CHAPTER-I
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The employees working in an organization are generally referred to as ‘human resources’ in the organizational context. People are considered as the most critical resource in an organization because they predominantly influence the quality, output and brand value of an organization. This is primarily due to the fact that an organization’s success is, to a great extent, depends on the decisions its employees make and the behaviours in which they engage. Appropriate Human Resource (HR) systems and policies for attracting, motivating and retaining the organization’s human resources are, therefore, regarded as critical that will provide a sustainable competitive advantage for an organization\(^1\).

‘Human resource’ conveys the productive power of the people who work in an organization. The term communicates the belief that employees of an organization are not just people, but valuable resources that help an organization to achieve its stated objectives\(^2\). Human resources refer to “the total knowledge, skills, creative abilities, talents and attitudes of an organization’s workforce, as well as the values, attitudes and beliefs of the individuals involved”\(^3\). The involvement and commitment of the employees are, therefore, regarded as a key to an organization’s success and growth.

Throughout the 20\(^{th}\) century and in the beginning of 21\(^{st}\) century, new theories of management have evolved reflecting the dramatic change in the business environment and the need to adopt progressive policies in the area of human resource management.


As the business climate has become more complex, volatile and interconnected than ever before, organizations are always on the lookout for new ways of increasing the productivity and profitability of organizations. Organizations are finding out creative ways of engaging people and maximize their productivity\(^1\). Progressive organizations are adopting innovative ways to involve and engage people more productively aligning the tasks and responsibilities to business strategy. Intensifying business competition was likewise demanding high levels of employee competence, involvement and commitment\(^2\).

Further, the change in employee expectations is also considered as one of the reasons for formulating innovative HR policies and practices. Coercive and controlling contracts of employment are no longer the norm. Employees are expecting to have more access to influence, responsibility and information related to their work\(^3\).

All the above factors represented a conceptual shift away from regarding employees as a ‘cost’ to be managed and controlled and towards regarding them as an ‘asset’ (human capital) to be nurtured and developed. Several research studies have also supported that a greater use of human resource policies notably those focused on securing employee skills, motivation and commitment are associated with positive results for the organization\(^4\).

The above global developments in the area of human resources led to severe competition for talent in the corporate world. As a result, ‘employee attrition’ has become crucially important and ‘employee retention’ has become a challenge to be faced by organizations all over the world.

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since committed and fully involved human resources are regarded as the backbone of any organization, the new concept of “Employee Engagement” has emerged and drawing the attention of several researchers.

1.1 Concept of Employee Engagement (EE)

Employee engagement generally means the level of involvement and commitment an employee has towards his/her organization\(^1\). In this sense, “engaged employees” are those who are fully involved in, and enthusiastic about their work, and thus will act in a way that furthers their organization’s interests\(^2\). In other words, an engaged employee is aware of business context and works with colleagues and supervisors to improve performance within the job for the benefit of the organization. It is a positive attitude held by the employees towards their organization.

Employee engagement is closely associated with the existing constructs of job involvement (Brown 1996)\(^3\) and flow (Czarnowsky, 2008). Job involvement is defined as ‘the degree to which the job becomes central to the person and his/her identity’. Job involvement depends on both the needs of the person and the potential of a job to satisfy those needs. Thus, job involvement results from the need-satisfying abilities that the job possesses. In this context, jobs are linked to one’s self-image. Employee engagement involves how the individual employee harnesses his/her self during the performance of the job. It involves the active use of emotions. May et. al. (2004)\(^4\) suggest that “engagement may be thought of as an antecedent to job involvement in that individuals who experience deep engagement in their roles should first identify with their jobs”.

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Employee engagement is also related to ‘flow’ which is defined as the sensation that people feel when they act with total involvement\(^1\). When employees are in a ‘flow state’ they forget about themselves and get absorbed in their job.

According to the American Heritage Dictionary of the English Language\(^2\), the term ‘Engagement’ means:

- Become involved in
- Attract interest or attention
- Commit oneself to a cause
- Pledged to do something
- Embedded or attached to something

Thus, commitment, involvement and emotional attachment to the job appear to be the key ingredients of ‘Employee Engagement’.

Employee engagement is also related to the concepts of organizational commitment and Organizational Citizenship Behavior but is distinct from these concepts. According to Robinson et al., (2004)\(^3\), organizational commitment refers to a person’s attitude and attachment towards his/her organization while engagement is the degree to which an individual is attentive and absorbed in the performance of his/her role. Organizational citizenship behavior refers to the co-operation and help extended by individual employees to their co-workers and the organization, whereas employee engagement focuses on the involvement and emotional attachment of the employee in his/her job\(^4\). Some authors like Schmidt et.al. (2002)\(^5\) described employee engagement as a modernized version of job satisfaction.


\(^2\) The American Heritage Dictionary of the English Language (AHD) is an American dictionary of English published by Boston publisher Houghton Mifflin, the first edition of which appeared in 1969.


\(^4\) Ibid.

1.2 Definition of Employee Engagement

Employee engagement is defined in different ways\(^1\). Some authors defined it as emotional and intellectual commitment to the organization. (Baumruk, 2004\(^1\), Richman, 2006\(^2\), Shaw, 2005\(^3\)) while others (Frank et. al., 2004\(^4\)) defined it as the amount of discretionary effort exhibited by employees in their job Kahn (1990)\(^5\) defined employee engagement as “the harnessing of organizational members’ selves to their work roles. Kahn further adds that, in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. On the contrary, employee disengagement refers to “the uncoupling of selves from work roles; in disengagement people withdraw and defend themselves”.

Maslach et. al. (2001)\(^6\) defines employee engagement as a “persistent, positive affective – motivational state of fulfillment in employees that is characterized by high levels of activation and pleasure”.

Rothbard (2001)\(^7\) defines engagement as a concept involving two critical components, viz., “attention and absorption”. Attention means the amount of time an employee spends thinking about a role while absorption means being engrossed in a role with focus”.


Harter et. al. (2002)\(^1\) defined employee engagement as individual’s involvement and satisfaction with work while Schaufeli et al. (2002)\(^2\) defined it as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption”.

Saks (2006)\(^3\) defined employee engagement as “a distinct and unique construct that consists of cognitive, emotional and behavioural components that are associated with individual role performance”. According to Czarnowsky, 2008\(^4\), engaged employees are mentally and emotionally invested in their work and in contributing to their employer’s success”.

According to Macey & Schneider (2008)\(^5\), engagement is defined as an antecedent to behavioural engagement encompassing the constructs of satisfaction, involvement, commitment and empowerment. Behavioural engagement is defined in terms of discretionary effort”.

Some researchers defined employee engagement as the opposite of ‘burnout’. (Maslach et al.,(2001)\(^6\). While engagement involves energy, involvement, and efficacy, burnout involves exhaustion, cynicism and inefficacy. For many organizations, the difference between engaged and disengaged employees is the difference between success and failure (Harter, Schmidt, & Hayes)\(^7\).


As Robert J. Vance⁠¹ observed, “clearly, definitions of employee engagement vary greatly across organizations. Many managers wonder how such an elusive concept can be quantified”. Although the definition and meaning of employee engagement often overlap with other constructs, many authors agree that employee engagement is a distinct and unique construct that is associated with individual’s role performance.

1.3 Components of Employee Engagement

As we have seen in the foregoing definitions that various researchers/consultants have defined employee engagement differently. However, some common elements of employee engagement can be gleaned through these definitions. Clearly, involvement and commitment appear to be the major components of employee engagement. “For the most part, employees want to be committed to organizational goals because doing so satisfies a powerful and a basic need to connect with and contribute to something significant”⁠².

According to global studies, therefore, we can conveniently identify three basic components of employee engagement viz., emotional attachment, involvement and commitment, which are briefly explained below:

**Emotional attachment**

Engaged employees have a strong emotional attachment to the job and the organization. Emotions such as enthusiasm, inspiration, empowerment and confidence can enhance engagement levels of employees. Organizations, both in public and private sector, can work to foster these emotions as part of their employee engagement strategy. This is possible by improving the employee’s relations with managers and co-workers.

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Research shows that in times of economic downturn, employees become fearful about their wellbeing and also the future of the organization in which they are working and their emotional attachment is at the lowest ebb. Emotional drivers such as pride, recognition, stimulating work, personal development, positive work environment, relationship with the manager, etc., foster high levels of employee engagement.

**Involvement**

Involvement is a crucial component of employee engagement. Engaged employees identify with their jobs and are highly involved in their jobs. They show positive attitudes such as trust, organizational commitment and involvement in work. Employee involvement is a process that involves teamwork, participation, continuous learning and flexibility. When employees participate in decision making, they gain a professional and personal say in the organization and its overall success. Such involvement leads to increased productivity because employees are actively participating in various aspects of the department and wish to see their efforts succeed overall. This is not only beneficial to organizational growth and sustainability, but also to expand employee skill sets, preparing them for additional responsibility in the future. Active involvement of the workers will also enhance morale. As they participate in the decision-making process they understand that their ideas are an important contribution to the company.

**Commitment**

Commitment binds an individual to the organization. It shows the loyalty of an individual towards his/her organization. Committed employees stick to the organization and show highest levels of attachment towards their job as well as the organization. However, commitment is a two-way process. Just as an organization wants its employees to be committed to their organization, similarly the employees also expect the organization to be committed to them by meeting their needs. Hence, many organizations have realized the importance of commitment as a component of engagement, which will enhance productivity and reduce turnover.
In view of the significance of the aforesaid components of employee engagement, it is the responsibility of the organization to build a conducive environment in the organization to maintain high levels of emotional attachment, employee involvement and commitment by taking appropriate initiatives.

1.4 Grouping of Employees based on Levels of Engagement

According to various studies, employees can broadly be grouped into three categories based on their level of engagement viz., highly engaged, partly engaged and disengaged, which are briefly explained below:

**Highly Engaged:**

Highly engaged employees mostly perform at consistently high levels and they are organization builders. They are fully conscious of the desired expectations for their roles. Always such employees try to meet the organizational goals and achieve them.

Highly engaged employees fully utilize their talents and strengths at work and try to excel others in commitment and involvement. Such employees work with passion, drive, innovation and derive job satisfaction, and invest full discretionary effort in their job.

**Partly Engaged:**

Partly engaged employees are not properly motivated and do not maintain healthy relationship with their supervisors or co-workers. Towers Perrin study categorizes such employees as ‘enrolled’ or ‘disenchanted’ as they are emotionally less connected to the organization.

Employees who are partly engaged, but are not disengaged, have the greatest potential for boosting engagement levels.
Disengaged:

Disengaged employees are generally indifferent in their outlook. Such employees lack interest in the job assigned to them and perform at average levels. They have little or no commitment or involvement in the organization. Disengaged employees generally do not show much interest in the initiatives taken by the organization to enhance their productivity and performance. Further, disengaged employees have a bad influence on co-workers. They spread their unhappiness throughout the organization and spoil the work culture in the organization.

1.5 Drivers of Employee Engagement

There are a number of factors that contribute to employee engagement. They are generally referred to as ‘drivers’, as they increase the level of engagement and involvement. An organization can effectively manage engagement levels of its employees by carefully attending to the drivers.

There is a great deal of published academic work on drivers of engagement. Towers Perrin Global Workforce Study (2007)\(^1\) shows that there are as many as 75 possible drivers of engagement. According to the study, organizational factors such as environment in the organization, culture of the organization, etc., are mostly responsible for determining the level of engagement though personal engagement factors like opportunities for growth, nature of work, training and development facilities etc. These factors defer from organization to organization in various countries.

The study by Towers Perrin concluded that there is no ideal model for measuring engagement and different organizations use different models to suit their needs. Watson Wyatt\(^1\) survey says that coaching and feedback are important for enhancing engagement levels. These drivers of engagement are dealt with in greater detail in Chapter-VII of this study.

1.6 Significance of Employee Engagement

Employee engagement has become increasingly important in today’s world of competition. Ageing workforces, changing social demographics, globalization, and increasing expectations of service delivery are increasingly driving the need for employee engagement and involvement in all functional areas. Today, many progressive organizations successfully and regularly measure the engagement of employees (by whatever name it is called) through a dedicated engagement survey or as part of more general employee survey.

Various studies have demonstrated the positive relationship between employee engagement and productivity and profitability. Hence, the concept of employee engagement has gained popularity in recent times drawing the attention of several organizations. When employees work in an environment in which they can focus their attention on the job, organizations experience higher levels of productivity and profitability. Engaged employees look for better ways to do their work, spend less time on wasteful activities, and make effective use of resources. As a result, companies deliver better products or services and have more resources left to invest in further improvements.

Engagement has also a proven relationship to employee retention. Employees decide to stay with organizations primarily for reasons such as growth and development opportunities, strong leadership, and meaningful work. Organizations with engaged employees have more satisfied customers, product quality and innovation. Higher engagement translates into higher and faster revenue growth.

Employee engagement is important for managers to cultivate because disengagement and alienation is central to the problem of lack of commitment and motivation on the part of the managers (Gibbons 2006)\(^2\). Meaningless work is often associated with apathy and detachment from one’s work. In such


conditions individuals are thought to be estranged from their selves. Research has linked engagement to such outcomes as lesser turnover, more customer satisfaction, loyalty, safety and to a lesser degree to productivity and profitability. (Harter, Schmidt & Hayes, 2002). An organization’s capacity to manage employee engagement is closely related to the ability to achieve high performance levels and superior business results.

Several studies show that there are innumerable benefits to the organization from highly engaged employees. They include:

- Engaged employees will stay with the organization and contribute to its bottom-line success.
- They substantially contribute to the profitability of the organization.
- Engaged employees show passion, commitment and alignment with the organization’s strategies and goals.
- Engagement increases employees’ trust in the organization.
- It creates a sense of loyalty in a competitive environment.
- It provides a high-energy working environment thereby contributing to enhanced productivity.
- It boosts brand image and immensely contributes to business growth.

Various research studies conducted by reputed consulting firms corroborate the above benefits from engaged employees. Gallup in 2006 examined 23,910 business units and compared top and bottom scores of financial performance with engagement scores. The following are the findings of the Gallup study:

- Organizations with low engagement scores have 31.51 per cent more employee turnover, 51 per cent more inventory shrinkage and 62 per cent more accidents.


• Organizations with high engagement scores have 12 per cent higher customer advocacy, 18 per cent higher productivity and profitability.

A second Gallup study (2006) in the same year found that the earnings per share (EPS) of organizations having high engagement scores is 2.6 times of the organizations with low engagement scores.

Towers Perrin – Global Workforce Study¹ carried out a global survey in 2007-08. The study has compared the financial performance of organizations with higher and lower levels of employee engagement. As it can be seen from Exhibit-1.1, the operating margins of organizations with higher engagement levels are 3.74 per cent more than those of the organizations with lower engagement levels. Similarly, the net profit margin of organizations with higher engagement levels are 2.06 per cent more than the organizations with lower engagement levels. Same is the case with other financial parameters such as revenue growth and earnings per share growth. Towers Perrin’s study has proved that more engaged people can bring better performance and better financial results to the organization.

**Exhibit 1.1: Financial performance of organizations with higher versus lower employee engagement**

![Graph showing financial performance comparison](image)

Source: Towers Perrin ISR

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As can be seen from Exhibit 1.1, global companies having high engagement levels have the operating margins of 3.74 per cent more than those with lower engagement levels. Similarly, the net profit margin of organizations having high engagement levels is 2.06 per cent more than those with lower engagement levels. Further, Standard Chartered Bank reported that in 2007, they found that branches with significant increase in levels of employee engagement had a 16 per cent higher profit margin growth than branches with decreased levels of employee engagement. As Mills (2005)\(^1\) observed, “you can have engaged employees who invest their time in multiple directions (such as servicing clients, creating quality products), but you cannot foster true innovation without engaged employees” (Mills, 2005).

There are a number of studies that prove beyond doubt that improved engagement leads to higher performance and increased productivity and profits.

1.7 Models of Employee Engagement

Employee engagement can be measured with the help of survey tools and questionnaires. Engagement survey is only a part of the process; after the survey the figures must be analyzed and concrete actions must be taken to improve engagement levels in the organization.

There are several models for measuring employee engagement in individual organizations. The model of Chartered Institute of Personnel and Development (CIPD)\(^2\) presented in Employee Attitudes and Engagement Survey of 2006 brings various factors of Employee Engagement into the model.

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In the above model, ‘individual factors’ refer to gender, age, ethnicity, etc. while, ‘working life’ factors include occupation, hours of work and pay. ‘Management, leadership and communication’ factors show how employees view their managers and leaders and also the opportunity they have in participating in organizational decision-making and levels of trust. This model also includes a two-way interaction between ‘attitudes to work’ and ‘engagement’. The model links all the above factors to the outcomes of engagement. According to CIPD (2006), the above factors have been found to be significant in determining levels of engagement.

Robinson et. al., (2004)’s model\(^1\) consists of several drivers of employee engagement which are common to all organizations which are linked to the levels of engagement in the organization.

\(\text{Exhibit-1.3: Robinson et. al., (2004) model for employee engagement}\)

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It can be seen from the model that most of the drivers such as pay and benefits and health and safety relate to ‘hygiene factors’, others such as communication, management and cooperation, etc., are unique to the organization.

Penna (2007)\(^1\) presented a hierarchical model of engagement which illustrates the impact each level will have on attraction, engagement and retention of talent. They proposed the model with ‘meaning at work’ at the apex and ‘pay, working hours, benefits’ at the bottom of the hierarchy. In this model, as the hierarchy ascends and the organization successfully meets each of the engagement factors, the organization becomes more attractive to new potential employees and becomes more engaging to its existing staff.

**Exhibit-1.4: Penna (2007) Model of Hierarchy of Engagement**

![Hierarchy of Engagement](image)

Source: Penna (2007)

It is interesting to note that the hygiene factors appear at the bottom of the hierarchy indicating that they are building blocks upon which the organization must further develop especially in areas like learning and development, opportunities for promotion, trust and respect by the leadership, etc., in order to increase the engagement levels.

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Macey and Schneider (2008)’s three dimensional model presents the three levels of commitment, viz., cognitive commitment, supervisory commitment and affective commitment. The three levels of commitment are shown as significant to reflect the level of employee engagement. The cognitive dimension of employee engagement refers to employees who are knowingly vigilant and contextually aware of the organization and its overall goals and objectives. The affective (emotional) dimension refers to how emotionally employees are connected to others such as managers and coworkers. The behavioural dimension of employee engagement consists of the discretionary effort put in by employees in their work in the form of extra time, energy and vigilance and how long they remain with their organizations.

**Exhibit-1.5: Macey and Schneider’s (2008) Three Dimensional Model for Employee Engagement**

![Diagram of Macey and Schneider's three dimensional model for employee engagement]

Source: Macey & Schneider (2008)

After studying the aforesaid models, the present study uses the model based on drivers of engagement presented by Robinson et. al., and utilizes a set of survey questions to gather the responses from the sample against each driver and based on a statistical analysis of the responses of the sample, the respondents are categorized into three distinct segments viz., highly engaged,

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partly engaged and disengaged. Based on this segmentation certain findings are arrived at and suggestions are made on the measures to be taken by the organization to enhance employee engagement levels among various categories of employees viz., Executives, Supervisors and Workers.

1.8. Surveys on Employee Engagement

Gallup, Towers Perrin, Towers Watson, Mercer, Hewitt and Watson Wyatt, etc., (consulting companies) conducted detailed surveys on employee engagement. Gallup being one of the oldest consulting organizations in conducting engagement surveys, creates a feedback system for employees that would identify and measure elements of worker engagement. Parameters such as sales, growth, productivity and customer loyalty are assessed after hundreds of focus groups and thousands of interviews with employees in a variety of industries.

The 2007-2008 Towers Perrin Global Workforce Study¹ is based on the responses gathered from 90,000 employees working in as many as 18 countries all over the world. Exhibit 1.6 reveals that the extent of Employee Engagement around the globe is far from satisfactory. As per Towers Perrin Global Workforce Survey 2007-08, only 21% of the World workforce is highly engaged, 41% is moderately engaged, 30% are disenchanted and 8% are fully disengaged. The disenchanted category includes those who are partially disengaged. The scenario in India presents a more dismal picture with only 3% of the workforce as highly engaged, 41% of the workforce as partially engaged, while 30% are disenchanted and 15% are disengaged. It is interesting to note from this study that as many as 30% of India’s workforce is ‘disenchanted’ indicating that they are partially ‘disengaged’ overall, India’s workforce engagement levels are quite inferior to that of Canada (23%, 44%, 25%, 7% respectively), China (16%, 51%, 27%, 6% respectively), Germany (17%, 47%, 28%, 8% respectively), Russia (18%, 46%, 30%, 7% respectively), U.K. (14%, 42%, 33%, 11% respectively) and USA (29%,43%,22%,6% respectively). It is interesting to note that for a developing

country like India, the component of disengaged workforce is as high as 15% which is on the high side as compared to many other countries.

**Exhibit-1.6: The Engagement Gap**

![The engagement gap](image)

Source: Towers Perrin Global Workforce Study (2007-2008)

**Table 1.1: Employee Engagement around the Globe**

<table>
<thead>
<tr>
<th>Country</th>
<th>Engaged</th>
<th>Partly engaged</th>
<th>Disenchant*</th>
<th>Disengaged</th>
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Source: Compiled from Towers Perrin Global Workforce Study (2007-2008)

* Here ‘disenchanted’ refers to ‘partly disengaged’ category of employees
According to the 2014 Global Workforce Study of Towers Watson, 40% of the world’s workforce are ‘highly engaged’ while 24% of the workforce are ‘disengaged’. Towers Watson makes two further classifications among the workforce of the world viz., 19% are ‘unsupported’ and 17% are ‘detached’. The study includes over 32,000 participants and is part of a larger research initiative designed to capture both employee and employer perspectives on the emerging trends and issues shaping global workforce. Towers Watson research has shown that there are three measurable elements essential to sustainable engagement: Traditional engagement — employees’ willingness to expend discretionary effort on their job, Enablement — having the tools, resources, and support to do their job effectively, and Energy — having a work environment that actively supports physical, emotional, and interpersonal well-being. According to the study, the fundamentals viz., base pay, job security, and career advancement opportunities, matter most to employees globally when deciding to join or leave an organization. Based on employee responses to questions pertaining to each element, four distinct engagement segments are identified globally as shown in Exhibit 1.7.

**Exhibit 1.7 Global engagement segments**

Source: www.towerswatson.com

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1.9. Significance of the Present Study

It can be seen from the above that employee engagement is a concept that basically encompasses employee involvement and commitment. It is a positive attitude held by the employees towards the organization and its values. The concept has been rapidly gaining popularity, utility and importance and impacts organizations in many ways. As customer insights aren’t solely of interest to marketing department, employee insights must interest not only the HR department but also all senior managers and line managers of the organization. Focusing on what drives engagement can help companies build competitive advantage in the market, retain their best talent, and increase performance levels throughout the organization. The engagement surveys and research studies conducted by various reputed consulting firms offer invaluable insights into how to enhance engagement levels and maximize the potential of the workforce so that the organizations can improve their performance, productivity and profitability.

The present study aims to find out the level of employee engagement among Executives, Supervisors and Workers in a major steel plant in South India. The study will provide an examination of a number of drivers as key contributors to employee engagement and will also focus on the initiatives and actions taken by the Steel Plant to enhance engagement levels. The study will suggest further measures that need to be taken by the Steel Plant to further improve the engagement levels in the organization. The study will particularly supplement the endeavors of the Steel Plant especially the human resource department to successfully function in a highly competitive, quality and customer conscious business environment. Through appropriate statistical tools and analysis, this study will find the factors relevant for employee engagement through which human resources work more effectively. In addition, the factors might be used by the organization to implement ideas that will promote employee engagement and will assure the commitment of the employees in the growth of the organization. It will also help sharpening the existing HR policies and practices for acquiring, developing and retaining the talent in the organization and maintain a healthy employee engagement environment in the organization.