies and focus on developing a good environment and promote such programmes that enhances team and peer relationship.

*Originality/Value:* Managers must apply various strategies to make their employee engaged which is less prioritized till today.

*Key Words:* Employee engagement, Organizational performance, Team and co-worker relationship, working environment

I. Introduction

Engagement is a workplace approach which ensures to make employees committed toward organization’s goals and also motivated to give extra effort toward organizational success, and similarly enhances the sense of wellbeing on them (MacLeod and Clarke, 2009). Now-a-days it has been an emerging debatable issue for Human Resource managers (Baldev and Anupama, 2010). It refers to the extent to which employees feel passionate and committed toward their job. It puts discretionary effort into their work. It has become a top priority for the business leaders in the organization.

Vazirani (2007) has considered employee engagement as a tool to measure the association of a person with the organization and that strategy which helps to attract, develop and retain skillful manpower of the organization. Employee engagement helps to increase the morale of the employees. So, Human Resource manager must satisfy the employees to make them engaged and motivate to contribute their knowledge skill and abilities to achieve organizational success. (Saradha and Patrick, 2011). Engaged workforce are committed, dedicated toward their job which supports high production and ultimately helps to improve organizational performance.

---

1 Nabin Prajapati is the teaching assistant of Bagisowri College. He can be reached at routersallaghan@gmail.com
In today’s competitive business world, it is not enough to solely concentrate on employee satisfaction and motivation. Organization must focus on the concept of employee engagement to link between individual performance and positive business result (Sanchez and Maccauley, 2006). It results to higher achievement of individuals and enterprises. In order to achieve employee engagement firms, engage many HRM programs, which usually focus on activities of organizing work and managing people to achieve organizational goals. But still HR professionals and managers are continuously are confronted with the challenge of engaging the workforce.

Kumar and Swetha (2011) stated that employee engagement plays important role in customer satisfaction, developing organizational image and also influences employee retention, loyalty and productivity. In contrast, disengaged employees adversely affect the organizational performance (especially in absenteeism, turnover and low productivity) and drag the organization in negative direction (Basbous, 2011; Sundaray, 2011). Engaged employees analyze the business environment, maintain good relationship with peers to improve organizational performance (Mani, 2011; Sundaray, 2011).

II. Literature Review

Employee Engagement

Anitha (2014) has found strong relationship between employee engagement and performance. She has recognized factors that have direct relation between engagement and performance. She explored that physical and emotional environment requires effective leadership, team and good co-worker relationship, which consequence in healthy engagement of employees in their work. She agreed that employee engagement will improve employee performance which ultimately contribute to increase organizational performance.

Cook (2008) has emphasized on attraction and retention of talented employees for the success of the organization. An engaged employee is satisfied with the job, involve on high productivity and become loyal towards the organization which may be the reason to the success of the business. Whereas Kular, Gatenby, Rees, Soane, and Truss (2008) states that engaged employee is highly sincere toward his/her work against those employees who are actively disengaged. It reflects in an individual’s intention to leave the organization.

Kumar and Swetha (2011) explained employee engagement as an important factor for success of the organization. Employee engagement promotes talent management, retention, and improved overall organizational performance. For better employee engagement, effective working policies should be applied which play roles to attract and retain talented employees for growth and development of the organization. Mani (2011) shows positive relation between employee engagement and employee retention, productivity and loyalty. Engaged employees coordinates with other employees and considers business environment to improve the organizational performance. Employee engagement develops positive attitudes towards their organization, which supports on increase in productivity and maintain goodwill of the organization (Sundaray, 2011).
Further, Harter et al. (2002) in a study on relationship between engagement and organizational outcomes found that there is strong correlation between employee engagement and productivity, profitability, turnover, absenteeism, and defects. In addition, the study found that the differences in organizational outcomes (productivity, customer loyalty, profitability, employee turnover, safety incidences, shrinkages, and absenteeism and product defects) between top performing and bottom performing organizations due to employee engagement on business success is significant.

**Determinants of Employee Engagement**

In the present business scenario, employee engagement has become an emerging concept to build up employees' potential. Human resource managers have a huge challenge these days to develop for better engagement. Through study of various literatures on employee engagement, different drivers of engagement are identified. Each of these drivers quantifies the presence or absence of a workplace quality that impacts engagement. Some of the drivers of employee engagement are:

- **Career development** is an important factor that determines the engagement level of the employee. Adlerfer (1972) presents career growth opportunities as the reward for their performance presented by the organization. Kahn (1990) and Murphy and Denisi (2008) consider training as an essential factor to innate skills and knowledge to enable them for employee engagement.

- **Compensation** was the second fundamental factor to inform employee engagement. Saks (2006) explains that rewarding employees' effort is an important factor towards engaging them. When they are rewarded in the organization, they will be engaged and loyal. Kahn (1990) found that employee's level of engagement increases with perceptions of the benefits they receive. So, it shows that the engagement level of an individual is the result of quantity or quality of reward they receive.

- **Work environment of the organization** is an important aspect of engagement levels of employees (Miles, 2001; Harter et al., 2002). Similarly, Organizations who care about the employees create a supportive work environment policy. Employers establish two-way communication and feedback system for achievement of organizational goals and objectives. It will increase confidence and develops the feeling of ownership of the organization among employees which increases employee engagement and thereafter the performance.

- **Team and co-worker relationship** in the workplace is considered as the influencing factor employee engagement. Helpful team helps to contributes to supporting and strengthening of employee engagement notion in an organization. Supportive workplace lets the employees feel relaxed and dedicated toward their roles, duties, and responsibilities. (Kahn, 1990). So, there is significant impact of co-worker relationships on engagement level. Locke and Taylor (1990) states that interpersonal interactions with co-workers holds meaningful values in their work.

- **Schneider et al. (2009)** studied importance of authentic, transformational and supportive leadership in fostering the engagement. Transformational leadership train, develop and raise
subordinate interests. It will build positive image toward the organization and work efficiently for the development of the organization. Engagement occurs naturally with the inspiring leaders (Wallace and Trinka, 2009). Good leaders feel the importance of employees' effort in overall business success.

Organizational policies also agree the extent to which employees are engaged in an organization. Schneider et al. (2009) and Armstrong (2012) states that organizational policies regarding selection and recruitment influence the engagement of employees. Fair and equitable practices in the organization stand-in a strong working environment It contributes in better organizational performance. Principle of fairness and equity is violated by the recruitment of family relations and contacts. It brings negative consequences like deficiency in knowledge, skills and ability, which results to lower productivity and disengagement of employees.

Workplace wellbeing promotes team work and helpful work environments. Wellbeing is defined as “all the things that are important to how we think about and experience our lives” (Harter et al., 2002). Robertson (2012) states that the better productivity can be achieved by the combination of employee engagement and workplace wellbeing. Work related attitudes, psychological wellbeing has strong and positive correlation with employee engagement which contributes in organizational performance.

**Organizational Performance**

Gavera, Ilies and Stegerean (2011) described organizational performance refers to the ability of the organization to meet their goals (effectiveness) using minimum resources (efficiency). Griffin (2003) explains organizational performance is the ability of the organization to meet their stakeholders’ need. Carton (2004) states that organizational performance can be measured on the principle of optimum utilization of human, physical and capital resources to achieve the common objective. Dyer and Reeves (1995) gave a basis of performance measures. It has divided performance measures into human resource, organizational, financial and market measures. Human resource measures consist of variables like turnover, turnover intentions, absenteeism, job satisfaction; organizational measures include productivity, quality, customer satisfaction and manufacturing flexibility.

In the traditional concept, the organizational performance is measured only on the basis of financial measures but in the present context, it is measured by adopting other methods of measuring the performance of the organization. Mitchell (2002) has concluded relevance of the company to stakeholders needs, the efficiency of the company, the effectiveness of the company, and the financial viability of the company as the dimensions of measuring organizational performance.

**III. Research Objectives**

The primary objective of this research is to analyze the factors which influence employee engagement in an organization. This research also aimed to examine the impact of employee engagement on organizational performance. The predictor variables selected based on prior research were work environment, leadership, team and coworker, training and career
development, compensation, organizational policies, work place wellbeing. This study also studies the strength of employee engagement on the organizational performance.

**Figure 1 Conceptual Research Model**

**H1:** There is a statistically significant impact of work environment, leadership, team and coworker, training and career development, compensation, organizational policies, work place wellbeing on employee engagement.

**H2:** There is statistically significant impact of employee engagement on organizational performance.

Seven factors are framed in a single hypothesis for simplicity and the impacts of the different factors on organizational performance are analyzed.

**IV. Methodology**
Descriptive and analytical research design was used to examine the relationship between employee engagement and organizational performance. A survey questionnaire was designed to check the impact of work environment, leadership, team and coworker, training and career development, compensation, organizational policies, work place wellbeing as the factors employee engagement on organizational performance.

The study is based on primary data collected through the questionnaire distributed through google forms and also by distributing the form in Nepal Telecom office. In questionnaire, 5 pointed Likert scaled questionnaire and general question is used to collect the views of the respondents. Since the unit of analysis of the study was the employee, the target population comprised of employees of Nepal Telecom. Total 200 responses were collected from the google online form and questionnaire submitted and presented for analysis.
V. Results and Findings
The results and findings of this study are as stated below:

Reliability and Normality
Cronbach alpha test were used to assess the reliability of the instruments and the computed Cronbach alpha coefficient results were all above 0.7.

Table 1
Reliability Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of items</th>
<th>Cronbach Alpha</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career Development</td>
<td>5</td>
<td>0.837</td>
<td>.088</td>
<td>-.932</td>
</tr>
<tr>
<td>Compensation</td>
<td>3</td>
<td>0.761</td>
<td>.328</td>
<td>-.785</td>
</tr>
<tr>
<td>Work Environment</td>
<td>4</td>
<td>0.949</td>
<td>.652</td>
<td>-.154</td>
</tr>
<tr>
<td>Team and Coworkers relationship</td>
<td>3</td>
<td>0.773</td>
<td>.953</td>
<td>.296</td>
</tr>
<tr>
<td>Leadership</td>
<td>4</td>
<td>0.875</td>
<td>-.083</td>
<td>-.023</td>
</tr>
<tr>
<td>Organizational Policies</td>
<td>7</td>
<td>0.797</td>
<td>-.052</td>
<td>-.851</td>
</tr>
<tr>
<td>Well Being</td>
<td>3</td>
<td>0.753</td>
<td>.364</td>
<td>.708</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>6</td>
<td>0.901</td>
<td>.219</td>
<td>.372</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>5</td>
<td>0.871</td>
<td>.153</td>
<td>-.835</td>
</tr>
<tr>
<td>Intention to quit</td>
<td>4</td>
<td>0.761</td>
<td>-.137</td>
<td>-.478</td>
</tr>
</tbody>
</table>

Data were screened to assess whether the assumptions of regression were met. All the study variables had a skewness and kurtosis within the range of -1 and +1 which met the threshold of data being normally distributed as advocated by Myong (2008). Therefore, the data was found to be suitable for regression analysis.

Prediction of Determinant Factors of Employee Engagement
Regression analysis was used to find the relationships among various factors of engagement, and performance. The analysis focuses on finding various factors of engagement. It also finds out relationship between a dependent variable (factors of employee engagement) and the independent variables (employee engagement).

Table 2
Regression model summary - employee engagement

<table>
<thead>
<tr>
<th>r</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>SE of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.946</td>
<td>0.894</td>
<td>0.886</td>
<td>1.97366</td>
</tr>
</tbody>
</table>

Notes: Predictors: (Constant), career development, compensation, work environment, team and co-workers' relationship, leadership, organizational policies, wellbeing.
Regression analysis shows that all factors were identified as predictors of employee engagement with the value of R square 0.894 which is highly statistically significant. The R square value indicates that the identified factors (i.e., career development, compensation, work environment, Team and co-workers' relationship, leadership, organizational policies, wellbeing) explain up to 89.4 percent of the variance in employee engagement.

Table 3

<table>
<thead>
<tr>
<th>Sum of Square</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2999.848</td>
<td>7</td>
<td>428.550</td>
<td>110.016</td>
</tr>
<tr>
<td>Residual</td>
<td>354.475</td>
<td>91</td>
<td>3.895</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3354.323</td>
<td>98</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** Dependent Variable: Employee engagement
Predictors: (Constant), career development, compensation, work environment, team and co-workers relationship, leadership, organizational policies, wellbeing.

The F value of the model is 110.016 with p value 0.000 (<0.05) indicates that the model is fitted at 5 percentages level of significance. This demonstrates that career development, compensation, work environment, team and co-workers relationship, leadership, organizational policies, workplace-wellbeing have a significant positive influence on organization performance.

Table 4

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>SE</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-8.465</td>
<td>1.727</td>
<td>-4.902</td>
<td>.000</td>
</tr>
<tr>
<td>Career Development</td>
<td>.113</td>
<td>.053</td>
<td>.092</td>
<td>2.142</td>
</tr>
<tr>
<td>Compensation</td>
<td>.338</td>
<td>.153</td>
<td>.142</td>
<td>2.208</td>
</tr>
<tr>
<td>Work Environment</td>
<td>.121</td>
<td>.050</td>
<td>.086</td>
<td>2.418</td>
</tr>
<tr>
<td>Team and co-worker relationship</td>
<td>.647</td>
<td>.157</td>
<td>.325</td>
<td>4.132</td>
</tr>
<tr>
<td>Leadership</td>
<td>-.355</td>
<td>.183</td>
<td>-.240</td>
<td>-1.937</td>
</tr>
<tr>
<td>Organizational Policies</td>
<td>.775</td>
<td>.161</td>
<td>.703</td>
<td>4.805</td>
</tr>
<tr>
<td>Well being</td>
<td>.321</td>
<td>.216</td>
<td>.109</td>
<td>1.488</td>
</tr>
</tbody>
</table>

**Notes:** Dependent Variable: Employee engagement

The overall result shows that 89.4 percent variance in employee engagement is influenced by factors -career development, compensation, work environment, team and co-workers relationship, leadership, organizational policies, workplace-wellbeing. Therefore, the null hypothesis is rejected and alternative hypothesis H1 is accepted. The Following multiple regression model is derived from the study.

EE=-8.465+.113 CD + .338 C + .121 WE + 0.647 TC -.355 L + 0.775 OP +0.321WB
Influence of Employee engagement on Organizational Performance
Correlation Analysis

Table 5

<table>
<thead>
<tr>
<th>EE (Employee Engagement)</th>
<th>Pearson Correlation</th>
<th>OP (Organizational Performance)</th>
<th>Pearson Correlation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>.868**</td>
<td>.868**</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The p-values for the correlation between employee engagement and Organizational performance are both less than the significance level of 0.05, which indicates there is strong evidence to prove that there is significant association between these variables. The Pearson coefficient value .868 means there is strong positive relationship between employee engagement and organizational performance, which indicates that, as employee engagement is increased, organizational performance also decreases.

Table 6

Regression model summary - Organizational Performance

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>SE of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.868</td>
<td>0.753</td>
<td>0.751</td>
<td>3.71301</td>
</tr>
</tbody>
</table>

Notes: Predictors: Employee Engagement

The value of R square 0.753 indicates that the dependent variable i.e., organizational performance is explained by variation in independent variable i.e., employee engagement explains by 75.3 percent. It means that the dependent variable i.e., organizational performance is explained by variation in other variables by 24.7 percent.

Table 7

Results of ANOVA for Organizational Performance model

<table>
<thead>
<tr>
<th></th>
<th>Sum of Square</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4128.489</td>
<td>1</td>
<td>4128.489</td>
<td>299.460</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1351.071</td>
<td>98</td>
<td>13.786</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5479.560</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Dependent Variable: organizational performance
Predictors: (Constant), employee engagement
The sum of square of regression and residual is 652.503 and 316.247 respectively and the mean square of regression and residual is 652.503 and 3.227 respectively. The F value of the model is 202.2 with p value 0.000 (<0.05) that confirms that the relationship is significant. It indicates that the model is fitted at 5 percentages level of significance. Hence the null hypothesis is rejected and the alternate hypothesis is accepted.

Table 8

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>9.540</td>
<td>.935</td>
<td>10.208</td>
<td>.000</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>1.107</td>
<td>.064</td>
<td>.868</td>
<td>17.305 .000</td>
</tr>
</tbody>
</table>

Notes: Dependent Variable: organizational performance

The multiple regression model of the study as per regression result is

\[
\text{OP} = 9.54 + 1.107 \text{EE}
\]

Table 8 shows high beta coefficient of 1.107 t-statistics of 17.305 and a p-value of 0.000, the equation signifies that employee engagement explains positive effect on organizational performance. This implies that a unit change in employee engagement would result to 1.107 unit change in organizational performance.

VI. Discussion

The result of multiple regression analysis shows the independent variables influence employee engagement. Table 4 implies that organizational policies (t=4.805) and team and co-worker relationship (t=4.132) are the most significant factors that affect on employee engagement. The beta value suggests that the organizational policies influence up to 70.3% as a determinant of employee engagement and team and co-worker relationship have 32.5% influence. This implies the importance of good organizational policies and good interpersonal relationship with co-workers in the organization to make people engaged.

Career development has impact of career development on employee engagement. The finding of the current study is consistent with the previous research findings of Brown (2005) shows that engagement is a combination of satisfaction, motivation, commitment and career development.

Compensation was found as the factor which highly contributed to employee engagement. This result is consistent with the findings of Saks (2006) emphasize on reward system to increase level of performance. The result shows that employees mainly take interest in the remuneration and compensation policies. It highly influences on level of engagement.

Desirable work environment includes both physical and emotional environment that motivates the employee to get engaged at work. This result is consistent to the result of Miles (2001) and
Harter et al. (2002) has also implied that work environment is significant in contributing to higher level of engagement. Work environment motivates employees to increase their engagement levels and perform their role effectively for better performance (Schaufeli et al., 2002).

The result demonstrates that team and co-worker relationships have relationship with employee engagement. Colleagues support helps in adjustment and success of fresh employees (Dunlosky and Hertzog, 2000). The result clarifies that higher order needs like achievement and collaborative decision-making leads employees to take on greater responsibility to achieve shared goals and visions.

The study shows that the relationship between leadership and employee engagement is insignificant that means there is no relationship between leadership and employee engagement. This result is consistent with the result of Anitha (2014) which also shows there is insignificant relation between leadership and engagement. But the result is contrary with Schneider et al. (2009) which shows that leadership inspires employees and have positive impact on their level of involvement with organization.

Result shows the organizational policies, procedures and system decides the extent of employee engagement in an organization. The finding is quite similar with the work done by Schneider et al (2009) which shows that organizational policies including fair recruitment, selection, flexible timing, and work life balance. Organization should stress on organizational policies and procedures that supports flexible working hours and work life balance. Those organizations are likely to have engaged employees.

The result of the study shows that workplace wellbeing is an important factor that enhances employee engagement. Lyubomirsky et al. (2005) explains that workplace wellbeing is positively related with a variety of positive life and career outcomes and behavioral difference. When the relationship between employee engagement and organizational performance was tested, it shows the significant path validity (t=17.305) and coefficient of determination ($r^2= 75.3\%$) of the dependent variable. Findings of the current study add to our understanding about the value of employee engagement. It also suggests that engaged employees lead to improved organizational performance. The strength of employee engagement also produces satisfactory organizational performance (Harter et al., 2002, Saks, 2006).

VII. Conclusion
The study focuses on the various factors of employee engagement and its significant effect on it. The result shows that there is a strong significant relationship between employee engagement and organizational performance. Regression analysis shows that among various important factors that have an overall effect on employee engagement. Two factors, Organizational policies and team and co-worker relationship, has very important role with significant path validity or $t$ value in relating with employee engagement. The implications affect the organization in terms of improvement in productivity and directly on economy of the organizations.
Apart from this, the result depicts that a manager should focus on career development, compensation, work environment, team and co-workers relationship, leadership, organizational policies, workplace-wellbeing to improve employee engagement. The model can be used by organizations for mutual benefits of both employer and employees.

References


