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# A STUDY ON FACTORS AFFECTING EMPLOYEE ENGAGEMENT: AN EMPIRICAL STUDY

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## Abstract

The positive effects of employee engagement on every facet of a company have been well recognised. In order to be successful, small and medium-sized businesses (SMEs) must also pay attention to employee engagement. As such, this paper's goal is to investigate the essential elements of the results of employee engagement at the organisational levels of SME businesses in the Bangalore area. Online data collecting and regression analysis were used in this research. It is anticipated that both theory and practise can benefit from this study's findings. Sound Employee experience plays a vital role in retaining employees and helps in achieving overall development of organisation by increasing in employee productivity and employee morale. Employee engagement determines the sustainability. This study helps in understanding employee engagement considering various factors like HR practices, organisational culture, rewards and quality work life as main antecedents for employee experience and role of employee experience in building employee engagement. This survey is conducted considering employees perspective in SMEs in Bangalore.

**Key words:** factors , employee engagement, SMEs etc.

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## 1. Introduction:

“Engagement is an outcome of a healthy culture” (Denison Consultancy survey 2016). The organisation is made up of individuals with different talents, personalities, and goals, the organisation will have a distinct culture. Employee engagement determines the association of person with the organisation. It is degree of how much an employee is involved, empowered, motivated, and committed towards his job and organisation. Engaged employees are more concerned about the future of the organisation and willing to invest more efforts for development of organisation. Employee experience is defined as cognitive experiences of employees in organisation, measured in relation to organisational climate, internal policies and leadership in this study.

“Engaged employees are not just committed but passionate about their work. Engaged employees are more profitable, productive, focused, have fun and less likely to live company because they are engaged” (Gallup organisation USA 1990). According to IES (Institute of Employee Studies), Employees engagement is a positive attitude held by the employee towards the organisation and its values”.

The Organisation always looks for people who are generally enthusiastic to come to work every day and are highly passionate about their work. To strengthen the bond with employees one must invest in the development of their employees. Organisation climate is regarded as the shared perceptions employees have regarding the events, practices, and procedures of their organisation (Patterson West, Shckleton, Dawson, Lawthom, Maitlis, Roinson and Wallance 2005). Researchers have consistently evidenced the influence of a resource- rich organisational climate on employee outcomes that, in turn, enhance an organisation’s productivity and

competitiveness (Kuenzi and Schminke 2009).

Engaged workers are positive about their work and feel that they are performing their job well (Bakker and Leiter 2010). Job engagement has been found to increase individual job and organisational performance (Bakker and chafeli 2008). The majority of research on organisational climate has examined its direct relations with employee outcomes”When organisations put sound HR practice in place, they are likely to discover that employees feel satisfied, safe and will work to their full potential.

Employee engagement has been acknowledged as a vital factor contributing to organizational success and could have positive implications in all aspects of any business (Bakker & Schaufeli, 2008). Many have argued that employee engagement predicts organizational-level outcomes that can have positive implications for organizations (Bates, 2004; Baumruk, 2004; Harter, et al., 2002; Richman, 2006) including SMEs (Kishore, et al., 2012). Hence, embracing employee engagement is viewed to be crucial to help organizations perform well. In the case of SMEs, they not only encounter a dynamic and highly competitive environment (Koh, et al., 2009) but they also face issues of their own such as financial difficulty, shortage of experts, marketing of products, competition, and increasing cost factors (Salleh & Ndubisi, 2006; Muhammad, et al., 2010; Samad, 2007; Shah & Ali, 2011; Wafa, et al., 2005). In spite of these challenges, SMEs play a significant role in the country’s economic development (Khalique, et al., 2011) and also as a source for creating employment opportunities and providing support to big companies (Hashim & Wafa, 2002).

## 2. Literature Review:

Employee engagement at the present time is very essential where the positive

emotional connections appear towards the work and towards the organisation's goals and its values (Al-dalahmeh et al., 2018). Engaged employees are fully aware of their responsibilities, outperform their roles and even motivate their colleagues for the success of the organization. Substantial positive outcomes of employee engagement have been identified, including a high level of employee job satisfaction, intention to remain, individual performance and eventually, organizational performance (Jones and Harter, 2005). In recent years, practitioners and scholars have invested considerable effort in exploring the antecedents and consequences of employee engagement (Saks 2019).

### **Organisation culture :**

Timothy C Koch (2013) examined the relationship between an integrative organisational climate and job engagement and family focused integrative climate and job engagement. The study extends such research by examining the mediating role of job satisfaction between climate and job engagement. The organisations in identifying strategies to foster resource-rich climate that can contribute to enhance job and organisational performance.

P Permarupan, et al (2013), examined the impact of organisational climate on employee work passion and organisational commitment, considering clarity standards, responsibility, flexibility and rewards and team commitment as dimensions for organisational climate. Organisation climate is deemed to be important for higher productivity, greater passion for the business and a deeper engagement with customers. A positive climate encourages employee's productivity and decreases turnover. Organisation climate induces work of passion and a passionate employee will be able to contribute more effectively towards the growth of the organization. An excellent organisation will enable enhanced economic development.

Sakovska (2012), found the importance of employee engagement in business environment. Organisational culture, leadership style, autonomy, have influence on employee engagement and this leads to employee productivity, customer services, less turnover, organisational performance and profitability. Inter personal relationship with colleagues and supervisors are very essential for employee engagement.

Lars Putter, Delft (2010), this study revealed relationship between organisational climate, employee engagement and organisational performance in multinational companies. The management support and organisation unit size will have an impact on organisational climate and organisational culture has impact on financial performance, employee engagement and operational performance. This study highlights that the perception of organisational climate is more positive for employees higher up in the organisation, that is, top managements climate perception is more positive than middle managements climate perception.

### **HR Practices:**

Jani, et al (2016), say that employee engagement is vital now days to overcome turnover and retention issues. There are various drivers for employee engagement. Among them human resource practices is one of the strongest. This will lead to intrinsic motivation and psychological empowerment. This research reveals there is positive co-relation between human resources management practices and employee engagement.

Joseph Jakisa Owor (2016) investigated the relationship between human resources practices, employee engagement and organisational citizenship behaviours in select firms in Uganda. Five antecedent variables demonstrated a significant role in creating relationship between organisational culture and employee engagement. They are role clarity,

collaboration, job security, compensation fairness and development. This study reveals that employee engagement is a significant mediator between the human resources practices and organisation citizenship behaviour.

### **Employee Engagement:**

Chandini (2016), in her study, tried to understand what employee engagement is and what the drivers of employee engagement are. This paper highlights about engagement at macro level and micro level, at individual level and at organisational level. And different approaches for new employees like strong induction programmes, rigorous training and developmental programmes, certification programme and giving them a realistic job preview. Employee engagement is key to improve organisational performance.

In this study David Vizzuso (2015), found that leaders design strategies to engage employees. Improving employee engagement may increase the likelihood of improving customer satisfaction, which directly influences financial stability of organisations while improving manager's ability to lead. The influence of leadership on employee engagement plays an important role in increasing organisational productivity, efficiency and financial success.

### **Reward and Recognition:**

Scott (2010), reveals encouraging employee engagement with rewards and policies and programs. The study confirms that rewards structures, programs and policies influence employee engagement. Organisations which encourage managers to engage employees by making it a performance criteria and rewarding engagement through incentive programs indicate that organisations are highly engaged.

Grey Bartomieczuk (2015), states how recognition programs impact employee engagement. Recognition programs play a

vital role in bringing positive change in the workplace. Recognition the key to achieve employee engagement. By making the programs strategic and peer to peer recognition helps in engaging employees.

Dr. Trent Kaufman (2013), found that reward and recognition has impact on employee engagement. Employees receiving strong recognition are much likely to generate innovations and increased efficiency at work. An employee states that recognition is more effective at increasing their engagement, performance and innovation. This study helps in understanding how performance recognition fuels employee innovation and output.

### **Quality of work Life:**

Selahattin Kante (2012), found the relationship between quality of work life with work engagement. Blue collar and white-collar employees perceived different aspects of their quality of work life and blue collar and white-collar employees have different work engagement levels. Quality of work life enhances organisational performance and commitment. Quality of work life also helps employees to manage their personal life.

A study by Dr. Saleh Ali Y Alquari (2016) reveals that quality of work life as a antecedent of work engagement "development of human capabilities and social relevance" were the only key antecedent of work engagement.

A conceptual study by Sumrit Yipyintum (2012) helps in understanding quality of work life and employee engagement. Health, safety needs economic needs, family needs, social needs, esteem needs, actualisation needs, knowledge needs, aesthetic needs leads to cognitive engagement, emotional engagement and behavioural engagement. These variables showed sound relationship between quality of work life and employee engagement.

**OBJECTIVE OF THE STUDY**

1. To identify crucial factors that influences the employee engagement of employees in SMEs .
2. To suggest managers to improve employee engagement practices in the SMEs

**Research Hypotheses**

Ho1: HR practices does not significantly affect employee engagement

Ho2: Organization culture does not significantly affect employee engagement

Ho3: Reward and recognition does not significantly affect employee engagement

Ho4: Quality work life does not significantly affect employee engagement

Ho5: All the factors (HR Practices, organization culture, rewards and recognition and Quality work life) do not have a combine significant effect on employee engagement of SMEs.

**1. RESEARCH METHODOLOGY**

The study used a survey research design, with questionnaires sent out to business owners and managers in the Bangalore region. Specifically, 242 SMEs Bangalore region were chosen using a purposive selection technique for the study. In order

Table 1: Demographic information of the respondents and SMEs

Measures	Items	Frequency	Percentage
Gender	Male	192	79.4
	Female	50	20.6
Age (Years)	Below 25	27	11
	26-35	94	39

to get at the primary data, we gave out questionnaires to managers of SMEs. In order for respondents to express their level of agreement or disagreement with each statement, a 5-point Likert scale was specified on the instrument, with responses organised as strongly agree (5), agree (4), uncertain (3), disagree (2), and severely disagree (1). This research will address new fields of enquiry in employee engagement; thus, it adopts a realism paradigm to uncover the “realities” regarding factors that could be influenced by employee engagement within the Bangalore SME business

**4. Results and Discussions:****4.1 Descriptive information:**

From the total of 242 respondents, we can see in Table 1 that 192 (79.42%) were male and 50 (20.6%) were female. Most respondents (109, or 44.55 percent) were aged 26 to 35, and 94 of them (39 percent) had attained the postgraduate level of education. Conclusions can be drawn about the age and level of education of the typical decision-maker from this data.

As a percentage of the total, managers had the greatest response rate (41%; 99 managers), followed by executives (34.27%; 82 executives). With regards to firm size, 135 organizations (55.93%) had 50 or fewer employees (small businesses), followed by 63 (26.15%) with medium-sized workforces.

	36-45	58	24
	Over 46	63	26
Education	Basic/secondary	10	4.2
	Undergraduates	47	19.5
	Master's	109	44.5
	Other	76	31.5
Position	Owner	61	25
	Executive	82	34.2
	Manager	99	41
No. of employees	Below 10	44	18
	11-50	135	56
	51-250	63	26

Source: Primary Survey

**4.3.3 Correlation analysis:** The correlation coefficients for all the variables related with international performance is positive and significant as the p value is less than 0.05.

**Table 2: Correlation of all variables (N=242)**

		EE	HRP	OC	RR	QWL
EE	Pearson Correlation	1	.583**	.531**	.585**	.549**
	Sig. (2-tailed)		.000	.000	.000	.000
HRP	Pearson Correlation	.583**	1	.411**	.544**	.521**
	Sig. (2-tailed)	.000		.000	.000	.000
OC	Pearson Correlation	.531**	.411**	1	.558**	.521**
	Sig. (2-tailed)	.000	.000		.000	.000
RR	Pearson Correlation	.585**	.544**	.558**	1	.586**
	Sig. (2-tailed)	.000	.000	.000		.000
QWL	Pearson Correlation	.549**	.521**	.521**	.586**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Primary survey

OC= organization culture , HP= HR Practices , RR= Rewards and Recognition QWL= Quality of work life



#### 4.3.4 Multiple Regression Findings

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.146	2	17.037	61.192	.000
	Residual	69.046	238	.278		
	Total	137.192	242			

(Source: Primary Survey)

The result of the ANOVA table 3 indicates F-test value =61.19 with a significance level of  $p < 0.05$  ( $p = 0.000$ ) indicate the regression model is statistically significant in predicting the Employee engagement (dependent variable).

Table 4: Coefficients of Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.344	.269		1.278	.202
	HRP	.318	.060	.298	5.281	.000
	OC	.216	.060	.204	3.586	.000
	RR	.239	.069	.216	3.455	.001
	QWL	.171	.064	.161	2.667	.008

a. Dependent Variable: MSMEs Performance

(Source: Primary Survey)

The effect of different factors on employee engagement expansion was broken down by the coefficients of a multiple regression model. Table 4 shows that the link between the employee engagement (Dependent variable) and the four independent factors may be explained by the Unstandardized coefficients B value (IVs). If the IVs are changed by one unit, the DV will go up by one B, and if the IVs are changed by zero, the DV will go down by one B. As an illustration, an improvement of 0.318 on the performance scale results from a one-unit shift in HR Practices (HRP).

Another important finding of regression coefficients is  $\beta$  values those are named as standardized coefficients. These  $\beta$  values indicate the impact of independent variable on dependent variable, which means higher the  $\beta$  value higher the impact of that particular predictor variable. For the current study the  $\beta$  value of 0.298 ( $p < 0.005$ ) is highest for HRP Practices, revealed that from the four factors that affect the employee engagement, HRP is the most important determinant of employee engagement in domestic as well as international market.

The other factors that influence employee engagement are organization culture

( $\beta=0.216$ ,  $p=0.001$ ), followed by rewards and recognition ( $\beta=0.204$ ,  $p=0.000$ ) and quality of work life with  $\beta=0.161$ ,  $p=0.008$ .

The  $t$  value is larger than the tabular value of 1.96 and the  $p$ -value is less than  $\alpha = .05$  for all the predictor variables. All these statistical results support the research hypotheses about the significant role of the HR Practices (H1), organization culture (H2), rewards and recognition (H3) and quality work life (H4) in determining the employee engagement.

**Table 5: Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.721	.520	.512		.52196
a. Predictors: (Constant), GP, IN, CI, SN					

Table 5 shows that there is a very high degree of correlation, as indicated by the R value of 0.721, which stands for the simple correlation.  $R^2 = 0.520$ , which means that the independent variables, explains 52% of the variability of the dependent variable, employee engagement.

## 5. Discussion and Implications:

The present study's empirical findings confirm the existence of various factors that influence the employee engagement. All of the issues that could affect the engagement of employees should be carefully considered by managers and those teaching the next generation of managers.

Indicating the significance of predictors in determining the outcome variable, the study found that the aforementioned four factors together explain 52% of the total variance in performance. Multiple regression analysis showed that HR Practices significantly predicted its employee engagement. In order to succeed in a global market, a company must follow better HR practices in the creative and

The regression equation for Employee engagement:

$$\text{Employee engagement} = 0.344 + 0.318 (\text{HRP}) + 0.216 (\text{IN}) + 0.239 (\text{CI}) + 0.171 (\text{SN})$$

The HR Practices, organization culture, rewards and recognition and quality work life in determining the employee engagement have a combine significant effect on Employee engagement.

preventative initiatives of its leadership. Better HR practices can help the employees to retain in the same company and give their full support.

The results of this study have significant implications for current and future managers of MSMEs in their efforts to keep their human resource well-trained and up-to-date with technological developments and innovation. In order to achieve success in global marketplaces, it is essential that the organization's goals and objectives be communicated effectively to all of its employees.

Employee engagement is a critical ingredient of individual and organizational success. It predicts employee outcomes, organizational success, and financial performance. The impact of engagement (or disengagement) can manifest itself through productivity and organisational performance, outcomes for customers of the organisation, employee retention rates, organisational culture, and advocacy of the organisation and its external image. A



highly engaged employee will consistently deliver beyond expectations. Employee engagement is a key business driver for organizational success. High levels of employee engagement within a company promote retention of talent, foster customer loyalty and improve organizational performance. It is also a key link to customer satisfaction, company reputation and overall stakeholder value. It has a statistical relationship with productivity, profitability, employee retention, safety, and customer satisfaction. Many studies proposed that high levels of engagement lead to both positive outcomes for individuals, (e.g. quality of people's work and their own experiences of doing that work), as well as positive organisational-level outcomes (e.g. the growth and productivity of organisations). Engagement has not only been found to impact important work outcomes, but it has also been found to be more associated with health issues, such as depressive symptoms and physical problems, which may affect employee well-being.

From the organization's perspective, the management team should provide leadership training programs to supervisors to help them support and display empowered leadership behaviour towards their employees and Hospitality industry foster corporate cultures characterized by collaboration. From a supervisor's perspective, the management team should provide adequate support to employees. For example, leaders should ensure that employees know that they are approachable and willing to communicate barriers to them at work. Additionally, leaders should encourage collaboration among team members, making employees more engaged and productive. For example, leaders could encourage informal social events among co-workers in addition to compulsory team building events. Moreover, leaders can clarify the roles of team members in their collaboration and specify long-term goals

for employees to ensure that all employees are on the same page. Second, a fair rewards and recognition system program can be adopted to reduce absenteeism and turnover. To encourage innovative behaviour, managers need not only provide rewards and recognition for the length of service but also reward employees who contribute to innovation and technological advancement. To retain engaging employees, leaders need not only provide fair rewards and recognition to encourage excellent behaviour, but also pay attention to the negative reaction from employees caused by unfairness perception in the workplace. Managers should communicate and become more emotionally intelligent to boost their employee engagement.

### Conclusion

Employee engagement might be an issue in SMEs, thus the need to study employee engagement in SMEs arises. Employee engagement predicts organizational-level outcomes that can have positive implications for organizations thus, these organizational-level outcomes of employee engagement are precisely what most organizations should focus on. By identifying the critical factors of organizational-level outcomes, it will help the top management of SMEs and the policymakers to optimize employee engagement and to propose well-designed support programs and strategies for performance improvement in SMEs respectively. This study is limited to four variables such as which influence employee engagement. The study is limited to SMEs companies in Bangalore only and therefore, the findings of the study cannot be extended to other areas. All the findings and observation made in the study is purely based on the respondent's answer which may be biased.

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