

ANALYSIS OF EMPLOYEE ENGAGEMENT AND COMPANY PERFORMANCE

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ABSTRACT

Employee could be a competitive advantage of a company if company manages its employees well. The success of a company could be seen from how a company manages their employees and engages their employees. Most of big companies put their employees in top priority in order to keep their top performance. These big companies manage their employees and try to engage their employees so that their employees could generate high performance. In this study, employee engagement is the factor to examine the company performance. The aim is to examine the influence of employee engagement to employee performance and company performance. Theories that are supporting this research are human resource management and theories of employee engagement from other researchers. This research is a literature review research using qualitative method. From several of researches about employee engagement, this research finds that employee engagement has positive relationship with company performance. The environment of the company, such as the physical space and climate of the environment support the employee engagement process. The person itself, such as the personality, the physical traits, the emotion of the person, also support the process of employee engagement.

Keywords: *employee engagement, company performance*

INTRODUCTION

FAKULTAS EKONOMI
DAN BISNIS

Research Background

The numbers of new entrants that play in an industry will make the competition become tighter and it will make the price of product become competitive. Indeed, this is benefit for consumers where consumers have variety of choice with competitive prices. But, the vast amount of competitors makes company should share their market share to its competitors. It makes company only can generate low profit margin. It happened because of bargaining power of customers is increasing. National economic stability is also factor of the increasing numbers of new company that emerge. Strong national economic and well national security will drive investors from other country to invest in that country.

Challenge for managers is to keep their company survive in the midst of fight to get higher market share than other company in order to get high margin of profit. These days, competition between companies in an industry is getting intense. The players are not only from within the country but also from abroad. Globalization was the cause. It makes a company to make every effort to survive in an industry. Globalization makes no boundaries between countries. It could make company from other country open an office in another country and compete with other companies from other countries in the same industry. Not only from abroad but also competitors from within country is also make the competition become rigid. There is a lot of new companies appear that emerging as well be the cause of tense competition.

Increasing number of companies that emerging makes competition between companies become tight. These companies must have to survive in the midst of intense competition. The most important strategic problem faced by managers is to secure their company's viability or economic survival in the industries in which they have chosen to compete. Micky (2008: 39) explained that the qualities of desirable resources for a firm are valuable, inimitable and appropriable. In order to sustain company competitive advantage, company should have competitive advantage that other company cannot imitate or difficult to copy. One that is not easy to imitate is human resource. Employee could be company's competitive advantage if company can manage its people well. Firm performance could be influenced by its employees.

Managing people will affect in company performance. Maintaining the best employee will bring advantage to company and result in performance. In order to gaining the best employees, company should back to organizational vision, mission, objectives and strategy. Whether or not the job analysis is already align with organizational vision and strategies. It will impact recruitment and employee selection and firm performance. Getting employees to commit to the company, to pledge their loyalty, is not easy. Employee engagement has become important in conceptualizing and measuring the impact of human capital in organization of many different aspects of HR. It provides a way of recognizing in working life. It seems that employee engagement makes a difference at the individual, team and organizational levels. According to the explanation above, there is connection between how company engages with its employee and company performance. It is important for managers to know about the links between engaging employees, competitive advantage and company performance in order to achieve organizational goals.

Research Objectives

The objective for this research is to analyze the relationship between employee engagement and company performance.

THEORETICAL FRAMEWORK

Human Resource Management

Human resource department is an important part of an organization. It manages people on the company. A good human resource management has to be aligned with organizational goals so that, company objectives could be achieved. HRM is a managerial perspective which argues the need to establish an integrated series of personnel policies to support organizational strategy. (Buchanan and Huczynski, 2004: 679). HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an array of cultural, structural and personnel techniques (Storey, 1995: 5). Micky (2008: 4) posits that human resource management is a distinctive approach to managing the employment relationship that seeks to achieve organizational competitive advantage by strategically deploying committed and capable people using cultural, structural and personnel techniques (and interventions) in an integrated array (system). The fundamental purpose of HRM is to make sure that a company has the right number of people, with the required knowledge, skills, abilities (KSAs) and competencies, at an affordable cost and who are motivated and committed to achieving the current and strategic need of a firm.

Employee Engagement

Employee engagement is an individual's involvement with, satisfaction with, and enthusiasm for the work he or she does (Robbins and Judge, 2011: 113). The idea of this term is to make employees become more attached with company so that they can work more. Macey and Schneider (2008) note that there are numerous definitions of the construct, but that they all agree that employee engagement is desirable, has an organizational purpose, and has both psychological and behavioral facets in that it involves energy, enthusiasm and focused effort.

Employee Performance/ Company Performance

Job performance may be a key indicator of the effectiveness of the HR system and may also influence firm performance. Few researchers have examined the relationship between human resource practices and job performance. Micky (2008:226) explained that one approach suggests that how well a person performs depends on their declarative knowledge (knowledge of facts), procedural knowledge (knowing how to do things) and motivation (being motivated/driven to do things), and identifies the following eight basic job performance components: (1) job specific task proficiency, (2) maintaining personal discipline, (3) demonstrating effort, (4) facilitating peer and team performance, (5) non-job specific task proficiency, (6) communication (written and oral) task proficiency, (7) supervision/leadership, (8) management/administration. Motowdlo et al. (1997) defined job performance as the aggregated value to the organization of the discrete behavioral episodes that an individual performs over a standard interval of time.

Previous Research

Dalal et al. (2012) indicated that the best predictors of overall employee performance were trait negative affect, employee engagement, and job satisfaction. Moreover, the results were unaffected by the removal of a few behavioral items from measures of employee engagement. Macey and Schneider (2008) showed that the term is used at different times to refer to psychological states, traits and behaviors as well as their antecedents and outcomes. They conclude with thoughts about the measurement of the 3 facets of engagement and potential antecedents, especially measurement via employee surveys. Truss *et al* (2013) linked between employee engagement and performance, bringing the two together to suggest that engagement may constitute the mechanism through which HRM practices impact individual and organizational performance.



Figure 1. Conceptual Framework

Source: Theoretical Review, 2014

RESEARCH METHOD

Type of Research

This study will use literature review in order to find the answer of research questions. Sekaran and Bougie (2009: 38) explained that literature review is a step-by-step process that involves the identification of published and unpublished work from secondary data sources on the topic interest, the evaluation of this work in relation to the problem and the documentations of this work.

Place and Time of Research

This study conducted in Manado from December 2013 to January 2014.

Data Collection Method

This study use secondary method in term of data collection. Those data is taken from internet, such as journals and magazines that published on internet.

Data Analysis Method

Sekaran and Bougie (2010:369) explained that qualitative data are in the form of words. Examples of qualitative data are interview notes, transcripts of focus group answers to open-ended questions, transcriptions of video recordings, accounts of experiences with a product on the Internet, news articles, and the like. Qualitative data can come from a wide variety of primary sources and/or secondary sources, such as individuals, focus groups, company records, government publications, and the Internet. The analysis of qualitative data is aimed at making valid inferences from the often overwhelming amount of collected data. Qualitative data can give data, information, meaning, and objective or purpose in certain condition. In this study, those secondary data will be processed and will be discussed. From the discussion will conclude a result. The theoretical frameworks that support the statement will be taken from other journals.

RESULT AND DISCUSSION

Result

The Importance of Employee Engagement

Creating sustainable performance is what mostly company do in order to maintain its existence in the industry. Maintain company's assets and skills are the best way to maintain competitive advantage. Aker (1989) assert the key to a sustainable competitive advantage is to manage assets and skills. An "assets" is something your firm possesses such as a brand name or retail location that is superior to the competition. A "skills" is something that your firm does better than competitors such as advertising or efficient manufacturing.

Without the support of assets or skills it is unlikely that the sustainable competitive advantage will be enduring. A business strategy involves the way you compete – what you do, the product strategy, positioning strategy, pricing strategy, distribution strategy global strategy, manufacturing strategy, and so on. Employee engagement is an individual's involvement, satisfaction and enthusiasm for the work he or she does. It is a psychological construct where employee feels attach with his or her job. Engaged employees care about their company and the future of their company. And employees are willing to put their discretionary effort in order to see the organizational succeed.

Engaged employees work with passion and feel a profound connection to their company (Endres and Mancheno-Sமாக, 2008). Engaged employees are emotionally attached to their organization and highly involved in their job with a great enthusiasm for the success of their employer, going extra mile beyond the employment contractual agreement. In contrast to this are the not-engaged employees who are essentially "checked out." They are sleep walking through their workday, putting time – but not energy or passion – into their work. Actively disengaged employees are not just unhappy at work. Engaging employees is important whatever the potential of the employee, but it is crucial for truly talented people who are likely potential to have leadership either now or in the future. Engaging talented people needs to be a top organizational priority because they are by definition especially precious possessions. They are particularly likely to find another company if they do not feel that this one meets their needs for job satisfaction, purpose and sense of self-worth.

Model of Engagement and Disengagement

Model of employee engagement and disengagement comprises of two factors: the environment and the person. The environment is a reflection of all items in the environment: the people in the environment, the physical space of environment, the climate of the environment and so on. The person is a reflection of everything about the person: the emotion of the person, the personality of the person, the physical traits, family and so on. (Shuck et al., 2010)

These elements which are the environment and the person interact and produce either engagement and/or disengagement (Shuck et al., 2010). When they are positive, they interact to produce engaged employees. When they negative, they interact to produce disengaged employees.

- 1) **The environment** is composed of both tangible and intangible elements. Tangible elements were defined as items the environment that is physically present. The tangible elements is relationships with co-workers and supervisors as well as organizational procedures and processes from
- 2) **The person** is composed of internal and external elements. External elements were defined as items that affected the person but were manifested outside of the person and visible to others. The external elements included a person's family or their health. The internal elements are defined as items that affect the person and are inside of the person such as feelings and emotions. Internal elements included verbal representation of cognitive or affectual processes such as confidence, trust, motivation, feeling to be valued, a desire to learn, ownership and the need for challenge.
- 3) **The interactions.** The model suggests that depending on how the person and the environment interact, both engagement and disengagement could be a potential output. Further, that is no one factor singularity contributes to the creation of engagement and disengagement at work. The development of engagement could be effected by a variety of variables.

Drivers of Employee Engagement

The drivers of engagement can be seen as those factors that create engagement in employees and also as components of the employee proposition that an organization offers to its people. Mc Bain (2007) identified three key clusters of drivers: the organization, management and leadership, and working life. Table 4.2 identifies the component aspects of each cluster.

Table 1. Drivers of Employee Engagement

The Organization	Management and Leadership	Working Life
a) Organizational culture	a) Senior management	a) Recognition
b) Values and vision	b) Line manager	b) Supportive colleagues
c) The brand-organizational or product	c) Line manager commitment	c) Developing potential
	c) Communication	d) Clarity of expectations
		e) Flexibility
		f) Work/life balance
		g) Involvement in decision making
		h) Working environment

Source: Mc Bain (2007)

Discussion

Employee Engagement and Performance

Performance in this case is company performance and employee performance. Employee engagement and performance have a positive relationship. Dalal et al. (2012) conclude that the best predictors of overall employee performance were trait negative affect, employee engagement, and job satisfaction. Employee engagement is stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee compared to the three earlier constructs: job satisfaction, employee commitment and organizational citizenship behavior (Markos and Sri Devi, 2010). Menguc et al. (2012) concluded that Supervisory feedback and perceived autonomy promoted service employee engagement, engagement has implications for customer-related outcomes, engagement operates as full mediator supervisory feedback and customers' evaluation of employee performance. Menguc et al. (2012) believe that this is

important because it illustrates the process by which some resources such as feedback can be related to customers' opinion of how the organization is performing. These resources are too far removed and thus distal to affect customers' opinion concept to customers' assessment of employee performance. When employees are engaged, this affects how they behave and interact with customers, which is evidenced in higher evaluation of performance from customers (Menguc, 2012). This implies that when organizations desire to change customers' evaluations of employee performance by providing more resources such as feedback, managers need to ensure that such feedback translates into engagement if the investment is to have a chance of altering customers' perception of service performance.

Studies have found that there is positive relationship between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty and safety. Harter et al. (2002) reported that engagement is positively related to important business performance metrics such as customer satisfaction, loyalty, profitability and productivity. In that engaged employees will work out of happiness, excitement and the sheer joy of providing excellent service to customers. Researches also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth.

Employee Engagement Strategies

Most employees are influenced by their environment, even those predisposed to flourish can fold under pressure. Spreitzer and Porath (2012) explained 4 mechanisms that create the condition for thriving employees. There are providing decision-making discretion, sharing information, minimizing incivility, and offering performance feedback. The mechanisms overlap somewhat. For instance, if you let people make decisions but give them incomplete information, or leave them exposed to hostile reactions, they will suffer rather than thrive. One mechanism by itself will get you part of the way, but all four are necessary to create a culture of thriving.

The four mechanisms that help employees thrive do not require enormous effort or investments. What they do require is leaders who are open to empowering employees and who set the tone. The mechanisms reinforce one another. Creating conditions for thriving requires concerted attention. Mathis (2013) explained in his article that in order to getting engaged there are three strategies for engagement. They are affinity (believing in the effort), affiliation (participating in the effort), and autonomy (helping to create effort).

CONCLUSION AND RECOMMENDATION

Conclusion

The result and discussion chapter showed that engaged employees are emotionally attached to their organization and highly involved in their job with a great enthusiasm for the success of their employer, going extra mile beyond the employment contractual agreement. This enthusiasm focused effort from engaged employees will affect to their performance as an employee as well as affect to their company performance.

There are two elements that support employee engagement happens. They are the environment and the person. The environment is a reflection of all items in the environment, which are the people in the environment, the physical space and the climate of the environment. The person is a reflection of everything about the person, which is the emotion of the person, the personality, the physical traits, family and so on.

Recommendation

In order to engage employees, company should make regulation that stimulates the employees engages with the company. Company is recommended to provide decision-making discretion to its employees, sharing information among its employees, minimizing incivility to employees and offering performance feedback to employees. Also, company is recommended to create an environment that stimulates the employees to engage with its job.

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