

# IMPACT OF EMPLOYEE ENGAGEMENT ON ORGANISATIONAL PERFORMANCE – A PILOT STUDY

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**Abstract:** The aim of this paper is to test the reliability of the questionnaire formulated to assess the impact of employee engagement practices on organization performance of a retail setting. Over a period of a decade, retail sector has emerged as one of the fastest growing sector in India due to changes in tastes & preferences of people, rise in the economic condition and changes in the working hours. Employee engagement is a workplace approach resulting in the right conditions for all members of an organisation to give of their best each day, committed to their organisation's goals and values, motivated to contribute to organisational success, with an enhanced sense of their own well-being. A sample of 100 respondents has been selected from 7 different retail outlets of Bilaspur city using purposive sampling technique to conduct the pilot study. The designed instrument is found reliable with Cronbach alpha of 0.859. The results show that employee engagement practices has a strong impact on the organizational performances.

**Index Terms - Employee engagement, Organisational performance, Retailing, workplace environment, job satisfaction.**

## I. INTRODUCTION

Retail sector is one of the fastest growing sectors in India, especially over the last few years. The Retail sector has witnessed unprecedented growth in recent times and is currently one of the fastest growing sectors in India. According to the Global Retail development Index 2012, India ranks fifth among the top 30 emerging markets for retail. Its expansion in India is both a cause and consequence of rapid economic growth leaving ample employment opportunities. In India it is said to be the second largest sector that provides employment opportunities for people after Agriculture. Indian Retail sector is categorized into two sectors—Organized and Unorganized. The organized sector consists of licensed retailers who are registered for sales tax, income tax etc. such as corporate run retail chains and hypermarkets and privately owned larger retail business. The traditional families run stores/small stores, hand cart and pavement vendors come under unorganized retailing which covers 97% of business in India. The Retail sector in India with the change of tastes and preferences of the consumers is getting more popular and getting organized as well. In Retail Sector, Employees play a role in increasing the sales and customer satisfaction. Retail organizations need engaged employees to grow and prosper and have a positive impact on the customer experience. In today's competitive scenario, the Employee Engagement in the retail sector is an increasingly vital requirement to maintain exemplary customer service levels and also to maximize sales.

## II. EMPLOYEE ENGAGEMENT IN RETAILING

Employee engagement has emerged as an important construct of interest in both academic and business circles. Its association with firm performance highlights the practical importance from a managerial perspective, with recent reports indicating that firms with highly engaged employees have significantly higher net income, higher employee productivity, lower turnover, and more easily attract top talent (Irvine, 2009). Such reports endorse the notion that engaged employees are a key to strategic and tactical initiatives, as they tend to be more supportive of organizational change initiatives, and that their actions have a spillover effect on the rest of the organization (Rhoads, 2000). People in retailing are significant to operational success. In many countries along with the growth of consumerism retailing is developing with time and the sector is the largest contributor to employment. Talent management has always been a focus area in global retailing. Many retailers have defined human resource policies and processes to develop employees to deliver delightful service to customers. In the recent recession in many countries as organizations were struggling to expand, many put their focus on developing people by instituting proper training and development systems. Studies have revealed that engaged employees are assets to organizations as they are found to deliver the best to their organizations.

## III. ORGANISATIONAL PERFORMANCE

Organizational performance is probably the most frequently used dependent variable in organizational research today. Yet, at the same time, it remains one of the most vague and loosely defined constructs. A major challenge for performance research is to establish a clear, coherent and consistent construct for organizational performance (Rogers and Wright 1998). Due to the economic considerations, organizational performance has become an important variable of study that has implications not only for organization level processes but also for how individual and group level processes are modeled. Performance can be defined in varying ways. For behavioral scientists, performance usually refers to subjective measures of individual-level and organization-level performance, or variables like individual motivation, commitment, and Organizational Citizenship Behaviors (OCB). For finance, economics and strategy researchers, organizational performance means firm performance, profits and sales, return-on-investment (ROI), return-on-asset (ROA) and other financial parameters (Singh & Gupta, 2016).

Managers has understood that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998 after Campbell, 1970). In this context, profit became one of the many indicators of performance. The authors Lebens & Euske (2006) provide a set of definitions to illustrate the concept of organizational performance:

- Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebens & Euske 2006 after Kaplan & Norton, 1992).
- Performance is dynamic, requiring judgment and interpretation.
- Performance may be illustrated by using a causal model that describes how current actions may affect future results.
- Performance may be understood differently depending on the person involved in the assessment of the organizational performance (e.g. performance can be understood differently from a person within the organization compared to one from outside).
- To define the concept of performance is necessary to know its elements characteristic to each area of responsibility.
- To report an organization's performance level, it is necessary to be able to quantify the results.

#### IV. OBJECTIVE OF THE STUDY

Following are the objectives of the study:

- To study the employee engagement practices at retail sector in Bilaspur
- To assess the impact of employee engagement practices on organization performance

#### V. METHODOLOGY ADOPTED

The aim of this study is to assess the employee engagement practices on organizational performance at retail setting in Bilaspur. A structured questionnaire based on the prior study done in the field has been developed. A sample of 100 employees has been selected from 7 retail outlets of Bilaspur city using purposive sampling method and interviews were conducted to collect the first hand information about the employee engagement and organizational performance. The collect data is filled in SPSS 21.0 for the analysis. The reliability of the designed instrument is checked using Cronbach Alpha which is found 0.859 showing that the scale is reliable.

#### VI. DATA ANALYSIS & DISCUSSION

**Table 1: Demographic profile of the sampled respondents (n=100)**

Demographic	Frequency	%
<b>Gender</b>		
Male	78	78
Female	22	22
<b>Age</b>		
Upto 25 Yr	25	25
26-30 Yr	41	41
31-35 Yr	19	19
36-40 yr	9	9
Above 40 Yr	6	6
<b>Marital Status</b>		
Married	37	37
Unmarried	63	63
<b>Education</b>		
Upto 10th	3	3
Upto 12th	9	9
Graduate	61	61
PG & Above	27	27
<b>Income</b>		
Upto 5,000	22	22
5001 - 10,000	39	39
10001 - 15000	23	23
Above 15000	16	16

Table 1 presents the demographic details of the sampled respondents. The table revealed that the majority of the sample respondents were males at 78% followed by female employee (22%) showing that more number of male employees were working in retail sector. The sample has also the largest chunk of people belonging to age group of 26-30 years (41%) followed by employees of upto 25 years of age showing the dominance of young employees in the retail sector. Majority of the sampled employees were unmarried (63%) as they were quite young. In terms of education of the people, it was found that majority of employees were qualified having education level of graduation (61%) or Post Graduation (16%) with very few employees with less educational qualification at 12<sup>th</sup> or below (12%). With respect to the monthly income status, majority of employees were earning upto 10,000 Rs in a month (61%) whereas some manages to earn more than 15000 (16%) or in the range of 10000 – 15000 (23%) showing less salary structure in the retail sector. Overall the sample is diverse and should be fair representation of the actual population.

**Table 2: Employee engagement**

Particulars	Committed	Very Committed	Moderate	Little Commitment	Not at all Committed
Control over job	29	41	17	12	1
Availability of tools and resources	39	36	16	6	3
Recognition for performance	31	15	48	4	2
Provision of fair reward for work	23	17	38	16	6
Recognition of ideas and suggestions	29	23	44	3	1
Importance to the individual needs	25	7	46	19	3
Employee commitment for his activities	32	13	45	7	3
Refer to a friend or colleague	36	13	45	5	1
Image of the company in the Industry Sector	26	25	38	11	0
Image of the company in community	44	31	21	4	0

Employee engagement practices and level of commitment of employees with respect to each dimension is presented in table 2. It is advent from the analysis that 41% of the respondents were very committed to control their job, 29% of them were committed and only 17 % of responses indicated moderate of commitment of employee. More than one fourth (36%) of responses show very high commitment on the availability of tools and resources, 39% of them committed and 16% moderate commitment. For recognition for performance, close to half (48%) of responses showed moderate commitment, 31% committed, and only 15% very committed. For provision of fair rewards for work, responses indicated that 38% were moderate commitment, 16% with little commitment, 6% with no commitment, 23% of them committed, and only 17% of responses indicated very committed for the provision of fair rewards for work. The next investigation on employee engagement regarding recognition of ideas and suggestions shows that 44% responses indicated moderate commitment, 29% indicated committed and 23% responses indicated very commitment of employee engagement for the recognition of ideas and suggestions in their organization. On the importance to individual's needs, 46% responses showed moderate commitment, 25% showed committed, 19% showed little commitment and only 7% with very commitment to importance of individuals in their organization. Regarding employee commitment for their activities, responses show that 32% were committed, 45% moderate commitment, 13% very committed and only 7% with little commitment. Refer to friend or colleague, responses show that 45% were with moderated commitment, 36% with committed and 13% with very committed. To image of the company in the industry sector, 38% show moderate commitment, 25 very committed and 26% committed. To the image of company in the community 44% of responses indicated committed, 31% very committed and only 21% with moderate commitment.

**Table 3: Organisational Performance**

		Male	Female	%
Work assignment	<i>Satisfactory</i>	31	12	43
	<i>Not Satisfactory</i>	47	10	57
Relationship with peers/colleagues	<i>Satisfactory</i>	52	17	69
	<i>Not Satisfactory</i>	26	5	31
Work related stress	<i>Satisfactory</i>	47	13	60
	<i>Not Satisfactory</i>	31	9	40
Work life balance	<i>Satisfactory</i>	33	16	49
	<i>Not Satisfactory</i>	45	6	51
Job satisfaction	<i>Satisfactory</i>	29	14	43
	<i>Not Satisfactory</i>	49	8	57

Aspects related to organizational performance with respect to male and female employees is presented in table 3. It was found that 57% respondents reported that work assignment was not satisfactory for the organization performance and only 43% of them indicated satisfactory for the organization performance regarding work assignment. On the side of relationship with peers and colleagues, 69% of responses showed satisfactory with organization performance and only 31% were not satisfactory. Regarding work stress, more than half (60%) of the respondents indicated satisfactory with the organization performance and only 40% were opined it as not satisfactory. Whereby, around half (419%) of the respondents stated that balance of work and the lives of employees were satisfactory with the organization performance and around 51% were not satisfactory. It was also observed that more than half (57%) of the respondents showed not satisfactory for job satisfaction in relation to the organization performance and only 43% were satisfied.

**Table 4: Regression model summary (Employee engagement \* Organisational sum)****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.824 <sup>a</sup>	.753	.750	1.93004

a. Predictors: (Constant), Control over job, Availability of tools and resources, Recognition for performance, Provision of fair reward for work, Recognition of ideas and suggestions, Importance to the individual needs, Employee commitment for his activities, Refer to a friend or colleague, Image of the company in the Industry Sector, Image of the company in community.

**Table 5: One way Anova (Employee engagement \* Organisational sum)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8466.173	7	1209.453	324.682	.000 <sup>b</sup>
	Residual	1460.217	392	3.725		
	Total	9926.390	399			

a. Dependent Variable: Organisational\_Sum

b. Predictors: (Constant), Control over job, Availability of tools and resources, Recognition for performance, Provision of fair reward for work, Recognition of ideas and suggestions, Importance to the individual needs, Employee commitment for his activities, Refer to a friend or colleague, Image of the company in the Industry Sector, Image of the company in community..

A set of regression analysis was carried out to assess the impact of employee engagement over organizational performance. All attributes of employee engagement were taken as predictor being sum total of all the dimensions of organizational performance as dependent variable. As given by the R Square score, the degree of explanation of the dependent variable by the independent variables is very high at 75.3%. The model is statistically valid as given by the F score (F = 324.682). However based on the R Square value it can be summarized that aspects of employee engagement practices at retail setting create a variance of about 75% on the organizational performance.

## VII. CONCLUSION

The aim of this pilot study is to test the reliability of the formulated questionnaire which is drafted to assess the impact of employee engagement practices at retail outlets on the organizational performance. The findings of the study shows that the employee engagement practices do has a strong influence on the organizational performance by about 75% which means managers has to effectively work on the employee engagement practices. Fully engage employee will be more productive and enhances the performance of the organization. Managers have to keep motivated to their employees through rewards, recognitions and other benefits. Work environment and relation between the employees should be checked and managers need to keep harmony for crafting good environment in the outlet. Managers need to consider the staff and their job assignment to reduce stress and increase factors of motivation for employee engagement. Enterprises management seems to ignore non-financial factors to achieve its goals. There is a need to establish control mechanisms that involve financial factors and non-financial factors in measuring performance for longevity of enterprises. In order to have a better sales and pool customers means the retail outlets need to engage their employees continuously through employee friendly policies and empowerment so that they can be more loyal towards their work and organization. Hence, it is inevitable need for retail organizations to inculcate Employee Engagement Practices in the growing organized retail sector.

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