



IMPACT OF EMPLOYEE ENGAGEMENT ON PERFORMANCE OF ORGANISATION



Bhanupriya Bhatt¹

*Student
Department of Psychology
IGNOU,
New Delhi
India*

ABSTRACT

In today's world of economic uncertainty, engaging employees is critical to ensuring an organizations longevity and profitability. Employee engagement positively impact on organisational level outcomes. The reason behind this is because employees want to work for reasons other than they get paid to do it, they work to pursue success for their organisation. Employee engagement drives performance by improving retention, customer loyalty, productivity, safety and profitability. Engaged employees care about their organisation and work to contribute towards its success. Such employees are less likely to leave for another job and take unauthorised leave. They are more likely to work better, faster and more safely. This paper describes the way in which employee engagement impacts upon key business performances and in the process makes the case for measuring, understanding and improving employee engagement.

KEY WORDS: *Employee Engagement, Customer Loyalty, Profitability, Productivity, Innovation and Retention*

INTRODUCTION

The concept of employee engagement is relatively new to the business world. However, research is continuing to find the relationship of employee engagement to various organisational outputs including profitability, productivity, innovation, customer satisfaction, retention, safety and customer loyalty. In a review of high performing organizations literature, De Waal (2007) identified that leaders of high performance organisations are committed to the organisation for the long haul by balancing common purpose with self-interest and teaching organisational members to put the organisation first. Many researchers found that Employee engagement positively impact on organisational level outcomes. The reason behind this is because employees want to work for reasons other than they get paid to do it, they work to pursue success for their organisation. This paper describes

the way in which employee engagement impacts upon key business performances and in the process makes the case for measuring, understanding and improving employee engagement.

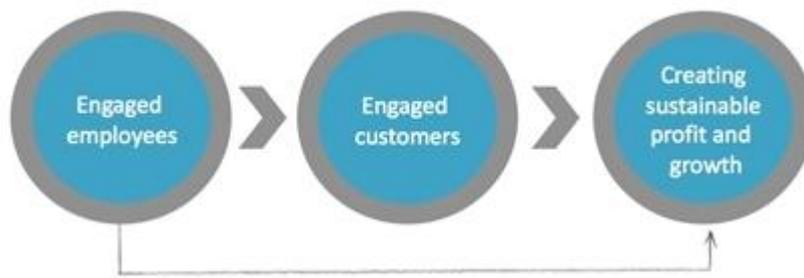
ENGAGEMENT AND PROFITABILITY

Researchers discovered that companies with engaged workforces have higher earnings and they seem to have recovered from the recession at a faster rate. Companies with engaged workforces seemed to have an advantage in regaining and growing earning at a faster rate than their industry equivalents. Conversely, companies with below average engagement levels saw no increased advantage over their competitors in the economic recovery. Employee has a number of implications for an



organisation's profitability but this impact is largely indirect in nature. It improves the retention, customer loyalty, productivity and safety in an organizations which keep

the bottom line of the organization healthy. The diagram below illustrates this relationship.



Taleo Research (2009) found that organisations enjoy 26 percent higher revenue per employee when employees are highly engaged .In continuation, it was found that organisations with highly engaged employees earned 13 percent greater total returns to shareholders. Furthermore, a meta-analysis (Harter,2002) showed that businesses in the top 25% for employee engagement produced up to four percentage points in profitability.

ENGAGEMENT AND PRODUCTIVITY

Employees who are engaged with their job and employer are more productive because they are motivated beyond personal factors. They are found more focused and more motivated than their disengaged co-workers. They work more efficiently with the success of the organisation in their mind. Gorning (2008) in a study of 100 companies found 1,000 percent increase in errors among engaged versus disengaged employee populations. In the continuation, Taleo Research (2009) found that employees that are highly engaged are twice as likely to be top performers.

ENGAGEMENT AND INNOVATION

Engaged employees are empowered to seek ways to innovate, whether that Innovation among employees means improving experience of the customer , boosting profitability, improving marketing and quality, or simply being more creative. Generally, people think that innovation is limited to research and development, advancement of technology and filing a new patent. But in reality, innovation can be done in any company, regardless of its size or department.

Any change leading to a successful business process improvement constitutes innovation. Gallup in his recent research found that 61 percent of engaged employees feed off the creativity of their co-workers compared to a mere 9 percent of disengaged employees. Further, it was found that 59 percent of engaged employees believe their job brings out their most creative ideas, compared to only 3 percent of disengaged employees.

Leadership teams that want to demoralize employee engagement and initiative should simply inform employees that they can not do something in new way because we have tried that earlier. The other excuse may be that management will never accept that because it is not the policy of the organization. This type of culture ultimately maintains the current status and does not promote innovation. Companies started failing in business when they do not evolve their products or services.

If your company has such type of culture, it lacks in innovation, empowerment and engagement. This kind of company's growth will be slower than its competitors, client satisfaction levels will be lower than the average of the industry and voluntary employee turnover will be higher than the competitors. You are also most likely retaining only your marginally engaged employees.

Instead of a because culture, we should try for a why not culture. Instead of rejecting ideas of employee , give them a chance to do something new, just to see what happens. Even better, seek out those ideas. Sure, you will have some misses, but you will also have some hits! Continuous improvement is about challenging the norm.

Besides, actually listening to employees allows them to become even more comfortable about expressing their ideas, which naturally increases their level of engagement. Of course, not all ideas will be winners.

ENGAGEMENT AND CUSTOMER SATISFACTION

Engaged employees usually have an attachment to their work and go beyond what is expected of them on the job. This enthusiasm and attachment are characteristics of employees. Employee engagement differs from employee satisfaction. Employee satisfaction is related to whether or not employees are happy in their jobs. It is not surprising that employee satisfaction is an important requirement for employee engagement.

Various things in an organization affect employee engagement including culture of the organisation, human resource systems, characteristics of the market and financial outcomes. In the current business environment, organizations need such type of employees who are motivated, energetic, and open to new ways of doing things to achieve ultimate customer satisfaction.

Selecting the right employee for the right job at the right time influences how motivated and ultimately engaged that employee will be. Research by Theresa Melbourne at the University of Chicago identified four motivators of the employee including the need for the income to survive, the need for good pay and personal satisfaction, the need to make a difference while not motivated by money and the need for work to be fun.

Research conducted by a European human resource and development firm found that the main motivators of employee engagement included having opportunities to share your views with those above your pay grade, feeling informed about what goes on in the organization and believing your manager is committed to the organization.

Both of these studies are supported by Herzberg's theory of motivation in the workplace. He observed that pay and working conditions only maximized an employee's satisfaction at work. He further observed that employees were motivated by factors like recognition, achievement, responsibility, type of work and potential for advancement. Motivated employees had the potential to become fully engaged in their work.

ENGAGEMENT AND EMPLOYEES RETENTION

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 for another job that offers higher financial benefits and more flexible working conditions. The Corporate Leadership Council (2004) found that the most engaged employees are 87% less likely to leave their jobs. The same study found that the 100 best places to work had an average voluntary turnover rate of 13% as compared with the average of 28.5% of other businesses in the same industries. Towers Perrin (2003) found that 12% of disengaged employees have no intention to leave their jobs 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.

EMPLOYEE ENGAGEMENT AND SAFETY

Engaged employees remain highly involved and absorbed in their job work. If employees are not engaged, they are found less focused on their job work and more likely to make mistakes. This has significant implications for industries in which safety is an important factor. Many researches have been conducted to show the link between employee engagement and safety outcomes. Harter (2009) found that the top 25% of business units have 49% less safety incidents than the bottom 25%. The same study was conducted in health settings and found that the most engaged organisations have 41% less patient safety incidents. Furthermore, engaged employees are more likely to use their initiative to suggest and implement improvements to safety systems. Their engagement gives them a greater sense of ownership in their role and increases the sense of responsibility to act on potential problems. Research has shown that engaged employees are motivated to work safely and non-engaged employees are more susceptible to burnout. This decreases employees focus and motivation to do the right thing.

EMPLOYEE ENGAGEMENT AND CUSTOMER LOYALTY

Customers are more likely to recommend a business to others if they have had a positive experience and that positive experience is most often formed by interactions with frontline staff. The attitudes of frontline staff are a product of their engagement and to a lesser extent, the engagement of those around them. Harter (2009) found in his study that employees are more customer focused when engaged as they are motivated to increase their discretionary effort to achieve the success of the business rather than simply for personal gain.

Research provides credence to this idea. In his meta-analysis, Harter (2009) found that business units that scored in the top 25% on engagement had customer ratings 12% higher than business units scoring in the bottom 25% of engagement. This improvement is due to the fact that engaged employees care more about meeting customer needs. They believe that their organisation has a strong customer focus whereas less engaged employees have far more misgivings about their organisation in terms of these measures and are likely to have little personal investment in a strong customer focus.

Engagement impacts on customer loyalty in more ways than simply interactions with frontline staff. The quality of products produced by engaged employees is better as previously reported and more productive staff make less mistakes that could impact on customer.

Additionally, engaged staff have a positive impact on an organization's reputation in the wider world by being brand ambassadors. Conversely, disengaged employees can become a public relations nightmare. In the new world of social media, employees and customers can interact outside the traditional boundaries. For example, when it was widely reported that Walmart started treating its employees badly, customers and employees were able to discuss and spread this news. This dissemination resulted in a drop in reputation and financial performance for Walmart.

CONCLUSION

Employee engagement drives performance by improving retention, customer loyalty, productivity, safety and profitability. Engaged employees care about their organisation and work to contribute towards its success. Such employees are less likely to leave for another job and take unauthorised 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 maximised. In today's world of economic uncertainty, engaging employees is critical to ensuring an organization's longevity and profitability.

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