



LEVERAGING EMPLOYEE ENGAGEMENT FOR COMPETITIVE ADVANTAGE: HR'S STRATEGIC ROLE

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Abstract

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. For today's different generations, access to training and career opportunities, work/life balance and empowerment to make decisions are important. Thus, to foster a culture of engagement, HR leads the way to design, measure and evaluate proactive workplace policies and practices that help attract and retain talent with skills and competencies necessary for growth and sustainability.

Keywords: Leadership, Competencies and Sustainability.

Introduction

“The challenge today is not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives.” Employee engagement has emerged as a critical driver of business success in today's competitive marketplace. Further, employee engagement can be a deciding factor in organizational success. Not only does engagement have the potential to significantly affect employee retention, productivity and loyalty, it is also a key link to customer satisfaction, company reputation and overall stakeholder value. Thus, to gain a competitive edge, organizations are turning to HR to set the agenda for employee engagement and commitment.

Employee engagement is defined as “the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment.” Research shows that the connection between an employee's job and organizational strategy, including understanding how important the job is to the firm's success, is the most important driver of employee engagement. In fact, employees with the highest levels of commitment perform 20% better and are 87% less likely to leave the organization, which indicates that engagement is linked to organizational performance. In contrast, job satisfaction term sometimes used interchangeably with employee engagement—is defined as how an employee feels about his or her job, work environment, pay, benefits, etc.

Employee engagement is a complex concept, with many issues influencing engagement levels. Consequently, there are many pathways to foster engagement, with no one ‘kit’ that fits all organizations. While each company may define employee engagement differently, ultimately, the key to effective engagement will be rooted in the flexibility of approach most appropriate for each individual firm. For example, the company may consider a ‘best practice’ and then determine the likely outcome of this practice in its workplace.

Trends in Employee Engagement

Today, society and business are witnessing unprecedented change in an increasingly global marketplace, with many companies competing for talent. As organizations move forward into a boundary less environment, the ability to attract, engage, develop and retain talent will become increasingly important. For example, the increased demand for work/life balance and the changing relationship between employers and employees are driving the need for HR professionals and their organizations to truly understand what employees need and want and then determine how to meet those needs while at the same time developing and leveraging workplace talents at all levels.

In addition, trends in workforce readiness highlight the importance of organizational success. To ensure that new workforce entrants attain the essential skill levels needed in today's workplace, business leaders have the responsibility to partner with and other organizations to provide learning opportunities, such as internships, summer

jobs or job shadowing. The continued acceleration of change, both domestically and globally, places greater emphasis on the role of HR to develop effective employee engagement strategies for the current and future workforce.

Employee-employer relationship evolving/changing to partnerships.
Increased demand for work/life balance.
HR's greater role in promoting the link between employee performance and its impact on business goals.
Increasing focus on selective retention for keeping mission-critical talent.
Work intensification as employers increase productivity with fewer employees and resources.
Acquiring and keeping key talent reemerging stop issues of concern.
Decline in traditional communication methods and increase in cyber communication.
Needs, wants and behaviors of the talent pool driving changes in attraction, selection and retention practices.

Figure 1: Top Trends Lead to Focus on Employee Engagement

Engagement as a Driver for Organizational Success

Engaged employees work harder, are more loyal and are more likely to go the 'extra mile' for the corporation. There are different levels of engagement (see Figure 2), and understanding the types of engagement provides perspective into employee behaviors that can either positively or negatively affect organizational success. Employee engagement can be considered as cognitive, emotional and behavioral. Cognitive engagement refers to employees' beliefs about the company, its leaders and the workplace culture. The emotional aspect is how employees feel about the company, the leaders and their colleagues. The behavioral factor is the value-added component reflected in the amount of effort employees put into their work (e.g., brainpower, extra time and energy).

Employees who are highly involved in their work processes—such as conceiving, designing and implementing workplace and process changes—are more engaged. As highlighted in the literature, the link between high-involvement work practices and positive beliefs and attitudes—as associated with employee engagement and generating behaviors leading to enhanced performance—is an important driver for business success. For example, a recent study analyzed 132 U.S. manufacturing firms and found that companies utilizing high-performance work systems had significantly higher labor productivity than their competitors. When employees have the power to make decisions related to their performance, can access information about company costs and revenues, and have the necessary knowledge, training and development to do their jobs—and are rewarded for their efforts—they are more productive.

As highlighted in a recent report by the SHRM Foundation, employee engagement can be measured in dollars and can yield significant savings. For example, at the beverage company of Molson Coors, it was found that engaged employees were five times less likely than non engaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. In fact, the average cost of a safety incident for an engaged employee was \$63, compared with an average of \$392 for a non engaged employee. Consequently, through strengthening employee engagement, the company saved \$1,721,760 in safety costs in 2002. In addition, savings were found in sales performance teams through engagement. In 2005, for example, low-engagement teams were seen falling behind engaged teams, with a difference in performance-related costs of low- versus high-engagement teams totaling \$2,104,823.

Related to productivity, employee health is a critical factor in employee engagement. Conditions that support health and psychological well-being are open communication, respect, trust, teamwork and positive work relationships. The Gallup Organization, a leader in employee engagement research, found that employee physical health and psychological well-being affect the quality and quantity of work. For example, 62% of engaged employees feel their work positively affects their physical health. Yet that number drops to 39% among non engaged employees and to 22% among employees who are actively disengaged. In addition, 54% of disengaged employees say their work has a negative effect on their health and 51% see a negative effect on their well-being. The implication for HR and managers is that engaged employees are more likely to view the organization and job as a healthy environment and therefore more likely to support the organization.

Research also shows that customer loyalty is closely related to employee engagement. In a recent empirical study, the relationship between the availability of organizational resources (i.e., training, technology, autonomy) and employee engagement in work units was found to have a positive effect on employee performance and customer loyalty. When employees feel more engaged in their work, the climate is better for service and the customer receives better-quality service, thus promoting customer loyalty. The practical implication is that the organization (e.g.,

service organizations, such as banks, hotels, restaurants, membership associations) must focus more on keeping employees engaged. HR leaders, as well as managers, have the mission to build and sustain a workplace environment that fosters engagement and is also attractive to potential employees.

Engaged employees work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
Not engaged employees are essentially “checked out.” They’re sleepwalking through their work day, putting time—not energy or passion—into their work.
Actively disengaged employees aren’t just unhappy at work: they’re busy acting out their unhappiness. Every day, these workers undermine what their engaged co-workers accomplish.

Figure 2: Levels of Employee Engagement

Levers for Employee Engagement

Employee engagement, as a work-related state of mind, can be characterized by vigor, dedication and absorption. Vigor means high levels of energy and mental resilience on the job, persistence in the face of difficulties and a willingness to invest effort in one’s work. Dedication refers to a sense of inspiration, pride, significance, enthusiasm and challenge at work. Absorption is being happy, fully concentrated and deeply engrossed in one’s work so that time passes quickly, with difficulty detaching from work. Certain levers drive employee engagement (see Figure 3) and reflect factors that promote vigor, dedication and absorption. Engagement is also strongly influenced by organizational characteristics, such as a reputation for integrity, good internal communication and a culture of innovation. As HR works to establish meaningful programs and workplace practices to attract and retain talent, employee engagement levers are important to consider.

The employee’s emotional commitment to the job and company is a key lever for engagement. Literally, the degree and quality of performance depend on heart over mind. The level of emotional commitment—the extent to which the employee derives enjoyment, meaning, pride or inspiration from something or someone in the organization—is a significant variable in engagement and thus in performance. Emotional commitment to the job, organization, team and manager has been found to determine stronger performance than rational commitment (the extent to which an employee feels that someone or something within the company provides developmental, financial or professional rewards in employee’s best interests).

In addition, work/life balance is increasingly important for engagement and affects retention. As emphasized in a recent study on generations and gender by the Families and Work Institute, Generations X and Y have different workplace expectations than do the baby boomers and mature workers. By being aware of the unique needs of diverse groups, as well as by recognizing individual differences within these groups, HR can better understand the challenges of increased diversity in the organization’s workforce (e.g., different generations, more females, and more Hispanic employees in the United States) and work toward designing and implementing workplace policies and practices to engage diverse employee groups.

Finally, a holistic view of employee engagement can be helpful to determine what is working and what is not. Looking at predictors or ‘hot buttons’ offers HR a way to better understand what practices and policies in their organization effectively promote employee motivation, attendance, retention and productivity. By using a matrix of engagement predictors (organizational process, values, management, role challenge, work/life balance, information, reward/recognition, work environment and products/services), HR can help the organization better manage engagement and ultimately foster motivation, productivity and retention.

The Influence of Workplace Culture

Workplace culture sets the tone for employee engagement. Is the culture considered family friendly, for example, or is the organization so focused on getting ahead that taking care of its employees is left out of the strategy? Or perhaps the nature of the workplace culture falls somewhere between those two possibilities. Research shows that organizations that provide a workplace culture with the psychological conditions of meaningfulness (job enrichment, work-role fit); safety (supportive manager and co-workers) and availability (resources available) are more likely to have engaged employees. Consequently, organizations considered as an ‘employer of choice’ are more likely to attract and retain the best talent and have higher levels of engagement. Beyond compensation and benefits, key retention factors include the mission and values of the company, treatment of people, learning and development opportunities, work/life balance policies and practices, and rewards to employees for their efforts. In addition, employee loyalty must be earned through a culture of respect and integrity and learning and development. A study on organizational respect and burnout in the human services profession, for example, emphasizes that respect plays a pivotal role in employee engagement levels. The study highlights that an organization that treats its

employees with dignity and respect creates a workplace culture that fosters loyalty and engagement. Such organizations often demonstrate proactive practices and best outcomes by weaving retention and engagement deeply into the fabric of the workplace culture.

Business risks: Channel engagement efforts to those places in the organization where high engagement is critical to achieving business targets.
Key contributors: Expand the organization's understanding of 'contribution' to include employees—beyond the high-potential population—who create significant value.
Engagement barriers (what gets in the way of high engagement): Be aware of the challenges in identifying 'what's really going on' in the organization.
Culture: Though often considered a 'soft' concept, culture can yield compelling, hard business results. Organizations must provide employees with 'three C's:' connection, contribution and credibility.

Figure 3: Leveraging Employee Engagement

The Power of Communication

Clear, consistent and honest communication is an important management tool for employee engagement. HR promotes thoughtful communication strategies that encourage employee engagement by keeping the workforce energized, focused and productive. Such strategies are critical to long-term organizational success. In addition, strategic and continuous communication lends credibility to the organization's leadership. (On the other hand, lack of communication or poorly communicated information can lead to distrust, dissatisfaction, skepticism, cynicism and unwanted turnover.) Branding, for example, is a type of communication strategy that can promote employee engagement by sending 'the right message' about the company, its mission, values and products/services to the workforce and marketplace at large.

To recharge employee morale and support of the organization's objectives, HR can foster an environment for engagement by developing a targeted, proactive strategic communication plan. The communication strategy can provide focus on organizational goals and determine methods of communication and information points for different audiences (e.g., employees versus media). Key points for HR to consider are: 1) communicate from the top down to build employee confidence and buy-in; 2) involve employees whenever possible, such as through focus groups; 3) communicate and explain all aspects of change, negative and positive; 4) personalize communications to address the question "what's in it for me?"; and 5) track results and set milestones to evaluate the objectives of the communication plan.

Commitment to the Organization

The number one factor that influences employee commitment is the manager-employee relationship. The manager creates the connection between the employee and the organization, and as a result, the manager-employee relationship is often the "deal breaker" in relation to retention. A recent study shows that employees who trust their managers appear to have more pride in the organization and are more likely to feel they are applying their individual talents for their own success and that of the organization. However, the findings show only 56% of employees feel their manager has good knowledge of what they do and promotes the use of their unique talents.

Managers who demonstrate the following characteristics promote employee engagement: 1) show strong commitment to diversity; 2) take responsibility for successes and failures; 3) demonstrate honesty and integrity; 4) help find solutions to problems; 5) respect and care for employees as individuals; 6) set realistic performance expectations; 7) demonstrate passion for success; and 8) defend direct reports. The organization will want to rethink keeping managers who foster disengaged employees and therefore lose valuable talent to other organizations.

In addition, HR practices can make the difference between effective engagement and valuable human capital joining the competition. For example, a study about the impact of HR practices and organizational commitment on the profitability of business units found a close relationship between practices, operating expenses and firm performance. In addition, employees were found to be more committed to the organization when managed with progressive HR practices. At a large food-service corporation with operations in the United States and Canada, the study results were put to practical use when the senior HR executive used the data in presentations to demonstrate the kind of performance the company might see as a result of developing and implementing proven HR practices. Going one step further, to assist business-unit leaders whose groups were not meeting performance goals, the company developed a portal to help identify key performance deficiencies and now offers information on HR practices to help increase performance. As this study demonstrates, HR's role in promoting employee commitment—including coaching managers to be effective people managers—is a significant factor in employee engagement.

Barriers to Employee Engagement

Often in the form of rules, workplace culture and behaviors, barriers to engagement can be damaging to employees, customers and stakeholders—and ultimately, to the organization's financial success. In fact, by operating in a “black-and-white” world, even HR can act as a barrier—depending on how workplace policies and practices are implemented—rather than helping to motivate employees through innovative and proactive practices. Also, barriers can prevent efficiency, do not promote a positive and engaging work environment and may damage the ability of an organization to act quickly. Importantly, barriers can prevent customers from getting what they need.

To be better positioned to address barriers to engagement, organizations must determine what is working and what is not. The Gallup Organization, for example, identified 12 indicators that link employee satisfaction with positive business outcomes and profitability. The initial study considered four key areas: customer satisfaction/loyalty, profitability, and productivity and employee turnover. These indicators, known as the Q12, are based on employee involvement topics, such as attitude, feedback, recognition and measurement. Today, many employers base their employee attitude surveys on the Q12.

In addition, stress levels in the workplace have increased substantially due to the pressures of competition, technology that promotes the fast-paced 24/7 global economy and the blurring of boundaries between work and home life. For example, a 2004 study found that 27% of U.S. employees was overwhelmed by how much work they had to do and 29% often or very often did not have time to process or reflect on the work they did. Overworked employees make more mistakes and tend to have higher levels of stress and physical health problems, experience clinical depression and neglect caring for themselves. The message for HR is that stressed employees are likely to be less engaged and less productive in the workplace.

Conclusion

The level of engagement determines whether people are productive and stay with the organization— or move to the competition. Research highlights that the employee connection to the organizational strategy and goals, acknowledgment for work well done, and a culture of learning and development foster high levels of engagement. Without a workplace environment for employee engagement, turnover will increase and efficiency will decline, leading to low customer loyalty and decreased stakeholder value. Ultimately, because the cost of poor employee engagement will be detrimental to organizational success, it is vital for to foster positive, effective people managers along with workplace policies and practices that focus on employee well-being, health and work/life balance.

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