

# Enhancing ‘Performance and Retention’ through Employee Engagement

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**Abstract-** Employee engagement is integral to driving successful organizations. Employee engagement is a vast construct that touches almost all parts of human resource management. ‘Employee engagement is the emotional commitment the employee has to the organization and its goals’. Engaged employees are emotionally attached to their organization and highly involved in their job with a great enthusiasm for the success of their employer, going extra mile beyond the employment contractual agreement. The paper focuses on how employee engagement is extracting the best of employee and retain as long as possible. Employee engagement has a direct impact on the Employee’s productivity. The global recession has taken its toll on employees as pay freezes, benefit cuts, and layoffs permeate the workforce, making it more difficult to maintain high levels of engagement. Against this backdrop, it is more important than ever for employers to develop and maintain a highly engaged workforce. The main causes for a higher engagement were found to be as – the impression that the firm cares for and values the employees, free and frank communication with immediate supervisor, empathetic attitude of the latter towards the former, recognition of one’s contributions towards the organizational goals, and freedom to participate in the decision making process. Many organizations believe that engagement is a dominant source of employee retention... And it has demonstrated there may be a strong link between engagement, employee performance and business outcomes. Striving to maintain a higher level of employee engagement not only contributes toward short-term survival during economic volatility, but is also a key factor for longer-term business performance and better positioning when market conditions become favorable.

**Index Terms-** Employee engagement, high performance, employee retention.

## I. INTRODUCTION

The concept of engagement has naturally evolved from past research on high involvement, empowerment, job motivation, organizational commitment, and trust. Obviously, all organizations want their employees to be engaged in their work. Managers unequivocally agree that this century demands more efficiency and productivity than any other times in history. Businesses are striving to increase their performance. Managers have been grappling with many challenges to succeed putting their company ahead of competitors. Thanks to technology, nowadays business companies are making use of advanced

techniques of operation. As sophistication of technologies continues to evolve, they pose more challenges for managers because organizations will have to need more number of employees with increased technical and professional skills. These knowledge workers cannot be managed with old styles of management. They expect operational autonomy, job satisfaction and status. It is because of these facts that attention of managers is shifting towards employees’ side of organizations. At that time concepts like employee commitment and Organizational Citizenship Behavior (OCB) started to appear on the ground that efficiency and productivity lie within the employees’ ability and commitment. Managers’ eye is on how to keep employees engaged in their job.

Employers now realize that by focusing on employee engagement, they can create more efficient and productive workforce. Any initiatives of improvement which are taken by management cannot be fruitful without willful involvement and engagement of employees.

Employee engagement is a newer concept that has been adopted by HR professionals within the past decade as global competition skyrocketed, “lifetime employment” faded into oblivion, and organizations looked to more directly align employee performance with business goals. Engagement refers to employees’ commitment and connection to work as measured by the amount of discretionary effort they are willing to expend on behalf of their employer. Highly engaged employees go above and beyond the core responsibilities outlined in their job descriptions, innovating and thinking outside the box to move their organizations forward, and willing to go the extra mile for their employer unless they are fundamentally happy in their job. Engaged employees are satisfied And feel a sense of attachment to their job and employer. They promote the very best in the organization to their friends and family and work towards its success. Engagement is about establishing mutual respect in the workplace for what people can do and be, given the right context, which serves us all, as individual employees, as companies and organizations and as consumers of public services. It is our firm belief that it can be a triple win: for the individual at work, the enterprise or service, and for the country as a whole. In uncertain times, organizations need to focus on harnessing the discretionary effort that engaged employee. This makes a difference in how companies are affected during the economic downturn, how quickly they emerge from it, and how strong they are in the future after the downturn passes. Employee engagement initiative has a direct impact on the organization’s productivity Also employee engagement is directly influenced by growth of the organization, value addition experienced by employees and employee perception of the organization. When

managers become disengaged, employees are 37% more likely to be frustrated with company systems, processes, and procedures. Employee engagement has become a hot topic in recent years. Many organizations believe that engagement is a dominant source of competitive advantage. However, recent research in countries shows that there are more *dis*engaged employees than there are engaged employees in today's organizations. Employee engagement can and has been found to make a difference.

## II. OBJECTIVES

1. To understand the employee engagement
2. To assess the relation between employee engagement and performance.
3. To analyze the strategies used to retain the employee.
4. To offer the conclusions

### Employee Engagement: Definitions

**Employee engagement does not mean employee happiness.** Someone might be happy at work, but that doesn't necessarily mean they are working hard, productively on behalf of the organization. While company game rooms, free massages and Friday keg parties are fun—and may be beneficial for other reasons—making employees happy is different from making them engaged.

**Employee engagement doesn't mean employee satisfaction.** Many companies have “employee satisfaction” surveys and executives talk about “employee satisfaction”, but the bar is set too low. A satisfied employee might show up for her daily 9-to-5 without complaint. But that same “satisfied” employee might not go the extra effort on her own, and she'll probably take the headhunter's call luring her away with a 10% bump in pay. Satisfied isn't enough.

**Definition: Employee engagement is the emotional commitment the employee has to the organization and its goals.**

This emotional commitment means engaged employees actually care about their work and their company. They don't work just for a paycheck, or just for the next promotion, but work on behalf of the organization's goals.

**The International Survey Research (ISR) defines employee engagement** as, “a process by which an organization increases commitment and continuation of its employees to the achievement of superior results.”

**Kieron Shaw (2005), highlights multiple definitions of employee engagement.** For the purposes of his research, Shaw (2005) also created a definition of employee engagement, which is, “translating employee potential into employee performance and business success”

**William H. Kahn (1990) completed some of the earliest work on engagement and defined engagement** as, “the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.”

**The Gallup Organization, potentially the most widely recognized name associated with employee engagement** due to their bestselling book, “*First, Break All the Rules,*” defines engaged employees as those who, “work with a passion and feel

a profound connection to their company” and “drive innovation and move the organization forward”

Engaged Employees lead to...higher service, quality, and productivity, which leads to...higher customer satisfaction, which leads to...increased sales (repeat business and referrals), which leads to higher levels of profit, which leads to higher shareholder returns.

### Importance of Engagement:

Engagement is important for managers to cultivate given that disengagement or alienation is central to the problem of workers' lack of commitment and motivation. Meaningless work is often associated with apathy and detachment from ones works. In such conditions, individuals are thought to be estranged from their selves .Other Research using a different resource of engagement has linked it to such variables as employee turnover, customer satisfaction – loyalty, safety and to a lesser degree, productivity and Profitability criteria .

An organization's capacity to manage employee engagement is closely related to its ability to achieve high performance levels and superior business results.

### Some of the advantages of Engaged employees are:

1. It builds passion, commitment and alignment with the organization's strategies and goals
2. Increases employees' trust in the organization
3. Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success.
4. Makes the employees effective brand ambassadors for the company
5. Creates a sense of loyalty in a competitive environment
6. They will normally perform better and are more motivated.
7. They form an emotional connection with the company. This impacts their attitude towards the Company's clients, and thereby improves customer satisfaction and service levels
8. Provides a high-energy working environment
9. Boosts business growth
10. There is a significant link between employee engagement and profitability

A highly engaged employee will consistently deliver beyond expectations. Thus employee engagement is critical to any organization that seeks to retain valued employees. The many companies have believed that there is an intrinsic link between employee engagement, better performance, and retention. As organizations globalize and become more dependent on technology in a virtual working environment, there is a greater need to connect and engage with employees to provide them with an organizational 'identity.'

### Employee engagement and performance:

Employee engagement is interwoven significantly with important business outcomes. In this part we will see how employee engagement impacts organizational performance in the light of various research works done. Studies have found positive relationship between employee engagement and organizational

performance outcomes: employee retention, productivity, profitability, customer loyalty and safety. Researches also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. Employee engagement is found to be higher in double-digit growth companies. Research also indicates that engagement is positively related to customer satisfaction (Coffman, 2000; Ellis and Sorensen, 2007; Towers Perrin Talent Report, 2003; Hewitt Associates, 2004; Heintzman and Marson, 2005; Coffman and Gonzalez-Molina, 2002).

Employee engagement has been shown to impact on business performance. Research by Gallup has found low to moderate correlations between employee engagement and a range of outcome measures, including customer satisfaction, profit, productivity, turnover and safety. Since then, there has been a growing body of research on the links between employee engagement and key business metrics. This relationship is most noticeable when comparing units within one organization; however it can be reliably generalized across companies and industries. Indeed, business units and organizations are almost twice as likely to be successful if they are above average in employee engagement. Employees who are engaged with their job and employer are more productive because they are motivated beyond personal factors. They are more focused and more motivated than their disengaged counterparts. This means they work more efficiently and with the success of the organization in mind. In fact, it has been found that employees that are highly engaged are twice as likely to be top performers. In 2009, Harter et al. conducted a meta-analysis encompassing 199 research studies across 152 organisations in 44 industries and 26 countries. They statistically calculated the available data on business/work unit level relationship between employee engagement and performance outcomes within in each study. The studies covered 32,394 business/work units and 955,905 employees. Their findings quantified significant differences between business units ranking in the top and bottom 25% on engagement. They found an 18% drop in productivity between the top and bottom performers. Additionally, there was a 60% drop in quality (measured by defects in products). In a similar study into Fortune 100 companies, it was found that there was a dramatic 1,000 percent increase in errors among disengaged versus engaged employee populations.

A recent SHRM ( Society for Human Resource Management) new global employee engagement study in 2006 surveyed 664,000 employees from around the world and found almost a 52% gap in the yearly performance improvement in operating income between organizations with highly engaged employees and organizations having employees with low engagement scores. Again, a recent meta analysis of over 7939 business units in 38 companies revealed the relationship between employee satisfaction engagement and the business unit outcomes of customer satisfaction, profit, productivity, employee turnover and accidents (Nowack, 2006). Employee engagement has been linked to superior performance and higher levels of organizational commitment by a number of researchers (Woodruffe, 2006; Lockwood, 2006). Engaged employees leads to engaged customers, and this, in turn converts into long term profitability. Luthans and Peterson (2002) state that Gallup has empirically determined employee engagement to be a significant

predictor of desirable organizational outcomes, such as customer satisfaction, retention, productivity and profitability. It was found that employees scoring high on engagement (top 25%) performed better in the areas of sales, customer complaints & turnover in comparison to the employees scoring low on engagement score (bottom 25%) (The Gallup Organization, 2004). The Corporate Leadership Council (CLC) survey revealed that employee engagement leads to 57% improvement in discretionary efforts (Corporate Leadership Council, 2004). The CLC contends that emotional engagement has four times the power to affect performance as compared to rational commitment. The employers attempt to convert as many employees to true believers as they can. (Buchanan, 2004). Low engagement among employees translates in economic loss for the organization. Gallup estimates that in the United Kingdom, unengaged workers cost their companies \$64.8 billion a year. In Japan, where only 9% of the workforce is engaged, the lost productivity is \$232 billion (The Gallup Organization, 2004). Engaged employees within an organization provide a competitive advantage to organizations (Joo & Mclean, 2006). Employee engagement has a substantial impact on employee productivity and talent retention (Lado & Wilson, 1994). Martel (2003) 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. Engaging employees – especially by giving them participation, freedom, and trust – is the most comprehensive response to the ascendant postindustrial values of self realization and self actualization". Employee engagement has also been found to bring benefits at the individual level. A research was done by Britt, Adler and Bartone (2001). From this study it has been found that engagement in meaningful work can yield benefit from work. In a recent study it is explored that over the past 6 years, where the level of engagement had increased, absenteeism had decreased among employees (The Gallup Organization, 2004). In a comprehensive review of literature on employee engagement, Stairs et al. (2006) point out that employee engagement has also been linked with higher employee retention (DDI, 2005; Harter, Schmidt and Keyes, 2003; Wright & McMahan, 1992), greater employee effort and productivity (Corporate Leadership Council, 2004), increased sales (HayGroup, 2001), greater income and turnover (Maitland, 2005; ISR, 2006; Harter et al. 2003), greater profitability (Harter et al. 2003), and faster business growth and higher likelihood of business success (Hewitt Associates, 2004).

### **Employee engagement and retention:**

Simply stated, engaged employees are less likely to leave their job. If an employee has no emotional Commitment to their job, there is a greater chance that they will leave to pursue a job that offers, for Example, higher remuneration or more flexible work conditions. Engagement lowers employees' intention to leave. The Corporate Leadership Council found that the most engaged employees are 87% less likely to leave their organization. The same study found that the 100 best places to work (according to their research) had an average voluntary turnover rate of 13% as compared with the average of 28.5% of other businesses in the same industries. What's more, other large scale research has found that 12% of disengaged employees have

no intention to leave, while that proportion rises to 66% in engaged employees. Similarly, over half of disengaged employees would consider leaving their current job for another opportunity, while only 25% of highly engaged employees would consider leaving. Considering that replacing an employee can cost one and a half times their salary, retention has a significant impact on an organization's bottom line. Not only can the costs of replacing employees be a drain on resources, but once new employees are in place they can take several years to generate the same revenue.

#### **Employee engagement activities – Examples:**

1. Induction programme for new employees
2. Social activities like family gathering, celebration of festivals
3. A daily column, written by CEO, on the intranet with company announcements /Programs.
4. Employee suggestion systems / quick responses.
5. Internal magazine/ newsletter on intranet
6. CEO spending time in face to face communication with staff
7. CEO based FAQ questions on company business.
8. ONLINE "ask the CEO" mailbox.
9. Monthly staff awards
10. Annual staff awards
11. Weekly blog related to serious business issues and staff to read / comments.
12. Appointment of disaster management team
13. Appointment of emergency management team
14. Problem solving committee
15. Leadership development activities
16. Team building activities
17. Conducting soft skills training program as well as required training programs
18. Online real-time tracking of progress. Employees can view company progress Towards targets /goals.
19. Provide long term strategic vision for business growth
20. Indoor Games as well as Outdoor games, like Chess, Cricket, Badminton etc.
21. Celebration of Employees Birthday
22. Picnic at regular intervals

#### **Strategies of Employee Engagement:**

##### **1. Create a Partnership**

The best way to encourage your people to consistently give their very best on the job is to create a partnership. Treat each employee as a valuable member of your team, and give them the autonomy to make decisions and do their work as they see fit, so long as they meet their performance standards.

##### **2. Involve Your Employees**

Involve employees more deeply in your organization by inviting them to join cross-functional teams that draw on the expertise and talent of people from different parts of the organization. Let each team have the authority they need to make decisions on their own -- especially when the decisions directly affect them.

##### **3. Let Your Team in on the Plan**

Be as transparent with your people as you can be, in terms of providing information on how the company makes and loses money, letting them in on any strategies you may have and explaining to them their role in the big picture. When your employees understand the overall plan, they will view themselves as an important, vital piece of the puzzle.

##### **4. Provide Feedback on Performance**

Regularly set aside time to tell your people what they are doing right and point out any areas for improvement. If performance is not up to par, work with them to develop ideas on how to improve. It's important that employees feel they are supported by you and the organization, rather than being left behind because of an occasional mistake or bad call.

##### **5. Keep Promises**

Never make a promise you can't keep, and when you do make a promise -- no matter how small it might be -- be sure to follow through with it. Even if you think your employees don't care about it, you can be sure that they are keeping score. If you aren't certain that you will be able to follow through on a promise, then don't make it.

##### **6. Create a Productive Work Environment**

A workplace that is trusting, open and fun will be the most productive and successful. Be open to new ideas and suggestions that come from your employees, and show them that their voices are being heard. Regularly set time aside for team-building exercises and meetings, and make them fun so your employees actually look forward to participating rather than looking for reasons to ditch them.

##### **7. Managing performance**

Effective performance management answers the question, "What should employees engage in?" Further, performance management is the mechanism that translates business performance objectives into set, focused individual objectives that enable true employee effectiveness. Organizations with high employee engagement scores, but low performance management effectiveness.

##### **8. Encourage open communication**

You can get insight into what things are important to the employee by using surveys, suggestion boxes and team meetings. Be open-minded and encourage them to express their ideas and perspectives without criticism. This means putting into practice everything you have learned about effective listening. Address their concerns in the best way you can.

##### **9. Trust**

Employees need to trust each other as well as their leadership. Employees are constantly watching leadership to see how their decisions affect the strategic direction of the organization and if their behaviors reflect what they say.

##### **10. Support employees in their work and growth**

How many of you have responded to a subordinate's idea as brilliant or even good. Success begets success. You can support employee growth by providing education and learning opportunities, cross training,

coaching, and any other interactions that support employees' personal development.

**11. Career opportunities:**

Engagement continues to be first and foremost about employees' career paths. This has been Challenging for many organizations that have seen delayed retirements and lower turnover (Stagnant career advancement). Nonetheless, companies have significant opportunity to communicate a clear career path, prepare employees for the next role, and provide lateral growth opportunities for key employees. It is important to note that the line manager is typically the owner of this critical engagement driver.

**12. Pay:**

Although pay does not show up as the *top* engagement driver, its prevalence in our study indicates that many organizations are struggling with getting this fundamental component of the employment contract right. With pay freezes and a tightening economic environment, employees may be increasingly engaged by securing basic pay needs in addition to showing decreased appetite for pay at risk.

**13. Give employees' appropriate training:**

Help employees update themselves increasing their knowledge and skills through giving appropriate trainings. Generally it is understood that when employees get to know more about their job, their confidence increases there by being able to work without much supervision from their immediate managers which in turn builds their self-efficacy and commitment.

**14. Build a distinctive 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 Mutual respects by keeping success stories alive will not only keep their existing employees engaged but also they baptize the new incoming employees with this contagious spirit of work culture.

**15. Celebrate both financial and non financial achievements**

Employees need to feel validated and that they are a valued part of the organization. Leadership needs to show how much they care for their employees and show recognition for efforts: "If you want something to grow, pour champagne on it".

**16. Thank Them**

A sincere thank-you for a job well done can be a powerful motivator for continued success and is an essential tool for every manager. Thank your employees personally and promptly when you catch them doing something right by writing a quick thank-you email or text message, or by dropping by their office to tell them in person.

**Factors Leading to Employee Engagement:**

**1. Career Development- Opportunities for Personal Development**

Organizations with high levels of engagement provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge and realize their potential. When companies plan for the career paths of their employees and invest in them in this way their people invest in them.

**2. Career Development – Effective Management of Talent**

Career development influences engagement for employees and retaining the most talented employees and providing opportunities for personal development

**3. Empowerment**

Employees want to be involved in decisions that affect their work. The leaders of high engagementWorkplaces create a trustful and challenging environment, in which employees are encouraged to dissent from the prevailing orthodoxy and to input and innovate to move the organization forward.

**4. Image**

How much employees are prepared to endorse the products and services which their company provides its customers depends largely on their perceptions of the quality of those goods and services. High levels of employee engagement are inextricably linked with high levels of customer engagement.

**5. Equal Opportunities and Fair Treatment**

The employee engagement levels would be high if their bosses (superiors) provide equal opportunities for growth and advancement to all the employees

**6. Performance appraisal**

Fair evaluation of an employee's performance is an important criterion for determining the level of employee engagement. The company which follows an appropriate performance appraisal technique (which is transparent and not biased) will have high levels of employee engagement.

**7. Pay and Benefits**

The company should have a proper pay system so that the employees are motivated to work in the organization. In order to boost his engagement levels the employees should also be provided with certain benefits and compensations.

**8. Health and Safety**

Research indicates that the engagement levels are low if the employee does not feel secure while working. Therefore every organization should adopt appropriate methods and systems for the health and safety of their employees.

**9. Job Satisfaction**

Only a satisfied employee can become an engaged employee. Therefore it is very essential for an organization to see to it that the job given to the employee matches his career goals which will make him enjoy his work and he would ultimately be satisfied with his job.

**10. Communication**

The company should follow the open door policy. There should be both upward and downward communication with the use of appropriate communication channels in the organization. If the employee is given a say in the decision making and has the right to be heard by his boss than the engagement levels are likely to be high.

### 11. Family Friendliness

A person's family life influences his work life. When an employee realizes that the organization is considering his family's benefits also, he will have an emotional attachment with the organization which leads to engagement

### 12. Co-operation

If the entire organization works together by helping each other i.e. all the employees as well as the supervisors co-ordinate well than the employees will be engaged.

## III. CONCLUSION

Employee engagement drives performance by improving retention, customer loyalty, productivity, safety, and ultimately, profitability. Engaged employees care about their organization and work to contribute towards its success. Such employees are less likely to leave for another job, or take unauthorized leave. They are more likely to work better, faster and more safely. Importantly, they are also more focused on the customer experience, ensuring that customers are happy and profits are maximized. In today's world of economic uncertainty, engaging employees is critical to ensuring an organizational longevity and profitability.

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