Employee Engagement Improves Organisational Performance – Case Studies on PSUS of Odisha

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Abstract

This study is an attempt to analyse employee engagement as a determinant to improve organisational performance in the public sector companies in Odisha. Generally the organisations which has been plagued by operational and human resource management challenges, is essentially locked in underperformance because of the employee engagement levels also not up-to the mark. Data were gathered from the public sector companies like Indian Rare Earths Limited, Hindustan Aeronautics Limited and National Aluminium Companies Ltd, using a combination of unstructured interviews, self-administered questionnaires and a content analysis of a range of secondary data sources in the organisation. The issues of employees engaged in Public Sector Undertaking (PSU) are more critical as compared to any other organization. In this kind of work culture, employee engagement leads to better performance of individual employee and higher growth of the organization. The emphasis of this paper is to identify the factors impacting employee engagement in PSUs and also to understand the measures to be taken to engage employees for better performance. This paper also tries to explain that employee engagement is very critical in determining employee, and organisational performance.

Keywords: Engagement, Organisational performance, Human resource management, Operational

Introduction

The employee engagement approaches can help companies and organizations to deal with the challenges of human relations by creating a conducive environment of having trust and empathy of individual employees. In the public sector as in the private, are raising questions about how organizations will meet their talent needs in the years to come. In general, the employees from public sector are more satisfied with their job characteristics, but are significantly less satisfied with key drivers of employee engagement compared to the private sector. Several literature reviewed tends to highlight the relatively strong performance of the public sector in terms of job specific parameters such as public sector workers are more likely to receive compensation for working extra hours, and find their work more worthwhile and personally meaningful but their performance is weaker in establishing strategic vision and management. The challenge for employers is to understand the importance of employee engagement within their own organization and to address it effectively.

The concept of employee engagement has received wide coverage in the companies and has been regarded as a key driver to business success and competitive advantage. Much of its influence has come out of the observation that the employee behaviours in organisations are a result of their values and perceptions than just management prescriptions. Employee engagement is mostly used to describe the alignment of an organization's mission with those of employees in relation to the former (Mathis and Jackson, 2011), as demonstrated by attitude to work (Robinson, 2004), management, environment (Poisat, 2006) and extending to the extent of employees' emotional, cognitive and personal commitment to go an extra mile at work (Kahn, 1990; Lockwood, 2007).

Kreitner et al. (1999) equate it to employee satisfaction; that is, "…an effective /emotional response towards various facets of one's job…" Ultimately, employee engagement impacts positively on employee behaviours, leading to organisational success, as measured against indicators such as productivity, profitability, safety, customer satisfaction and corporate reputation, employee commitment, key staff retention among others particularly in changing labour markets (Robinson, 2004; Lockwood, 2007; Macheno and Endres, 2008; Dickson, 2011; Mathis and Jackson, 2011).

Therefore, it is crucial for organisations to create a fertile ground for employee engagement to flourish if they are to tap into their knowledge and human capital. Macey and Schneider (2008) described that employees come to work ready to be engaged and emphasised that organisations need to create favourable conditions for engagement. As engaged employees connect with each other, the multiplier effects of synergy lead to the collective actions, which influences organisational performance. This means the moment an employee enters the organisation it is the business of the employer to device mechanisms for effective utilisation of labour, which essentially involves engaging employees.

Review of literature on Employee Engagement

The concept of employee engagement is relatively new for HRM and appeared in the literatures for nearly two decades. As per the work of Kahn (1990) and (1992), employee engagement is different from the other employee role constructs such as job involvement (Lawller and Hall, 1970) commitment to organizations (Mowday et al., 1982), or intrinsic motivation (Deci, 1975). Further Kahn (1990) suggests that employee engagement focuses on how the psychological experiences of work and work contexts shapes the process of people presenting and absenting themselves during task performances. Employees can be emotionally, cognitively, or physically engaged. Employees can be engaged on one dimension and not the other. The construct, employee engagement emanates from two concepts that have won academic recognition and have been the subjects of empirical research—Commitment and Organizational Citizen Behavior (OCB) (Robinson et al., 2004; and Rafferty et al., 2005). Employee engagement has similarities and overlaps with the above two concepts. According to a research study, 'Engagement is about creating opportunities for employees to connect with their colleagues, managers and wider organization. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job.

It is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a 21st century workplace' (CIPD, 2006). Engagement is about passion and commitment the willingness to invest oneself and expand one's discretionary effort to help the employer succeed, which is beyond simple satisfaction with the employment arrangement or basic loyalty to the employer (Blessing White Report, 2008; Erickson, 2005; and Macey and Schnieder, 2008). Gallup consultants define employee engagement as the involvement with and enthusiasm for work. Gallup (2006) proposed that employees could be divided into three types with regard to their level of engagement, the engaged, not engaged and the actively disengaged, with the later being of most concern to the employer brand as a result of sharing their discontent with their co-workers and the wider world.

Satisfaction, Engagement and Organizational Performance

Some definitions and measures equate engagement with employee satisfaction (e.g., Blessing White, 2008; and Harteret al., 2002). However, many suggest engagement is broader than, in some cases distinct from, satisfaction (e.g., BT, 2008; Blizzard, 2004; and Bates, 2004). Satisfaction is often not directly related to performance and business outcomes, whilst engagement can predict satisfaction and other business outcomes (Bizzard, 2004). These findings are supported by many researchers who claim that satisfaction occurs at approximately the same levels regardless of whether the company is

high or low performing and employees can be satisfied in companies that perform poorly, suggesting no relationship exists between satisfaction and performance.

Researcher suggests that engagement, not satisfaction, is a strong predictor of organizational Performance. Macey and Schneider (2008a) similarly indicate that although someone may be satisfied with their job, this does not necessarily mean they are engaged. Indeed, Frese (2008) goes a step further to argue that engagement often occurs in situations other than where one is satisfied with their work, such as when imminent deadlines and time pressures require an individual to work.

Purpose of the Study

Many international research and consulting firms such as Hewitt Associates, Gallup has undertaken researches on engagement in Indian firms. It is an observable fact that the big corporations of private sector and a few public sector corporations such as Indian Oil Corporation (IOC), Oil and Natural Gas Commission (ONGC) are conducting this type of study with the help of international consulting and research organization for taking corrective actions in the human-managerial and organizational fronts. Needless to say, research on engagement in other public sector such as public sector companies like Indian Rare Earths Limited, Hindustan Aeronautics Limited and National Aluminium Companies Ltd, organizations found scanty, and the researcher even unable to cite any evidence on these sectors at the start of the study. Ipsos Mori (2006) has highlighted the need for public sector organizations to improve the way in which they manage change and develop leadership capability.

Objective of the Study

The purpose of the paper is an attempt to explain how employee engagement may be used to improve organisational performance using the case of a Public Sector Companies of Odisha. Generally, organisation faces lot of problems with reference to the employee engagement, which significantly affects employees and their performance at work. The paper argues that perceived obligation, fulfilment, incongruence negatively affects engagement levels of employees and ultimately, their productivity, so that an investment in employee engagement inducement activities may stimulate employees' productive behaviours and affect organisational performance.

Research Methodology

The research was dominantly qualitative in nature, using a case study of public sector organisations of Odisha. The research included a sample of 50 samples, selected through stratified availability sampling method. Interviews were then conducted with 16 managerial employees whilst self-administered questionnaires were administered to 34 non-managerial employees. A content analysis of various company documents, including Corporate Strategic plans, Annual reports for 2013-14, Financial Reports of the organisation covering the same period and HR reports among others was also made to complement primary data. These would help in terms of providing details on performance public sector organisations of Odisha, current challenges and several discussions with employees that put pointers to their levels of engagement or lack thereof. Analysis of findings was done thematically, where data was organised and described in detail to interpret various aspects of the research topic.

Limitation and Future Scope

The most valuable contribution of this study is that it provides guide for future research; it will aid in developing a more comprehensive context to assess employee engagement in a public sector undertaking. The collection of primary data from the corporate offices under study is an important limitation of this study. The results of the study cannot be generalised.

Analysis and Discussion

Performance Challenges at PSUs of Odisha

The PSUs of Odisha has been plagued by a number of challenges, as the economy has for the past more than a decade suffered various forms of fragility. These have consequently affected the operations of the organisation, as evidenced by perennial performance problems. The net effect of this was failure of the organisation to fulfil its obligations to employees, resulting in low employee morale, lack of employee commitment and strained management/employee relations in general.

Management respondents cited bureaucracy and lack of equipment as having a role to play in compounding the authority's performance challenges. The larger section of non-managerial employees indicated that there was also a challenge in terms of poor distribution of rewards where there are perceptions of managerial employees getting very high perks against non-managerial employees, and in the absence of a performance-based rewarding system. Other challenges noted in the research included poor management practices, general lack of trust, which causes management to refuse to delegate decision making authority, poor communication, indiscipline on the part of managerial employees as well as extreme organisational politics. These have had the net effect of affecting employee commitment and performance. Ironically, even management representatives in the research view challenges associated with the execution of some PSUs of Odisha.

Findings of the research revealed the following;

Management Priorities – There is a general feeling among employees that their concerns both individually and collectively are not at management's priority list, considering that the organisation is still lagging behind in salary payments even though it generates more revenues monthly.

Selling of the Authority's Vision and Mission - There is a poor selling of the vision and mission of the organisation to employees. For example, after strategic retreats, there is little feedback for the general employees. This results in a low level of interest alignment among employees which generally affect their levels of engagement and performance. For example, more that 50% of employees in the research indicated that they do not understand the mission and vision of the organisation and where they fit in the same.

Administration of Disciplinary Procedures – There were allegations of management not following appropriate disciplinary procedures as defined in the organisation's regulations, coupled by a generally negative approach to discipline, which is punitive in nature. It emerged from the research that most disciplinary cases of employees cause the alleged offender to be suspended even in cases that do not necessarily warrant such a harsh decision. As a result, a lot of resources are spent in litigation and related costs.

Communication – There is evidence of communication problems particularly between management and employees, which leaves employees disgruntled and unaware of the many going on in the organisation.

In the light of these views, a conclusion can be drawn, that managers themselves are not emotionally attached to the organisation. Other issues such as obsolete infrastructure, recession of the economy and over control of tariffs by the regulator were also mentioned as some of the challenges facing the organisation. These factors could have a compounding effect on the capacity of the organisation to effectively manage its revenue inflows.

The Impact of the Challenges on the Performance of Odisha-Public Sector Units

Various people issues emerge when an organisation is under-performing. In many instances, organisational performance is likely to further go down when employees are not

satisfied and non-performing, because organisational performance represents the sum total of employee performance Employee motivation or level of interest alignment is very critical for HR to impact on firm performance. This means if the practices extant in an organisation are not sufficient, it may result in disengagement of employees and HR"s inability to impact positively on firm performance. This is supported by who argues that an unsound HR System of an organization may have the consequence of causing psychological disengagement, to the effect of discouraging employees from exhibiting organisational citizenship behaviours. These then affect performance of employees, and their contribution to bottom line. Worse still, it may result in the state of neglect among employees, where they intentionally let the work conditions deteriorate without taking necessary steps to rectify, put less effort and make more mistakes.

The key issue under investigation here was to understand how the challenges affected employee engagement, and performance, and ultimately the performance of public sector units of Odisha. The challenges cited by respondents regarding the operations and performance of the PSUs resulted in a conclusion that employees are generally disengaged. The performance indicators of the organisation, to include financial performance, product market performance and shareholder return, customer service and employee satisfaction were generally low. For example, in terms of customer service, there was evidence of improper billing, poor quality of water, erratic supply of water, less cooperative workforce and slow response to customer queries in the research.

In Public Sector Units of Odisha under study at the time of the research had a lot of customer complaints, which could be closely linked to low morale amongst employees. Equally, the situation is then compounded by customer payment behaviours as a result of the poor service, which have the consequence of having ripple effects on the performance of the organisation. The parties involved in companies take time to pay their dues, at times forcing the authority to engage in an extra burden of managing disconnections, which put additional costs to the bleeding public sector organisation. This means an assurance of quality of service to the customers" expectations is largely relative to how employees are treated.. As a result, a conclusion may be drawn that customer satisfaction is a function of aggregate employee satisfaction.

Literatures related to levels of Engagement of Employees in the PSUs

According to the Gallup Consulting Group, there are three different categories of employees; that is, those that are engaged, not engaged and actively disengaged. Mathis and Jackson (2011) argued that surveys on employee engagement have shown that levels of employee engagement range from 15% to 45% for highly engaged workers, and 5% to 20% for disengaged ones. Engaged workers have a high level of interest alignment with the organisation and effectively work towards the achievement of the organisation's goals. Robinson (2004) argues that they are reliable, would go beyond the requirements of their jobs and are motivated by their achievements and the involvement and recognition they get. On the contrary, disengaged employees simply put time not energy and passion into their work, would not want to go an extra mile, or support fellow employees, feel their efforts are not recognised, have a generally poor relationship with management and are generally unhappy..

This research employed The Gallup Q12 questionnaire, administered to non-managerial employees to assess their levels of engagement, whilst interviews were conducted with managerial employees. Researchers then regrouped the responses and tabulated a likert scale involving three (3) variables; that is, engaged, not engaged and highly disengaged. Findings reveal that of the non-managerial employees, twenty (20) were highly disengaged, nine (9) were not engaged, and three (3) engaged. For the managerial employees, three (3) were highly disengaged, ten (10) not engaged while three (3) were engaged.

There was evidence of a strained relationship between employees and management, coupled by a high perception of obligation fulfilment incongruence by employees, with a high perception of poor remuneration. With annual staff turnover of less than 1%, one is tempted to quickly conclude that the level of engagement is high. The length of service, which on average stood at 9.23 years, when used as a yardstick of measuring employee satisfaction, can also communicate high levels of satisfaction and a generally low level of labour turnover. Bargraim et al. (2003) offered that when employees are dissatisfied, they display responses such as resignations, active employment search, gliding into a state of inactivity, or perform various acts of retribution. The research discovered that the level of engagement for most employees was also low, with evidence of them opting to leave, given a choice. 64 % of non-managerial employees indicated that they would opt out, while 67 % of managerial employees were undecided. This point to a low level of engagement and explains why indicators such as turnover rates and years of service may be insufficient in explaining employee engagement.

There are some circumstances where some employees are satisfied, particularly as evidenced by the high ratings of some management initiatives aimed at improving employee satisfaction. It appeared from the research that those who preferred to stay at Public Sector Units of Odisha were benefiting from job opportunities and promotions, so they would want to stay loyal in the organisation. The majority of vacant senior management positions in the organisations have been filled internally through promotions and transfers. This reliance on the internal labour market for key positions would in a way communicate the value attached to employees, influencing their loyalty, particularly for managerial employees. This has the potential to positively impact on engagement levels of managerial staff. Again, most respondents who indicated their interest to stay in the organisation have served the organisation since its inception and their stay in the organisation could be because they are now closer to retiring.

Interventions to steer up Employee Engagement in the Authority

There is generally no prescription as to what drives employee engagement in organisations. The employee engagement drivers have included promoting employee participation in decision making, job enrichment, creating opportunities for internal career mobility and promotions, having clear job descriptions and job-based skill training (Subramony, 2009), mostly indicating a sense of feeling valued and involved and therefore trusts their employer (Johnson, 2004; Robinson, 2004). Considering that engagement is an individual phenomenon, factors that steer it up differ from one organisation to the other. (Castellano) identifies the aspects that serve as engagement drivers such as organization and job design, rewards and opportunities for training and development and argues that these aspects should be matched with job characteristics, which embraces feedback and job clarity. A combination of these improves state of psychological engagement, the consequence of which includes positive organizational citizenship behaviours from employees, quality products and improved financial performance of organisations.

A number of corporate interventions have been put in place to improve employee conditions of service, which would create a fertile ground for raising levels of employee engagement and ultimately their performance. These include the provision of job security (this is a very key issue with the current recession, where the possibility of termination of employment is very high in many organisations) and training and development opportunities for employees. Management training and development policy stipulates that an employee may enrol for any course of their choice at any local institution as long as the course is relevant to one's current duties. Evidence of the implementation of the policy was demonstrated by HR reports on employees currently enrolled in universities and technical colleges as part of their staff development benefits at the organisation's expense.

According to the organization's Employee Handbook, there is also the provision of staff welfare packages that include the group medical aid cover. On the packages, employees contribute 20% of the premium and employer covers the remaining 80% and the initiatives cover the employee and their immediate family, which includes the spouse, all children, and parent.

The majority of these initiatives are aimed at improving employee satisfaction conform to existing literature, such as training and development, with the consequence of harnessing employee engagement. The other challenge is that there is little alignment of training and development with rewards, and there are inconsistencies surrounding the selection of beneficiaries among other things.

The Link between Corporate Interventions and Employee Engagement

Overall, the availability of these initiatives has contributed less towards employee engagement, considering that they are not post-ordinary even though their absence would probably worsen the situation. The initiatives, in the eyes of management of PSUs of Odisha could be significantly contributing, but employees perceive them otherwise. There are many explanations for such perceptual variations. Arthur and Boyles (2007) argue that if one measures HR programs at organisational level but there exists significant employee group-level variation in the application of HR programs, then it would be inappropriate to make organisational-level attributions about the effects of these programs on outcomes. In this case, employees perceive institutions such as works council negotiations in PSUs of Odisha with a high degree of scepticism, where at times they request to see the Chairman of the Board of Directors in the absence of management to air their concerns.

Conclusion

The current despondency of employees, as demonstrated by their levels of engagement and general perceptions of the organisation does, in a way explain the current performance challenges faced by the organisation. It is very encouraging to note that PSUs of Odisha has actively engaged in various activities, the outcome of which may, in the future, cause a significant change on employee perceptions and performance in general. However, in the light of the findings, there are some areas that may need urgent attention, if employee engagement is to influence bottom-line of the organisation. This calls for Human Resources and Public Relations departments to revive employee motivation and perceptions of the organisation. The research deduced elements of mistrust between employees and management, largely due to inadequate or insufficient communications by management. It is very crucial that the existing platforms for consultations with employees are improved so that all stakeholders understand the internal dynamics in the public sector organisation. This includes honest, transparent and constant feedback to and from employees. Ultimately, it is HR practitioners who create a people strategy that drives the company's vision towards the commercialisation, and the management of people has a strong impact on realising that goal. It has been observed that one cannot attract, retain and engage employees by giving higher salaries only. There are other important factors also like job content, recognition, encouragement, cooperation, development opportunities, scope for career growth, which play a very important role in employees' engagement. HR's role in this PSU is to see how to connect employees to the organisation and the jobs. Measures should be taken to create an engaged culture and one has to see if an employee is happy to go to office, enjoy the work, colleagues, boss and environment because these factors act like glue and bind the people with the organization.

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