IOSR Journal of Humanities and Social Science (IOSR-JHSS)
e-ISSN: 2279-0837, p-ISSN: 2279-0845
PP 60-68
www.iosrjournals.org

Implications of Employee Engagement on Critical Business Outcomes – An Empirical Evidence.

*** Mrs.G. Swetha, ** Dr. D. Pradeep Kumar**

[1]*Research Scholar, JNTU, Ananthapur, (Swetha_reddi84@yahoo.com)*
[2]*Professor & Head, Department of Management StudiesMadanapalle Institute of Technology & Science, Madanapalle(Pradeep4a2@yahoo.co.in, cell:09849768124)*

I. INTRODUCTION TO EMPLOYEE ENGAGEMENT

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."[1] 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.[2]

II. ENGAGEMENT = PROFIT

What then is the business case for this increased attention? It's simple: engagement = profit! Research shows that engaged employees are more productive employees. They are more profitable, more customer-focused, safer, and more likely to withstand temptations to leave the organization. In the best organizations, engagement is more than an HR initiative — it is a strategic foundation for the way they do business. Organizations that have optimized engagement have 2.6 times the earnings per share (EPS) growth rate compared to organizations with lower engagement in the same industry.

When employees join an organization, they're usually enthusiastic, committed, and ready to be advocates for their new employer. Simply put, they're highly engaged. But often, that first year on the job is their best. Research reveals, in case after case, that the longer an employee stays with a company, the less engaged he or she becomes.

III. ANTECEDENTS AND CONSEQUENCES OF EMPLOYEE ENGAGEMENT:-

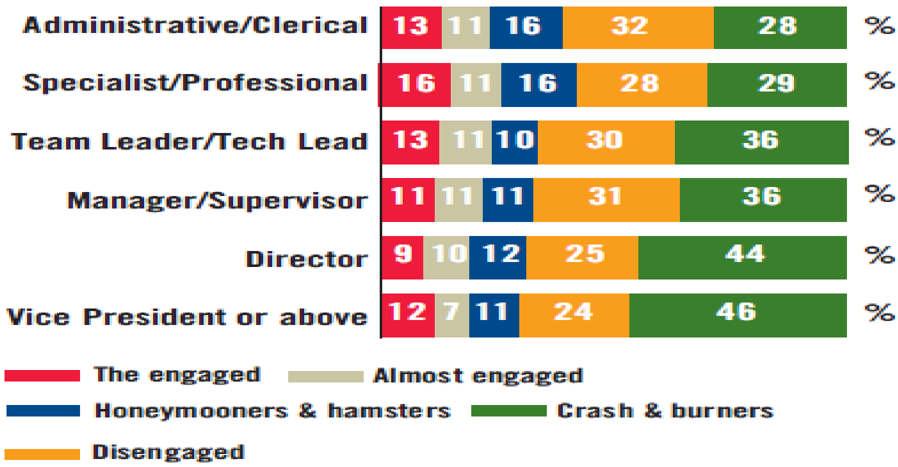
Critical Business Outcomes as Antecedents to Employee Engagement:

The driving force 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 and Critical Business Outcomes (Harter et al., 2002)[7]. However, engagement is an individual-level construct and if it does lead to business results, it must first impact individual-level outcomes. Along these lines, there is reason to expect employee engagement to be related to individuals' attitudes, intentions, and behaviors. Through these intervening variables, employee engagement has its impact on the Critical Business Outcomes which is evident from the following empirical evidences.

IOSR Journal of Humanities and Social Science (IOSR-JHSS)
e-ISSN: 2279-0837, p-ISSN: 2279-0845
PP 15-23
www.iosrjournals.org

IV. HEIGHTS OF ENGAGEMENT[8]:-

People higher up in the organization expectedly show higher levels of engagement as they are closer to the centres of decision making, have more say in the direction of the organization and presumably were promoted at least partly on the basis of their ability to deliver in tune with the organization's goals. Another clearly observable pattern is that there is a drop in the level of engagement past the VP level.

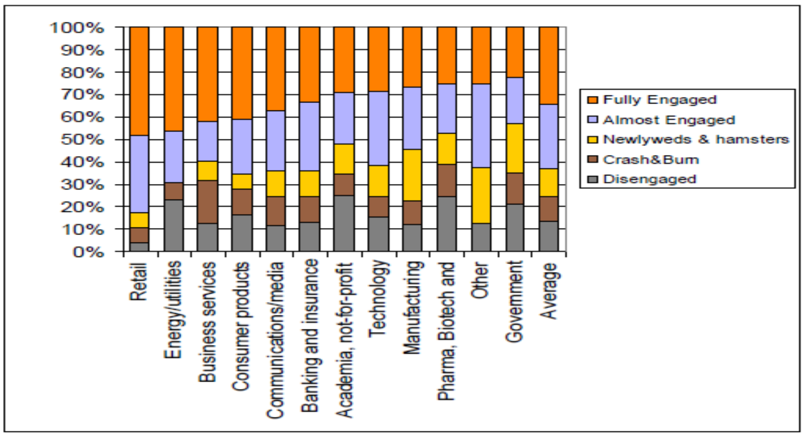


V. ENGAGEMENT BY GENDER:-

The level of engagement seen in terms of gender classification shows some interesting trends. There is a considerable disparity in engagement when it comes to employees of different genders. Eight percent more men than women are fully engaged. Apart from that, it is also revealed by the findings that as much as 6 percent less members of the male population are disengaged than members of the female population.

	Fully engaged	Almost engaged	Newlyweds & hamsters	Crash & burn	Disengaged
Female	28%	29%	14%	12%	18%
Male	36%	29%	12%	10%	12%
Grand Total	34%	29%	13%	11%	13%

VI. ENGAGEMENT BY INDUSTRY



The level of engagement of Indian workers does vary from one industry to the next. Having said this, with the exception of the Government sector (which has relatively low engagement levels in all countries), there is no clear pattern of the types of industries where engagement levels are strongest. Some high-tech industries (like Pharma and Biotech) score low whereas some service focused industries (Retail, consumer products) score high.

VII. INDIANS WORKERS ARE MORE SATISFIED

Taking global figures into account, it can be said that Indian workers are among the most focused and satisfied in the world. Slightly more than a third (34 percent) of the employees in India are fully engaged while 13 percent of them are disengaged. The economic growth in India is such that opportunities are aplenty for the respondent population. Therefore, pay and growth opportunities rate highly in their list of expectations.

Region	Disengaged	Honeymooners & hamsters	Crash & burn	Almost engaged	Fully engaged
India	13%	13%	11%	29%	34%
South AF.	11%	14%	18%	26%	31%
NA	19%	12%	13%	27%	29%
AU NZ	20%	18%	12%	24%	26%
Europe	21%	15%	13%	28%	23%
SEA	21%	9%	18%	31%	22%
China	33%	9%	16%	32%	10%
Other	36%	7%	7%	27%	24%
Grand Total	18%	12%	13%	28%	29%

VIII. 'IMPACT OF EMPLOYEE ENGAGEMENT ON CRITICAL BUSINESS OUTCOMES' – AN EMPIRICAL EVIDENCE:-

- The beverage company of Molson Coors, it was found that engaged employees were five times less likely than nonengaged 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 nonengaged 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.

- Towers Perrin has found a similar engagement profile in 2003 study, with 19% of U.S. workers categorized as disengaged, 54% as moderately engaged, and only 17% as highly engaged (Towers Perrin, 2003)[9]. Similar findings were found in a more recent study by consultants BlessingWhite (2008)[10]. Based on more than 3,000 employees in North America, this survey found that 19% of employees were disengaged, 52% were only moderately engaged, and 29% were fully engaged.
  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 nonengaged 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[11].
- The Corporate Leadership Council (CLC) (2004)[12] completed a study of engagement levels of over 50,000 employees across the globe and found that those employees who are most committed:
  Perform 20% better, which CLC (2004) claims infers that moving from low to high engagement levels will induce an increase in employee performance of 20 percentile points; and
  87% are less likely to leave the organization, which CLC (2004) states indicates the significance of engagement to **organizational performance**
- Melcrum Publishing (2005)[13] found that from a global survey of over 1,000 communication and HR practitioners 74% began to formally focus on the issue between 2000 and 2004. In the years prior, to most organizations, employee engagement was just a general philosophy incorporated into the organization's people practices rather than being a formal, dedicated engagement programme. Over the

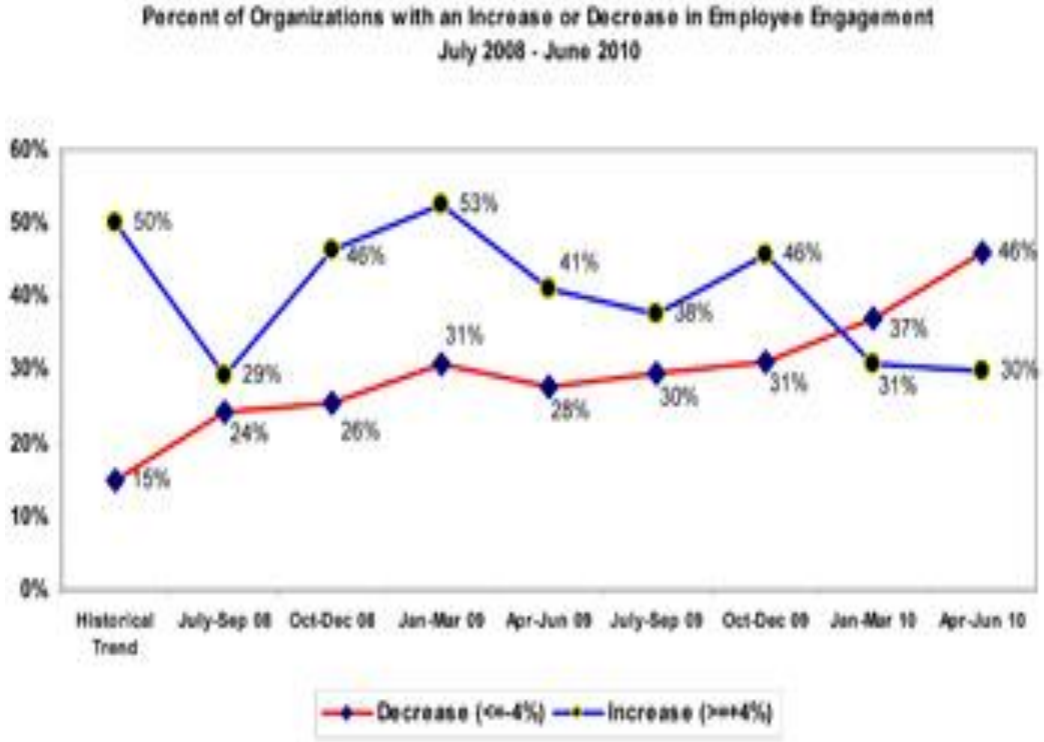
past two years in Australia, more organizations have been measuring employee engagement levels through a series of survey questions. The results are represented graphically as a percentage of employees who are at various stages of engagement. High Engagement levels have been found to have a strong impact on the **business growth, employee retention and financial return**.

{{

- In 2005, a survey conducted in Thailand revealed only 12 percent of Thailand's employee population are 'engaged', 82 percent are 'actively disengaged' and 6 percent disengaged. Similar Gallup studies have found the levels of engagement in Australia, China, Japan, New Zealand and Singapore to be 18 percent, 12 percent, 9 percent, 17 percent and 9 per cent respectively (Gallup 2004)[14].
- Meere (2005)[15] discusses a survey carried out by ISR on 360,000 employees from 41 companies in the world's 10 largest economies and finds that in companies with low engagement both **operating margin and net profit margins** reduced over a three year period, whilst in companies with high levels of engagement both these measures increased over the same time period.
- A Conference Board study on retirement issues (2005)[16] found that many employees have work attitudes indicating various aspects of disengagement, including that 66% of workers do not identify with or feel motivated to drive their employer's business goals, 40% of workers feel disconnected from their employers, and 25% of employees are just ''showing up to collect a paycheck.'' Continuing this theme are findings that a number of engagement-oriented factors appear to contribute **to job dissatisfaction**.
- Right Management (2006)[17] found that 70% of engaged employees indicated they had a good understanding of how to meet **customer needs,** whilst only 17% of non-engaged employees scored high on this measure.
- According to a survey of almost 5,000 recent retirees conducted by the Employee Benefit Research Institute (2008)[18], almost two-thirds of those who were dissatisfied with their job at the time they made the decision to retire had felt that they were not valued by the company or that their work did not have long-term value as a **significant contribution**. In other words, employees who chose to retire had not been highly engaged in their work.
- J.C. Penney stores with top-quartile engagement scores generate 36% better operating income than similar sized stores with bottom-quartile engagement scores[19].

- Employee engagement at double-digit growth companies exceeds engagement at single-digit growth companies by over 20%. Development Dimensions International (DDI) estimates that moving an organization with 10,000 employees from low to high engagement can have an impact of over $42 million[20].
- In a Fortune 100 manufacturing company, a low-engagement group averaged 5,658 quality errors (as measured by parts per million) while a high-engagement group averaged only 52[21].

Historically, Hewitt's research shows that about half of these organizations improved their engagement levels in a one-or-two year period, while only 15 percent had experienced a decline. However, the past two years have been more challenging: the percent of organizations with declining engagement has been steadily growing. This trend is particularly notable in 2010. Hewitt's research shows that 46 percent of organizations experienced a decline in engagement levels in the quarter ending June 2010, while just 30 percent saw an improvement.



Engagement Linked to Financial Performance[22]

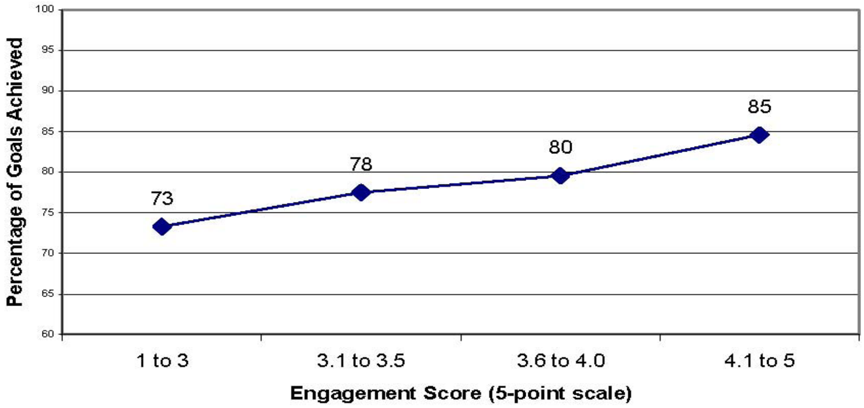
Hewitt's analysis suggests a clear link between employee engagement levels and financial performance. Organizations with high levels of engagement (where 65 percent or more of employees are engaged) outperformed the total stock market index even in volatile economic conditions. During 2009, total shareholder return for these companies was 19 percent higher than the average total shareholder return. Conversely, companies with low engagement (where less than 40 percent of employees are engaged) had a total shareholder return that was 44 percent lower than the average.

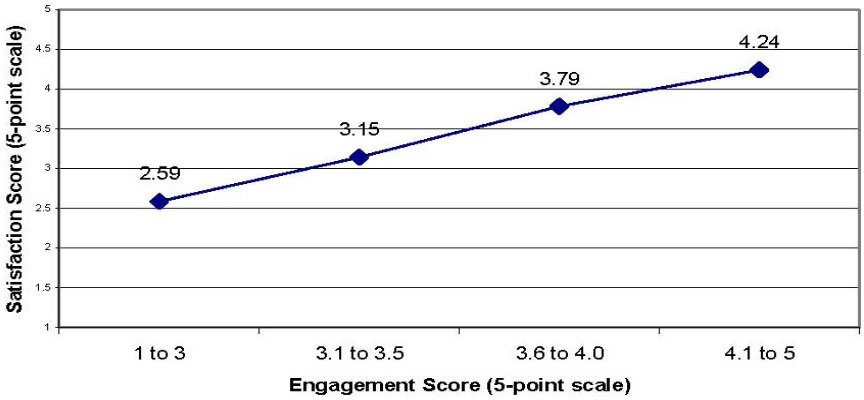
IX. HOW ENGAGEMENT AFFECTS BUSINESS SUCCESS:-

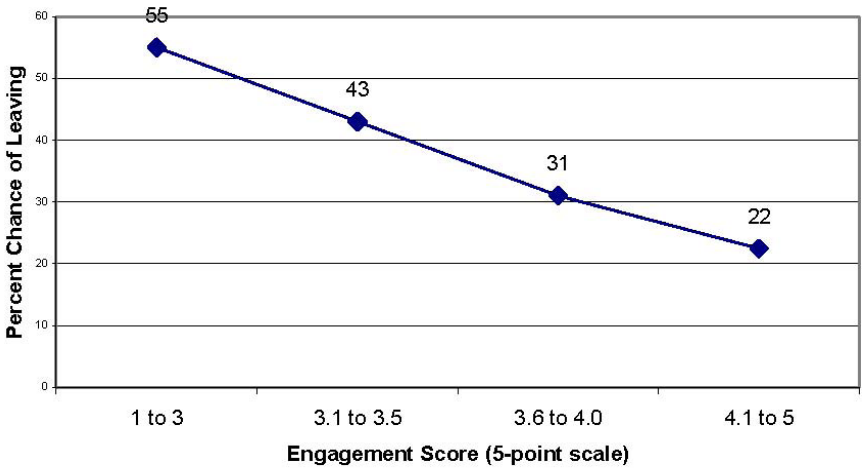
Over the years, Gallup has estimated that disengaged employees cost U.S. companies between $250 and $350 billion a year (Rath & Conchie, 2009)[23]. Comparing highly engaged employees with less engaged workers provides some insights into how engagement affects business outcomes. The Towers Perrin (2006)[24] study compared groups of highly engaged workers with groups of less engaged employees. Key findings of these comparisons show that: 84% of highly engaged employees believe that they can positively affect the quality of their company's products, compared with 31% of the disengaged; 72% of highly engaged employees believe that they can positively customer service, versus 27% of the disengaged; 68% of highly engaged employees believe that they can positively affect costs in their job or unit, versus 19% of the disengaged; 59% of highly engaged employees planned to stay with their current employer, compared with just 24% of the disengaged; and employees who are the most committed to the organization perform 20% better on the job.

X. ENGAGEMENT PREDICTS ORGANIZATIONAL SUCCESS[25]:-

Many studies have shown that investments in people (i.e., HR-related practices) have a reliable impact on organizational performance. The Bureau of Labor Statistics (www.bls.gov) conducted a comprehensive review of more than 100 studies and found that people practices have a significant relationship to improvements in productivity, satisfaction, and financial performance. The DDI research profiled in this summary (see graphs) shows that when engagement scores are high, employees are more satisfied, less likely to leave the organization, and more productive.

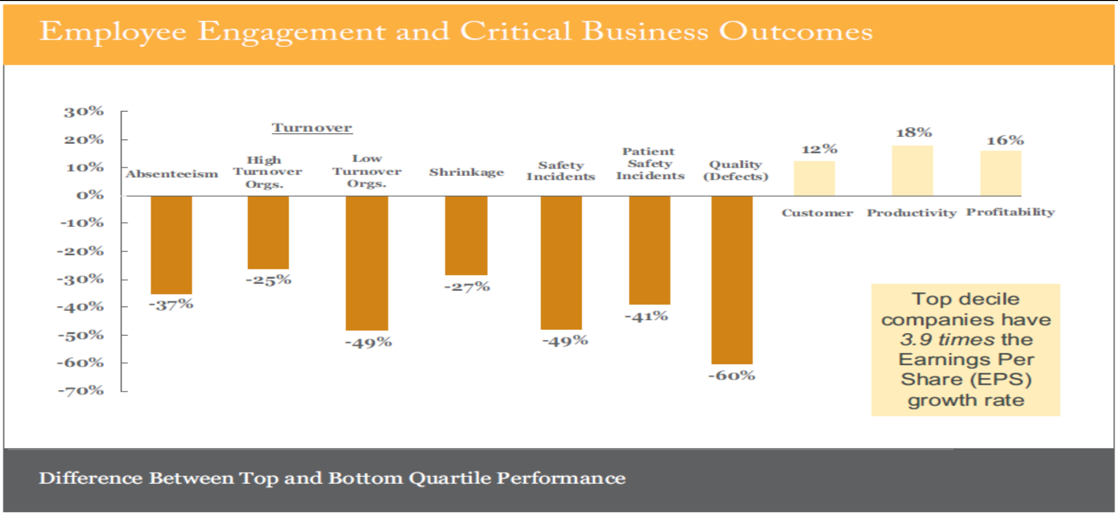






XI. LINKING EMPLOYEE ENGAGEMENT TO CRITICAL BUSINESS OUTCOMES:-

Gallup's latest meta-analysis (an analysis of data from more than 152 organizations) shows dramatic differences between top- and bottom-quartile workgroups on key business outcomes. It is through this meta-analysis that Gallup continues to validate the 12 elements. Beyond the dramatic difference engaged workgroups show in productivity, profitability, safety incidents, and absenteeism versus disengaged workgroups, Gallup has proven that companies with world-class engagement have 3.9 times the EPS growth rate compared with organizations with lower engagement in their same industry.



12. PROVEN RETURN ON INVESTMENT:-

Increasing employee engagement directly correlates with a positive effect on key business metrics. A partnership with Gallup enables your organization to design, implement, and execute an employee engagement strategy, and at the same time, your organization will have concrete evidence of the effect of this strategy on the bottom line. Gallup's proof of ROI goes beyond the case study level. By continually validating the effect of increasing employee engagement through meta-analyses and business impact studies, Gallup can observe ROI trends across hundreds of clients. The observed net gain in key business outcomes for business units that grow employee engagement is a direct link to ROI.

According to Hewitt, companies with improved engagement levels:

- **Focus on the long term:** While many of these organizations did cost-cutting and reductions in staff, they made changes consistent with their principles and values and without losing sight of their overall goals.
- **Obtain buy-in from leadership:** Engagement is a top priority for leaders at companies that saw improved engagement scores. Leaders at these organizations were visible and provided ongoing updates to reduce employee uncertainty and stress. They also created excitement among employees about the future of the organization (82 percent compared to 51 percent at other companies).
- **Implement measurable actions:** Successful organizations use employee information as a call to action rather than an assessment. They define specific and measurable actions and take steps in areas where the organization will see a clear impact.
- **Involve all stakeholders:** Organizations with improved engagement understand that creating a "high engagement" environment requires the involvement of multiple stakeholders — the organization (leadership, policies and program), managers and employees. They communicate to these stakeholders to ensure everyone is clear on their role in the process and on the employment proposition.

- **Understand key employee segments:** Successful organizations understand that not all employees are necessarily equal. They focus on key segments and critical talent so that they're able to engage or re-engage them once the job market improves.
- **Utilize a broader array of information and analytics:** Hewitt's analysis shows that 34 percent of organizations help employees through the on-boarding process to minimize the dip in engagement most organizations see in the first year of employment.

KEY FINDINGS AND CONCLUSION

1. Fewer than 1 in 3 employees worldwide (31%) are engaged. Nearly 1 in 5 (17%) are actually disengaged. Engagement levels vary by region from 37% in India to 17% in China.
2. Despite the rough and tumble of the economic recession, engagement levels around the world remained roughly stable when comparing early 2008 and mid 2010.
3. Engaged employees plan to stay for what they give; the disengaged stay for what they get, suggesting that organizations can benefit from a targeted retention strategy.
4. Employees in India enjoy higher levels of job satisfaction and connect more strongly with the objectives of their organization. It is a significant competitive advantage over firms in other parts of the world.
5. The workforce in India also enjoys more buoyant job market and wage inflation. This has a direct impact on worker's expectations as well as the factors influencing their decisions to stay or leave their current job.
6. Engagement levels are higher among older employees and largest gender gaps appear in India (11 points) and China (9 points). In both of these cases, men have higher levels than women.

REFERENCES

[1]. Corporate Leadership Council. (2004). Driving performance and retention through employee
[2]. engagement. Washington, DC: Corporate Executive Board.
[3]. Ibid.
[4]. Hackman, J.R. and Oldham, G.R. (1980), Work Redesign, Addison-Wesley, Reading, MA
[5]. Rhoades, L. and Eisenberger, R. (2002), "Perceived organizational support: a review of the
[6]. literature", Journal of Applied Psychology, Vol. 87, pp. 698-714.
[7]. Maslach, C., Schaufelli, W.B. and Leiter, M.P. (2001), "Job burnout", Annual Review of Psychology, Vol. 52, pp. 397-422.
[8]. Locke, E.A. & D. Henne (1986). Work motivation theories. In C.L. Cooper & I. Robertson (Eds.) International review of industrial and organizational psychology (pp. 1-35). London: Wiley.
[9]. Harter, J.K., F.L. Schmidt & T.L. Hayes (2002). Business-unit-level relationship between
[10]. employee satisfaction, employee engagement, and business outcomes: A meta-analysis. Journal of Applied Psychology, 87 (2), 268-279
[11]. Business world,5 MAY 2008
[12]. Towers Perrin (2003) Working today: understanding what drives employee engagement.
[13]. Towers Perrin. Available online at
[14]. http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2003/200309/Talent_2003.pdf [retrieved on 6 March 2007]
[15]. www.blessingwhite.com
[16]. Crabtree, S. (2005, January 13). Engagement keeps the doctor away. Gallup Management
[17]. Journal, http://gmj.gallup.com
[18]. Corporate Leadership Council (2004) Driving Performance and retention through employee
[19]. engagement (summary, website extract)
[20]. Melcrum Publishing (2005) Employee Engagement: How to build a high-performance
[21]. workforce. An independent Melcrum Research Report Executive Summary
[22]. www.gallup.com
[23]. Meere, Michael (December 2005) High cost of disengaged employees Victoria: Swinburne
[24]. University of Technology. Available online at http://www.swinburne.edu.au/corporate/industrysolutions/ee/reports/Employee%20Engagem
[25]. ent%20Industry%20Briefing%20Paper%20Dec%202005%20.pdf [retrieved on 6 March2007]
[26]. The Conference Board. (2005, February 28). U.S. job satisfaction keeps falling, The
[27]. Conference Board reports today [Press Release]. New York: Author

[28]. Right Management (2006) Measuring True Employee Engagement. Philadelphia: Right
[29]. Management.
[30]. Employee Benefits Research Institute. (2008). How job satisfaction affects decision to retire:
[31]. Fast facts from EBRI #92 (July 23, 2008). Washington, DC: Author.
[32]. Engen, John. 2008. Are your employees truly engaged? Chief Executive 232: 42(4)
[33]. 20.Hewitt Associates, LLC.Research Brief, Employee Engagement Higher at Double-Digit
[34]. Growth Companies. Double-Digit Growth and Engagement.2004. SR-0127-001-EN 4/04
[35]. Wellins, Richard, Bernthal, Paul, & Phelps, Mark. Employee Engagement: The Key to
[36]. Realizing Competitive Advantage. Development Dimensions International, Inc.
[37]. www.hewitt.com
[38]. Rath, T., & Conchie, B.(2009). Strengths based leadership: Great leaders, teams and why people follow. New York: Gallup Press.
[39]. Towers Perrin. (2006). Ten steps to creating an engaged workforce: Key European findings. Towers Perrin global workforce survey 2005 [White Paper].Stanford, CT: Author
[40]. www. DDI. Inc