CHAPTER 2

LITERATURE REVIEW
2. Literature Review:

Employee Engagement has become a widely discussed topic in the recent years. HR practitioners and business owners all over the world have realized the importance of the concept and its impact on productivity. Many organizations believe that engagement is a dominant source of competitive advantage. Results from Research Organizations and Corporate results have demonstrated that there may be a strong link between engagement, employee performance and business outcomes. As pointed out by Upasana Aggarwal, Sumita Datta, Shivganesh Bhargava (2007), research on drivers and antecedents of employee engagement is still in the embryonic stage, the proposed study will contribute in adding vital findings about these antecedents or drivers of Employee Engagement, pertaining particularly to IT industry.

2.1. Conceptualizing Employee Engagement:

2.1 a) Defining Employee Engagement

One of the first challenges presented by the literature is the lack of a universally accepted and applied definition of Employee Engagement. Since it is not a very old concept, most of the literature available, focuses description of the concept itself and its varied definitions. Although initially coined in 1990, it really started to come to prominence from 2000 onwards. Melcrum Publishing (2005) 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. 4-consulting (2007) observes that most of the literature employs a multidimensional approach to defining employee engagement, where the definition encapsulates several elements required in order to achieve a ‘true engagement’. The author of Melcrum’s report, Kieron Shaw (2005) also highlights multiplicity of definitions of employee engagement.

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Kahn (1990:694) defines employee 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”.

Although it is acknowledged and accepted that Employee Engagement is a multi-faceted construct, as previously suggested by Kahn (1990), Truss et al (2006) defines employee engagement simply as ‘passion for work’.

The Gallup Organization, potentially the most widely recognized name associated with Employee Engagement, 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”.

Development Dimensions International (DDI) defines engagement as “the extent to which people enjoy and believe in what they do and feel valued for doing it”.

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”.

Employee Engagement has been defined as “A heightened emotional and intellectual connection that employees have for their jobs, organization, manager or coworkers that in turn influences them to apply additional discretionary effort to their work” by the Conference Board.

The British Broadcasting Corporation’s (BBC) definition is “creating a shared meaning and understanding in such a way that our people actively want to participate”.

Some other definitions of Employee Engagement are as follows:

- The extent to which employees commit to something or someone in the organization, and how long they stay as a result of their commitment.

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7 Corporate Executive Board (2004).Driving performance and retention through employee engagement...Washington DC"
• Engagement is the state in which individuals are intellectually committed to the organization as measured by three primary behaviors: say, stay and Strive.  
• The extent to which employees put discretionary effort into their work in the form of brainpower, extra time and energy.

The existence of different definitions makes the state of knowledge of employee engagement difficult to determine as each study examines employee engagement under a different protocol. In addition, unless employee engagement can be universally defined and measured, it cannot be managed, nor can it be known if efforts to improve it are working.

While it is acknowledged that employee engagement has been defined in many different ways, it is also argued the definitions often sound similar to other better known and established constructs such as Job Satisfaction, ‘organizational commitment’ and ‘Organizational Citizenship Behavior’ (OCB).

2.1 b) Employee Engagement and Related Concepts:

It would appear that there are sufficient grounds for arguing that engagement is related to, but distinct from, other constructs in organizational behaviors (Saks 2006). Organizational Commitment, Job satisfaction, Job involvement, and Organizational Citizenship Behavior (OCB) are few of these closely related concepts.

• Organizational Commitment:

SHRM defined Organizational Commitment as “a willingness to persist in a course of action and reluctance to change plans, often owing to a sense of obligation to stay the course.” Like Employee Engagement, commitment has been found to have a negative association with turnover, a lesser negative association with absenteeism and tardiness

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and a positive association with performance (Colin Dicke, 2007). However, Saks (2006) argues that organizational commitment also differs from engagement in that it refers to a person’s attitude and attachment towards their organization, whilst it could be argued that engagement is not merely an attitude; it is the degree to which an individual is attentive to their work and absorbed in the performance of their role.

- **Job satisfaction:**
  Similar to Organizational Commitment, job satisfaction is an older concept that took root in the mid-1970s. Weiss (2002) defined job satisfaction as, “positive (or negative) evaluative judgment one makes about one’s job or job satisfaction.” In simple words, it is the relationship between efforts and rewards. An employee can be satisfied with a job without being engaged in the job. Engagement is much more than being content on pay day and content with the ability to leave at 3 pm. That contentedness is merely job satisfaction, and though satisfaction is generally enough to retain employees, it’s not enough to ensure productivity. On the other hand, employee engagement does promote increased productivity.

- **Job Involvement:**
  Job involvement is defined as ‘a cognitive or belief state of psychological identification’. This differs from engagement in that it is concerned more with how the individual employs him/herself during the performance of his/her job. Furthermore, whilst the focus of job involvement is on cognitions, engagement, according to most definitions, also encompasses emotions and behaviors.

- **Organizational Citizenship Behavior:**

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Beginning around 1983, the term Organizational Citizenship Behavior (OCB) was given to ‘extra role behavior’. OCB has since been defined as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organization” (William & Anderson, 1991).15 OCB appears to be linked strongly to Employee Engagement as it focuses on securing commitment and involvement which lies outside contractual parameters. However, there is a clear distinction between the two concepts. Robinson et al (2004) state that:
“…engagement contains many of the elements of both commitment and OCB but is by no means a perfect match with either. In addition, neither commitment nor OCB reflect sufficiently two aspects of engagement - its two way nature, and the extent to which engaged employees are expected to have an element of business awareness.”16

It appears that although there are some apparent similarities between Employee Engagement and some other constructs, it cannot be used synonymously with any of them. Employee Engagement has its own distinct characteristics, drivers and impact on business outcomes which make it a Concept that is worth undertaking an in depth research.

2.2 Categories of Employee Engagement

According to the Gallup, the Consulting organization, there are three different levels of Employee Engagement:17

*Engaged*--*Engaged*employees are builders. They want to know the desired expectations for their role so they can meet and exceed them. They're naturally curious about their company and their place in it. They perform at consistently high levels. They want to use their talents and strengths at work every day. They work with passion and they drive innovation and move their organization forward.

*Not Engaged*--*Not-engaged* employees tend to concentrate on tasks rather than the

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17 Engaged employees inspire company innovation, (2006,October 12), Gallup Management Journal
goals and outcomes they are expected to accomplish. They want to be told what to do just so they can do it and say they have finished. They focus on accomplishing tasks vs. achieving an outcome. Employees who are not-engaged tend to feel their contributions are being overlooked, and their potential is not being tapped. They often feel this way because they don't have productive relationships with their managers or with their coworkers.

**Actively Disengaged**--The actively disengaged employees are the "cave dwellers." They are "Consistently against Virtually Everything." They're not just unhappy at work; they're busy acting out their unhappiness. They sow seeds of negativity at every opportunity. Every day, actively disengaged workers undermine what their engaged coworkers accomplish. As workers increasingly rely on each other to generate products and services, the problems and tensions that are fostered by actively disengaged workers can cause great damage to an organization's functioning.

In today’s fiercely competitive times, organizations need employees who are flexible, innovative, willing to contribute and go ‘above and beyond the letter’ of their formal job descriptions or contracts of employment, in other words they need more and more employees belonging to the ‘Engaged’ category. Therefore an investigation into the Employee Engagement process, its factors and inhibitors can go a long way in providing the companies a competitive edge.

**2.3. Drivers of Employee Engagement**

In recent years, studies have begun to look at the drivers of employee engagement. Most of the studies have highlighted the following prominent drivers:

i) **Effective, Capable and Credible Leadership:** For many employees, their direct supervisor is management and is the company. Effective leaders positively impact employee retention and engagement. Capable leaders positively impact productivity and performance. Credible leaders do both while also demonstrating respect for worker
The study by Douglas J Mathews (2010), which surveyed nearly 30,000 employees in 15 countries on a wide range of topics related to organizational effectiveness, including leadership and engagement, showed a statistically significant correlation between positive assessments of leadership and strong declarations of engagement and also isolated leader practices and behaviors that appear to impact engagement most. Among the leadership practices and behaviors analyzed, the four showing the highest correlations with engagement are:

a) Senior leaders value employees.
b) Senior leaders have the capability to make the organization successful.
c) Senior leaders effectively implement the organization’s strategy.
d) Senior leaders effectively communicate the organization’s strategy to employees.

In his recent book *Drive: The surprising truth about what motivates us*, author Daniel Pink tells readers that "engagement" and "command and control" don't make good cubicle partners. He writes, "We have way too much compliance and way too little engagement. The former might get you through the day, but the latter would get you through the night."

**ii) Role Clarity:** Each employee needs a well laid out job description and a clear set of performance expectations. Even more critical is their understanding that their individual goals are connected directly to the organization’s goals. For example, new team members at Toyota are given a thorough orientation that clearly defines how their roles and the decisions they make tie into Toyota’s overall approach and manufacturing philosophy. To attain this alignment, leaders need to help all employees see the bigger picture and understand their roles relative to it. They also need to show how an individual employee’s actions affect other departments and external customers.

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iii) **Progress, Growth and Development:** Prospects and Opportunities for Growth and Development appears to be an important factor affecting employees’ engagement levels. DDI’s 2004 *Selection Forecast* study\(^{20}\) found that many employees leave their jobs for better growth and development opportunities, often offered by other organizations. Studies show that investments in development programs are significantly related to financial success in the organization.\(^{21}\)

iv) **Support and Recognition:** Giving Support and Recognition to Employees has been found to go a long way in creating an Engaged Work Environment. In the Walker Information study *Halfway out the door*\(^{22}\), care and concern for employees emerged as one of the most important factors influencing employee commitment to their employers.

v) **Employee Empowerment:** Empowerment is the process of enabling or authorizing an individual to think, behave, take action, and control work and decision making in autonomous ways. It is the state of feeling self-empowered to take control of one's own destiny. It implies having the authority to make decisions, follow through, and get things done. Leaders play a key role in developing a sense of empowerment in their direct reports. Empowering leaders trust their employees and give them the opportunity to make decisions without micromanaging or taking over tasks when the going gets tough.\(^{23}\)

vi) **Communication:** It has been found that effective communication is an important driver of Employee Engagement. According to Watson Wyatt, (2006), Communication makes a positive difference in employee engagement. Highly engaged employees receive communication from their supervisors and senior management far more frequently than

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\(^{22}\) Walker Information. (2000). Halfway out the door: The Walker Information and Hudson Institute national employee relationship report. Indianapolis, IN: Walker Information, Inc

low engagement employees.\textsuperscript{24} Moreover it has also been found that 56 percent of those in the high-engagement group receive communication from senior management at least monthly, while 42 percent of low-engagement employees say communication is annual or never. Effective communication from senior management fuels excitement about the company’s future and its progress toward goals. It promotes a sense of being part of a \textit{team} — where the team is the organization as a whole. Good senior management communication keeps people apprised of the vision, strategy and goals as well as the successes the “team” is achieving\textsuperscript{25} thus, communication seems to be an important determinant of Employee engagement and also a factor responsible for raising the levels of engagement.

\textbf{vii) Relationship with coworkers:} Earlier friendships at workplace were believed to be a means of time wastage and reduction in productivity. But now it has been realized that such friendly relationships with the coworkers not only help to maintain but also encourage better performance by the employees, by keeping them more connected to their work and the workplace. In the study conducted by Maureen Soyars and Justin Brusino (2009), 79 percent of people surveyed said “good relationships with coworkers” drove employee engagement to a high or very high extent.\textsuperscript{26} Although it can’t be said that employees would stay in an organization just because they have a good relationship with their coworkers, a poor relationship alone is more than enough to make employees leave.

\textbf{viii) Regular and Specific Feedback:} Feedback is the key to giving employees a sense of where they’re going. Feedback is perhaps the best tool in the boss’ arsenal for decoding strategy and improving execution.\textsuperscript{27}

\textsuperscript{26} Maureen Soyars and Justin Brusino (March 2006). Essentials of Engagement, American Society for Training and Development p.63
\textsuperscript{27} Helen Murlis and Peggy Schubert.(2001) Engage Employees and Boost Performance, HayGroup Working Paper
ix) **Organization’s Reputation towards Corporate Social Responsibility:** According to a recent study conducted among 24 Australian companies, with over 4500 employees, payroll giving (on-going donations deducted from an employee’s salary) is found to be an effective way to engage employees.\(^{28}\)

x) **Organizational Culture:** An overall positive organizational culture creates a suitable environment for engaged employees. Organization’s mission, shared values and organizational learning contribute to high levels of engagement. Also small group activities at the shop-floor can enhance engagement\(^ {29}\)

### 2.4 Significance of Employee Engagement:

Employee Engagement is believed to be a critical driver of business success in today’s competitive marketplace and a deciding factor in organizational success. It has been found that Engagement not only affects employee retention, productivity and loyalty, but it is also a key link to customer satisfaction, company reputation and overall stakeholder value\(^ {30}\).

There is a general belief that there is a connection between employee engagement and business results; a meta-analysis conducted by Harter *et al* confirms this connection. They concluded that, “…employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations”.\(^ {31}\)

Quite a substantial number of studies have been done to find out the impact of Employee Engagement on Organizational outcomes. Some of them are summarized as under:


\(^{29}\) Dr Abraham Susan,(2013), Relationship between Organizational Culture and Employee Engagement: A study, EXCEL International Journal of Multidisciplinary Management Studies, Volume:3, Issue:2, p34-44.


<table>
<thead>
<tr>
<th>Title</th>
<th>Author/s</th>
<th>Source</th>
<th>Findings</th>
</tr>
</thead>
</table>
| Comparative effects of race/ethnicity and employee engagement on Withdrawal Behavior (May 2009) | James R. Jones (Associate Professor of Management, University of Nebraska at Omaha) Jinlan Ni (Assistant Professor of Economics, University of Nebraska at Omaha) David C. Wilson (Assistant Professor of Political Science & International Relations, University of Delaware) | Journal of Managerial Issues Vol. XXI Number 2 Summer 2009: 195-215 | 1. Employee engagement will be negatively correlated with absenteeism  
2. Employee engagement is positively correlated with intent to remain with the organization.  |
1. Significant correlation between engagement behaviors as reported by employees and the ACSI (American Customer satisfaction Index) as reported by customers  
2. Significant correlation between the level of Employee engagement and Financial measures like ROI  
3. High correlation between level of Employee engagement and Fortune magazine Ratings of Product and service quality. |
Table No. 2.2—Significance of Employee Engagement—Reports and Surveys

Evidence:

<table>
<thead>
<tr>
<th>Survey/Report</th>
<th>Findings</th>
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<tbody>
<tr>
<td>DDI</td>
<td>We estimate that in an organization of 10,000 employees, moving a workforce from low to high engagement can have an impact of over $42 million</td>
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<tr>
<td>Michael Tracy, author of Double-Digit Growth—How great companies achieve it no matter What, worked with Hewitt Associates</td>
<td>In companies where 60 to 70 percent of employees were engaged, average total shareholder’s return (TSR) stood at 24.2 percent. In companies with only 49 to 60 percent of their employees engaged, TSR fell to 9.1 percent. Companies with engagement below 25 percent suffered negative TSR.</td>
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<tr>
<td>Towers Perrin</td>
<td>Study on 35,000 employees across dozens of companies, showed a positive relationship between employee engagement and sales growth, lower cost of goods sold, customer focus, and reduced turnover</td>
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<tr>
<td>Gallup Organization</td>
<td>In a landmark study across multiple companies, it showed that business units that reported employee engagement above the median had a 70 percent higher likelihood of success than those below the median. Success was a composite measure combining customer loyalty, turnover, and financial metrics.</td>
</tr>
<tr>
<td>Gallup Organization—As quoted by Terry Kabaschnick</td>
<td>As per a poll conducted by Gallup in 2002, Disengaged Workers are costing US based organizations more than $250 billion every year.</td>
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Table No. 2.3—Significance of Employee Engagement—Case Study evidence

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<thead>
<tr>
<th>Case Study On</th>
<th>Excerpts from the case study</th>
<th>Source</th>
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<tr>
<td>Rotherham Metropolitan Borough Council (Rotherham, UK)</td>
<td>Runner up in CIPD People Management Awards – Judges’ assessment: “The council made big improvements in employee turnover, satisfaction and absence levels following an employee engagement initiative. Communication between the council officers, the community, unions and council members was outstanding. A good example of how to drive</td>
<td>Brockett (2006)</td>
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through change quickly, in collaboration with Stakeholders.\textsuperscript{32}

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<thead>
<tr>
<th>Company</th>
<th>Description</th>
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<tr>
<td>BBC</td>
<td>“…the BBC has moved very strongly and sincerely towards an engagement culture and is doing a lot to encourage behavior that might, elsewhere, fit under this banner. But we also talk more about words like ‘involve’, ‘participate’ and ‘respond’ which literally mean ‘engage’. That means creating shared meaning and understanding in such a way that our people actively want to participate.”\textsuperscript{33}</td>
<td>Melcrum Publishing (2005)</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
<td>RBS is the world’s fifth largest bank and it has the concept of employee engagement at the heart of its business strategy. Its model is based on engaging staff to:- ‘Say’ that the job and company are good. ‘Stay’ with the company and develop it ‘Strive’ to go the extra mile for the company\textsuperscript{34}</td>
<td>Robinson et al (2004)</td>
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<tr>
<td>Microsoft</td>
<td>“People need to become engaged with the business so that they become advocates of the business. This means that by your employer brand you have to employ the right people to begin with. Microsoft does this well. Not everyone wants to work for Microsoft, but those that are there love it”. “The people who get in have a communications vehicle, systems and processes that reflect what they want in terms of the employer brand and what it stands for. Of course, when you have the right people you have the trouble of creating ways of letting them know what is going on in the business</td>
<td>McKenzie, A.HR Gateway</td>
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and where they fit in – in regard to business goals and objectives”  

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<tr>
<th>Institution</th>
<th>Description</th>
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<tr>
<td>West Bromwich Building Society</td>
<td>“… it has a powerful people engagement strategy that consistently demonstrates the link between leadership, culture and business competitiveness. Most recently the society won the UK Business Excellence award for Employee Satisfaction, which recognizes ‘outstanding performance in the area of staff development and involvement.”</td>
<td>IRS Employment Review (24 March 2006)</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>“At RBC we decided to reinvent our employee communication so that it would not only inform employees, but do a better job of engaging and aligning their performance with our vision and business goals.”</td>
<td>Melcrum Publishing (2005)</td>
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### 2.5 Employee Engagement Models

Many researchers, renowned consulting groups and research organizations, that have been involved in studies on employee engagement have carved out some noteworthy models of this concept that aim at helping a better understanding of the drivers and antecedents of the same.

**i) DDI’s value proposition**

An interesting model of Employee Engagement is given by Development Dimensions International (DDI)’s called DDI’s value proposition. It represents engagement drivers as the levers that organizations can use to build a more engaging work environment. Organizations must hire employees who fit the job requirements, develop leaders with the right skills, and provide support through strong systems and strategies. Together, these three drivers lead to the formation of an engaging work environment. Once created, the

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engaging work environment has a positive impact on employee behaviors and attitudes. In particular, an engaging environment builds loyalty in employees by meeting their personal and practical needs, thus encouraging them to stay with the organization.\textsuperscript{38}

**Figure No. 2.1 DDI’s Value Proposition**

ii) *The Zinger model*

David Zinger from David Zinger Associates, Canada, defines Employee Engagement as the art and science of engaging people in authentic and recognized connections to strategy, roles, performance, organization, community, relationship, customers, development, energy, and well-being as we leverage, sustain, and transform our work connections into results. In line with this definition, the model of Engagement proposed by David, having 14 important elements is as follows:

The 14 employee engagement elements and symbols for each element:

**Achieve results.** Employee Engagement is directed towards achieving results. The first key of the model is on the far right hand side and begins with the results the organization, department, team, or individual wants to achieve. The key question for this part of the model is: What do you want achieve and how will you know when you achieve it?

**Craft strategy.** From the far right hand side of the model we move back through the model to the far left hand side of the model. To achieve results we need to craft a strategy to get there. How will we get those results and does everyone know the organization’s intentions and plans? Is our strategy engaging and will we have high enough employee engagement to fulfill the strategy?

**Connect.** A central key of employee engagement is connection. In some ways connection is synonymous with engagement. How well are employees connected to the other elements of engagement ranging from their organization to genuine happiness? Connect
starts the central keys of CARE embedded in the employee engagement model.

**Authentic.** Authenticity is the A of CARE. Employee engagement must be authentic. Employees and customers can spot phony from a mile away or even in a moment of time. We must transcend superficial relationships, community or happiness towards engagement that is heartfelt. Powerful engagement is real and robust.

**Recognition.** The R in the core of CARE is recognition. Potent employee engagement requires powerful recognition. We are talking about a lot more than long service awards or pens. Are employees fully seen and acknowledged? Do employees see the importance of what they are doing and how their work connects to results?

**Engage.** CARE ends with the E of engage. We so often talk about “engagement” and substitute the verb of working (engage) for a static noun (engagement). Engage focuses on the actions of engagement. Engagement is not a one-time survey measure or a steady state. To engage is to fully experience and contribute to the dynamic elements of work.

**Enliven work roles.** We have various roles that we must fulfill to fully engage. A role is a set of behaviors, rights and obligations at work. We must guard against too many roles or role overload while also fully being in the roles that contribute to results, relationships, and engagement. Sometimes leaders and managers are almost impervious to their role as employee too.

**Excel at performance.** Engagement for results can contribute to effective performance management. Performance demonstrates our engagement while engagement can help us excel at performance. Good employee engagement should foster star performers. We want to help each employee become a star performer to benefit customers, the organization, and themselves.

**Esteem organization.** How aligned is the employee with the organization? Is there a mesh between the organizational and individual brand? Do employees feel that they are a part of the organization or apart from the organization? Are they proud to work for their organization and equally proud to recommend their organization and be constant ambassadors for the organization?

**Foster community.** A strong key of employee engagement is our connection to relationships and community. These relationships and community can be personal and
social media. Do we build relationships and results? The essence of work is relationships and community. Organizations that do not transform themselves into communities are in danger of becoming obsolete or ignored.

Serve customers. We want employees to serve the organization’s customers and there are very strong relationships between employee engagement and customer engagement. Does the employee feel served by the organization and management so much so that they in turn offer the same level of service to the external and internal customers.

Develop career. Work should offer benefits back to employees. Employees should experience both personal and professional development through work ranging from courses and learning to develop their own strengths, value, visibility, and engagement. We spend so much time at work and work should help us become all we are capable of becoming.

Leverage energies. The raw material of engagement is energy. Do we have the energy to fully engage? Do we offer the organization an energy gain or do we deplete the energy of our peers? Powerful engagement involves mastery of physical, mental, emotional, spiritual, and organizational energy. Energy not time is the vital resource for engaged working.\(^39\)

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\(^{39}\)David Zinger (2010), David Zinger Associates, Winnipeg, Manitoba Canada, [www.davidzinger.com]