



## Analysis of Employee Engagement and its Predictors

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## **Abstract**

Employee Engagement has emerged as a critical driver of Business Success today. Engagement has the potential to significantly affect Employee Retention, Productivity, and loyalty. The study attempts to investigate the level of Employee Engagement and its predictors among the Executive level employees of a reputed Banking and Insurance Software Company in Tamil Nadu, India. The research is based on the primary data collected from 200 executives on a number of parameters related to Employee Engagement and its potential predictors. The research concluded that the level of employee engagement in the organization is quite satisfactory. Four Factors namely Employee Welfare, Empowerment, Employee Growth and Interpersonal Relationships were found to be the predictors of Employee Engagements.

**Key Words:** Employee Engagement, Empowerment, Interpersonal relations, Employee Growth, Employee Welfare, Retention

## **1. Introduction**

Employee Engagement is the level of commitment and involvement an employee has towards his organization and its values. An Engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the

organization. It is a positive attitude held by the employees towards the organization and its values. Engaged employees are fully involved in, and enthusiastic about their work. They care about the future of the company and are willing to invest the discretionary effort – exceeding duty's call – to see that the organization succeeds. They are emotionally connected to the organization and cognitively vigilant. Kahn (1990) defines Employee Engagement as

the harnessing of organization's members to their work roles. Gallup research group defines employee engagement as the individual's involvement and satisfaction with as well as enthusiasm for work Harter (2002).

The basic aspects of employee engagement according to Little and Little (2006) are the employees and their own unique psychological makeup and experience, the employers and their ability to create the conditions that promote employee engagement and the interaction between employees at all levels. Thus, it is largely the organization's responsibility to create an environment and culture conducive to this partnership, and a win-win equation.

The purpose of this study was to determine the level of Employee Engagement among the executive level employees of a reputed Banking and Insurance Software Company (BSC) in Tamil Nadu. The Company offers state-of-the-art, comprehensive solutions for core banking, corporate banking, wealth & asset management and insurance. It is an information technology and software development company. The company is engaged in developing specialty software applications for the banking, financial and insurance sectors. The paper has also made an attempt to identify the predictors of Employee Engagement.

## **2. Literature Review**

Seijts, Gerard H.; Crim, Dan (2006) offers several avenues for action which is summarized as the Ten C's of employee engagement namely connect, career, clarity, convey, congratulate, contribute, control and collaborate, credibility & confidence. Lockwood, Nancy R (2007) states that employee engagement is a key business driver for organizational success. High levels of engagement in domestic and global firms promote retention of talent, foster customer loyalty and improve organizational performance and stakeholder value. A complex concept, engagement is influenced by many factors--from workplace culture, organizational communication and managerial styles to trust and respect, leadership and company reputation. Schneider, Benjamin; Macey, William H.; Barbera, Karen M.; Martin, Nigel (2009) discusses the involvement that employee engagement has with customer satisfaction. The author defines employee engagement as the involvement that a person has with their work and the extent in which people believe in what they are doing in their jobs. Soyars, Maureen; Brusino, Justin (2009) describes the results of a study about employee engagement. The study concluded that only one-third of employees were engaged. The three elements that drive employee engagement include contributions, connections, and growth and advancement. Wallace, Les; Trinka, Jim (2006) discusses the importance of employee engagement to drive productivity during tough economic times. According to the research, employee engagement and productivity reduces turnover and increases focus about 20%. It states that great leadership generates increased employee engagement that results in organizational performance.

Britt, Adler, and Bartone (2001) found that engagement in meaningful work can lead to perceived benefits from the work. Other research using a different measure of engagement (i.e. involvement and enthusiasm) has linked it to such variables as employee turnover, customer

satisfaction–loyalty, safety, and to some degree, productivity and profitability criteria (Harter, Schmidt, & Hayes 2002).

Engagement has been defined more completely as when employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work (Nelson & Simmons 2003). The findings of studies conducted to create measurement tools in this area have further refined its definition to include a three-dimensional concept of work engagement (May, Gilson, & Harter 2004). The three factors include a physical component, an emotional component, and a cognitive component. Most often it has been defined as emotional and intellectual commitment to the organization (Baumruk 2004; Richman 2006; Shaw 2005) or the amount of discretionary effort exhibited by employees in their jobs (Frank et al. 2004).

Employee engagement predicts employee outcomes, organizational success, and financial performance (Bates 2004; Baumruk 2004; Harter et al. 2002; Richman 2006). However, it has also been reported that employee engagement is on the decline and there is a deepening disengagement among employees today (Bates 2004; Richman 2006). About half of all Americans in the workforce, are not fully engaged or they are disengaged, leading to what has been referred to as an engagement gap (Bates 2004; Johnson 2004; Kowalski 2003). One of the most popular approaches in this area comes from the Gallup Organization (Harter, Schmidt, & Keyes 2003; Harter & Schmidt 2008). Results of this work have yielded a 12-item Gallup Workplace Audit (Rath 2007; Rath & Conchie 2009; Wagner & Harter 2006).

The main reason behind the popularity of employee engagement is that it has positive consequences for organizations. There is a general belief that there is a connection between employee engagement as an individual level construct and business results (Harter et al. 2002). Therefore there is reason to expect employee engagement to be 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 engagement leads to both individual outcomes (i.e. quality of people's work and their own experiences of doing that work), as well as organizational-level outcomes (i.e. the growth and productivity of organizations).

Further, the Maslach et al. (2001) model considers engagement as a mediating variable for the relationship between the six work conditions and work various outcomes and like burnout, should be related to outcomes such as increased withdrawal, lower performance, job satisfaction, and commitment (Maslach et al. 2001).

Although little work exists on Kahn's conceptualization of the engagement construct, Britt, Adler, and Bartone (2001) found that engagement in meaningful work can lead to perceived benefits from the work. Other research using a different measure of engagement (i.e. involvement and enthusiasm) has linked it to such variables as employee turnover, customer satisfaction–loyalty, safety, and to a lesser degree, productivity and profitability criteria

(Harter, Schmidt, & Hayes 2002). Thus, there are practical reasons that managers and researchers of organizations should be concerned with employees' engagement in work.

Even though there is no dearth of written documents on Employee Engagement, there are very few empirical studies that use the term Employee Engagement as the subject of scientific investigation. Although Employee Engagement is influenced by both personal and situational factors past researches have focused primarily on the role of situational factors and have neglected the role of personal attributes of the employee. The few studies that have examined the role of personal factors are confined mostly to the study of demographic variables. The role of personality is rarely examined as a predictor of Employee Engagement.

### **3. Research Methodology**

The study aims to determine the level of employee engagement and to identify the key predictors of Employee Engagement among the executive level employees of a reputed Banking and Insurance Software Company.

All constructs were measured at the individual level. Whenever possible, the instrument used to operationalize the constructs was adopted from past research.

The population considered for this research consisted of 600 employees who belong to five divisions of the company.. The present study is confined to the executive level employees of a particular vertical of the company having more than one year of experience in the organization.

A questionnaire was so designed as to grade the responses of the employees based on the degree of their agreement. In designing the questionnaire, a 5- point Likert scale (strongly disagree to strongly agree) was used to reduce the statistical problems of extreme skewness (Fornell, 1992). The format and content of the questionnaire were pre-tested and validated using employees familiar with this issue.

Thus, a total agreement to the aspect of a question was indexed with 5 points while a total disagreement was indexed as 1. The reliability of the questionnaire was tested using the Cronbach's alpha test and the Cronbach alpha value was found as .924(>.5), which shows that the instrument is reliable.

Kaiser-Meyer-Olkin and Bartlett's tests were performed in order to verify if the data is suitable for Factor analysis. Factor analysis was performed in order to indicate the convergent and discriminant validity.

The respondents were asked to rate the ten factors based on their thought as to which of them contributed more to their engagement at workplace. Percentage contribution of each factor to the total cumulative score across all respondents for all factors is calculated which eventually gives the weight of each factor in leading to Employee Engagement.

Data was collected by administering the specially designed questionnaire to a sample of 200 executives selected through quota sampling. The response rate was 89%. Quantitative data analysis has been done with the help of the following statistical tools viz., percentage analysis, factor analysis, One way ANOVA and Regression Analysis..

#### 4. Results and Discussion

##### 4.1 Percentage Analysis

The findings from percentage analysis revealed that the respondents were aged between 30 and 50 years in terms of age (average age 40 years). Sixty two percent of the employees were males and the rest were females and majority of these respondents had a post graduate degree to their credit. Since, most industries in the geographical location have similar employee distributions this is a typical sample of this locale.

**Table 1 Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	111	62.4	62.4	62.4
	Female	67	37.6	37.6	100.0
	Total	178	100.0	100.0	

**Table 2 Age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30s	125	70.2	70.2	70.2
	40s	38	21.3	21.3	91.6
	50s	15	8.4	8.4	100.0
	Total	178	100.0	100.0	

##### 4.2 Factor Analysis

The number of samples could be considered adequate for carrying out a factor analysis for the value of KMO was found to be 0.771. Further, the high value obtained in the Bartlett's test and the value of  $\sigma$  ( $0.000 < 0.05$ ) indicated that the data is appropriate for factor analysis. The latter was carried out for three different variables that have a profound impact on employee engagement that has resulted into a single component. Factor Analysis was employed on the variables in each of the theoretical dimensions of the questionnaire employed for this study. The Principal Axis Factoring (PAF) method was used with Vari max Rotation. Table 3 shows the Rotated Factor Matrix for Factor Analysis. In each case the items reduced to one factor per dimension. In order to delineate the most significant factors from the insignificant ones, about 21 factors were analysed and amongs these six were found to constitute 73 % of the variance. Hence these factors, viz., Employee Growth, Job Profile, Interpersonal Relationships, Employee Welfare, Empowerment, and Company Information were considered for further study.



**Table 3 Rotated Component Matrixes (a)**

	Component					
	1	2	3	4	5	6
Recreation	.845					
Training Opportunities	.773			.302		
Wellness Programs	.712	.303	.354			
Promotions	.596		.595			
Career Path	.582				.362	.480
Rewards	.522			.359	.385	.394
Skills		.862				
Supervisor		.820				
Job Understanding	.396	.599				
Trust		.517	.408			-.314
Decision Making			.833			
Communication			.703			
Respect			.574		.386	
Tasks	.399		.439		.320	
Flexibility				.849		
Time				.815		
Motivation		.408		.551		.542
Views				.312	.784	
Expectation					.665	
Resources	.430				.631	
Newsletter						.797

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. a Rotation converged in 19 iterations.

### 4.3 Regression Analysis

Multiple Regression Analysis was performed with engagement as the criterion variable. The predictor variables were Employee Growth, Job Profile, Interpersonal Relationships, Employee Welfare, Empowerment, and Company Information.

**Table 4 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860(a)	.739	.730	.51977861

**Table 5 Coefficients (a)**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.13E-016	.039		.000	1.000
	Employee Growth	.345	.039	.345	8.819	.000
	Job Profile	.127	.039	.127	3.261	.001
	Interpersonal Relationships	.325	.039	.325	8.317	.000
	Employee Welfare	.545	.039	.545	13.941	.000
	Empowerment	.428	.039	.428	10.951	.000
	Company Information	.137	.039	.137	3.506	.001

a Dependent Variable: REGR factor score 1 for analysis 2

Based on the coefficient values, it is found that Employee Welfare and Empowerment have the maximum influence on employee engagement followed by Employee Growth and Interpersonal relationships.

### 4.4 ANOVA

One way ANOVA was performed to determine the association between the variables Gender and Age with level of Engagement.

### 4.5 Gender and Engagement

H<sub>0</sub>: There is no significant difference in employee engagement based on gender

H<sub>1</sub>: There is significant difference in employee engagement based on gender

**Table 6 Gender and Engagement**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.691	11	.245	1.039	.415
Within Groups	39.090	166	.235		
Total	41.781	177			

As the sig. value is .415 (>.05) null hypothesis is accepted. There is no significant difference in employee engagement based on gender.

#### Age and Engagement

H<sub>0</sub>: There is no significant difference in employee engagement based on age

H<sub>1</sub>: There is significant difference in employee engagement based on age

**Table 10 Age and Engagement**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.716	11	.429	1.057	.399
Within Groups	67.307	166	.405		
Total	72.022	177			

As the sig. value is .399 (>.05), null hypothesis is accepted. There is no significant difference in employee engagement based on age.

#### 4. Conclusion

The research revealed that the level of employee engagement among the executive cadre is quite satisfactory. This study has brought forth the following;

- a.** 61.2% of respondents agreed and the rest (33.7%) were not in agreement with the fact that promotions are handled fairly, and that there is an atmosphere of openness and trust.
- b.** 74.1% of respondents seemed to feel that they are not involved in decisions that affect their work.
- c.** 59.5% of respondents agreed that their job leaves them with enough time for family/personal life.
- d.** 58.4% of respondents agree and 39.3% of respondents disagree that their performance is improved by wellness programs.
- e.** 37.6% of respondents are fully engaged and 62.4% of employees are partially engaged.
- f.** The variables were reduced to 6 factors – Growth, Work, Interpersonal Relationships, Welfare, Resources, and Information.
- g.** Out of the 6 factors, welfare and resources have the most influence on engagement followed by growth and interpersonal relationships.
- h.** There is no significant difference in employee engagement based on gender or age.
- i.** It was found that 37% of the selected employees are fully engaged and 63 % were partially engaged.

This study identified Employee welfare, Empowerment, Growth and Interpersonal relationships as the critical predictors i.e. those survey items which have major impact on engagement. For the sample as a whole, it is evident that there is considerable scope for improvement in the level of employee engagement in the organization, if annual engagement surveys are rolled out on a company wide basis and actions are taken based on the results. Since the parameters used in the study vary from one study to another it is not possible to

generalize our findings. The predictors of Employee Engagement are highly organization specific. Based on the study the following suggestions were made to enhance employee

engagement

- a.** As considerable number of employees felt that promotions are not handled fairly, management should find out the cause for such an opinion among employees and rectify it.
- b.** As there is lack of trust and co-operation between teams, Team Counselling can be done to help employees develop trust and co-operation.
- c.** Managers should involve their subordinates in decision making process while taking decisions which affect their work.
- d.** Steps must be taken to improve wellness programs and to ensure that everyone benefits from such initiatives.

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