



IJ **BESAR**

International Journal of
Business and Economic Sciences
Applied Research

Employee Engagement Factor for Organizational Excellence

Tzvetana Stoyanova and Ivaylo Iliev

pp. 23-29

VOLUME 10, ISSUE 1

EASTERN MACEDONIA & THRACE INSTITUTE OF TECHNOLOGY PRESS

Employee Engagement Factor for Organizational Excellence

Tzvetana Stoyanova¹ and Ivaylo Iliev²

¹ UNWE, Department of Management, Bulgaria, Sofia, 1700, Students Town

² UNWE, Department of Management, Bulgaria, Sofia, 1700, Students Town

| ARTICLE INFO | ABSTRACT |
|--|--|
| <p>Article History</p> <p>Received 25th November 2016; Accepted 15th March 2017</p> <p>JEL Classifications M1</p> <p>Keywords: Employee engagement, Human resources, Leadership</p> | <p>Purpose: The objective of this publication is to identify ways to increase employee engagement in Bulgarian business organizations and identify how such employee engagement affects employee and company performance.</p> <p>Design/methodology/approach: Our research is based on the evaluation of employee engagement methodologies used by well-known companies such as Gallup HCM Advisory Group, Deloitte and Aon Hewitt. Based on these, we derive the factors influencing employee engagement in Bulgarian companies.</p> <p>Findings: This work focuses on management, in recent years, aimed at retaining and developing the best employees, and their evolution into reliable potential leaders of the organization. This is undertaken to maintain and increase the number of those engaged in the business of company employees as well. The management of a successful leader is considered key to increasing employee engagement. Employee commitment implies something special, additional or atypical in the performance of tasks and job role. This is a behaviour that involves innovation, demonstrating initiative via proactive seeking of opportunities that contribute to the company and exceeding the expected standard of employee performance. The findings can strengthen the already-significant role of management. There is no universal way to increase employee engagement and motivation towards increased productivity, activity, and creativity.</p> <p>Research limitations/implications: The study has been undertaken for employees in Bulgaria.</p> |

©Eastern Macedonia and Thrace Institute of Technology

1. Introduction

Managers need to achieve high-value business results in today's dynamic and rapidly-changing environment. It is important to find a successful business model that combines profitable business strategy with employees that are committed to the objectives of the organization. To achieve this goal, the employees should feel recognized and valued. Globally, employee engagement is increased by providing them with opportunities for career development in the company's recognition that they receive from their work, and the company's reputation. Employees need attention and want to see evidence that someone is thinking of them as individuals. Employees must work with inspiration and feel that they contribute to the development of their organizations. Many studies show that the most preferred reward is personal; timely recognition of supervisors and top managers in the company.

Employee engagement has become a hot topic in the last 25 years; numerous studies have been reported in the literature including those of Kahn (Bagyo, 2014).

According to him, employee engagement is expressed in physical, mental and emotional connection with the organization in which they work. For Luthaus (2002) it is as the strong desire for the employee to remain part of his organization and to use all his efforts, faith and potential to achieve its goals. Similar is the definition of Macey (2006) who considers engagement a personal sense of purpose and focus of energy, personal initiative and efforts to achieve organizational goals. Newstrom and Davis (2007) define it as the extent to which an employee identifies himself with the organization and wants to continue to be part of it. The most comprehensive is the definition of Wiley (2006): this is the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplish tasks important to the achievement of organizational goals. The organization Gallup, probably the most widely recognized name associated with employee engagement, defines engaged employees as people who work with passion and feel very attached to their work. They are also responsible for innovations and they are pushing the

[†] Corresponding Author: Ivaylo Iliev

Email: iliev_ivaylo@abv.bg

DOI: 10.25103/ijbesar.101.03

organizations forward (Krueger and Killham, 2006).

Engagement can be defined as the relation of the employee to the organization and its leader, including: 1) a strong belief in and acceptance of the organization's goals and values, 2) a willingness to exert considerable effort on behalf of the organization, and 3) a strong desire to maintain membership in the organization.

Indicators that determine the level of employee engagement are:

- Availability of inspiring working environment and development;
- Opportunity to participate in decision-making and responsibility;
- Provision of internal and external training for employees of all ages;
- Flexible working hours and teleworking;
- Remuneration and well developed bonus system;
- Additional benefits.

The Institute for Employment Studies' (IES) definition of engagement (Robinson, 2003) is as follows:

- Some emphasize the similarity of engagement to the psychological contract, in that it is unwritten, underpinned by trust, a two-way

relationship between employer and employee — and easy to break.

- Others stress the need for engaged employees to identify with the organization — to believe in its products or services, and particularly its values. This view indicates that engagement needs to be at a level beyond the job itself, embracing the whole organization and what it stands for.
- Finally, another strand of opinion highlights the need for engaged employees to understand the context in which the organization operates. It is insufficient for employees to be committed to their organization; they also need an element of business appreciation, so that any changes they make to their jobs could be seen to have business benefits.

W3IES' HR contacts, when consulted during 2003, had clear and reasonably consistent views about the ways in which an engaged employee behaves (these are presented in a summary diagram in Figure 1).

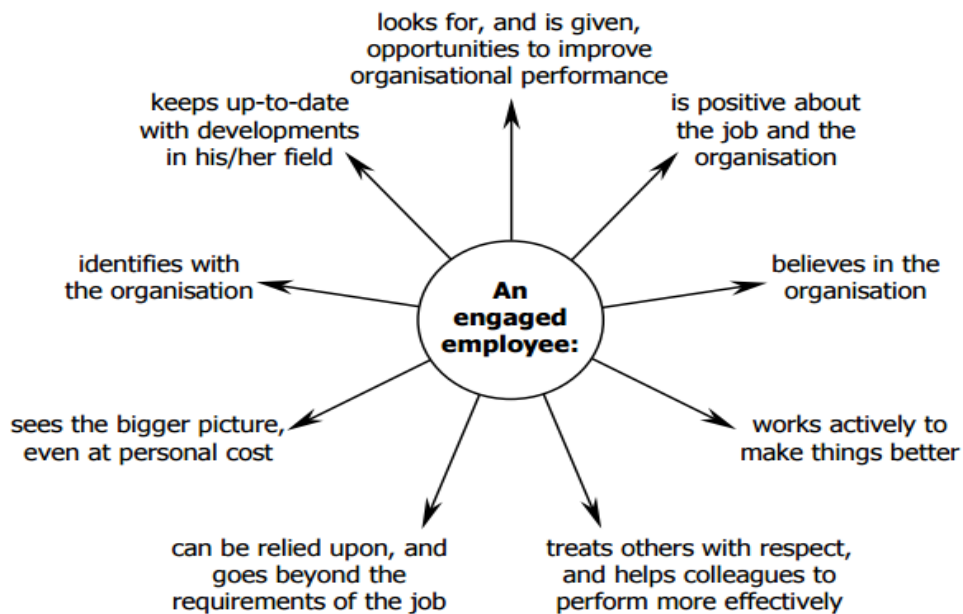


Figure 1: Characteristics of an engaged employee

2. Methodology

The concept for development and involvement of people is aimed at achieving maximum contribution of employees through efforts for their development and involvement in organizational activities. It is closely linked to other fundamental concepts of organizational excellence and plays a crucial role in their implementation. Here it is appropriate to introduce the concept of "human capital". From an economic perspective human capital is reflected in the assessment of the company's capital markets. Dave Ulrich (2010) offers the statement that human capital depends on ability of employees and his engagement. Perfect organization works in both directions to implement

organizational policies, strategies, objectives and plans – first to increase the competence of employees and also to increase their engagement. Engagement is associated with the behavior of people in the organization. Engaged employees give emotional, human and physical energy and attention for its success, trying to be more productive, more flexible, and more customer-oriented.

There are numerous studies on the relationship between engagement and organizational excellence. Gallup identifies factors that determine whether employees are engaged in their work, uncommitted or "actively disengaged." The relationship between the results of the study and performance of employees becomes easily visible through these 12 basic questions

that are known as "Q12" of Gallup ("Gallup's Q12"). Here's what every employee should answer:

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor, or someone at work, seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions seem to count.
8. The mission or purpose of my company makes me feel my job is important.

9. My associates or fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities at work to learn and grow.

Usually each study of employee engagement began precisely with a study like the above. This is the base from which the study can continue with secondary research, interviews face to face, focus groups etc. In any case, the feedback gives the HR Manager the required information for building a strategy for managing human resources.

Yearly averages

■ % Engaged employees

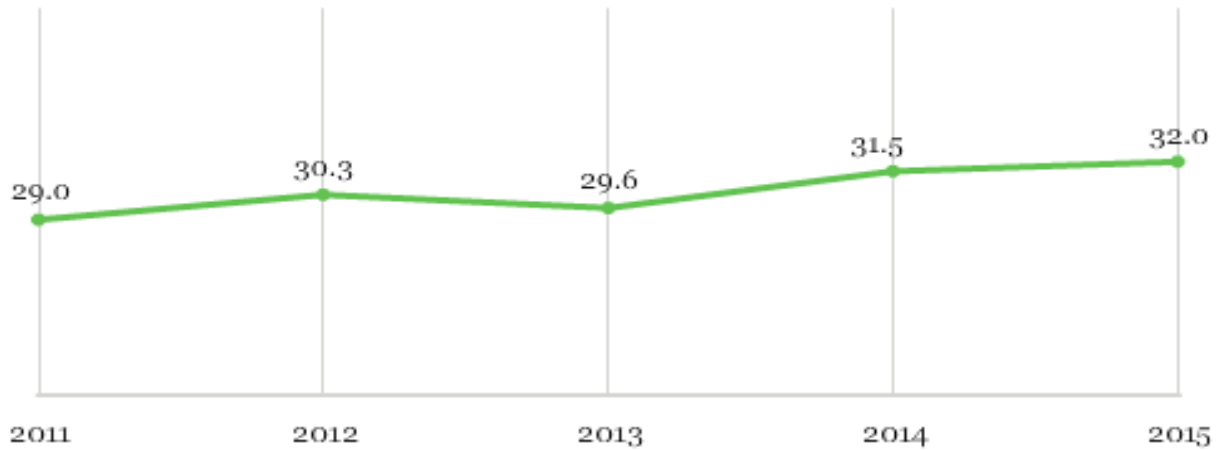


Figure 2: US Employee Engagements, 2011-2015

3. Results and Discussion

Studies on employee engagement show that about one-tenth of employees are strongly engaged and committed to their work. In 2013, for example, the exact number is 13% (according to Gallup). Uncommitted are about 62%. Some analysts divide the group into two parts - "not very engaged" employees and "completely disengaged" (which tend to flee easily). The number of employees engaged in the US seem quite different - 32% for 2015 (according to Gallup, 2016). There is also a tendency towards growth of engaged employees in the last four years (Figure 2). The HR manager needs to assess whether there is a difference and how to approach different groups.

Gallup's data are confirmed by another global study about engagement and satisfaction (The Steelcase Global Report, 2016). The data show that workers that are highly satisfied with various aspects of their workplace also demonstrate higher levels of engagement. Yet, only 13 percent of global workers are highly engaged and highly satisfied with their workplace. The inverse is true as well: 11 percent of employees are highly dissatisfied with their offices and are also highly disengaged (Figure 3).

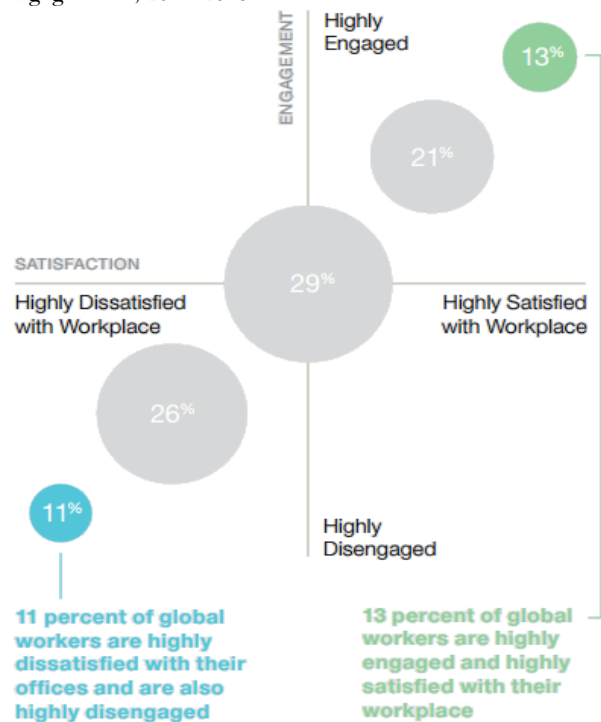


Figure 3: The data reveal high workplace satisfaction positively correlates with high employee engagement.

Globally, this study finds that satisfaction with the workplace directly correlates with higher employee engagement - in other words, the most engaged workers are also the most satisfied with their work environment. This can be an important insight for leaders wanting to improve employee engagement in their organization but have not considered the role the workplace can play. Looking at the detailed findings from each surveyed country reveals distinct differences: cultural diversity,

dissimilar work environments and distinct workplace experiences. At the same time, the data make certain commonalities among engaged and satisfied workers throughout the world clearer (Figure 4). Understanding both - differences and similarities - can help point the way for leaders who want to leverage their workplace to help inspire meaningful work and high engagement in their organization.

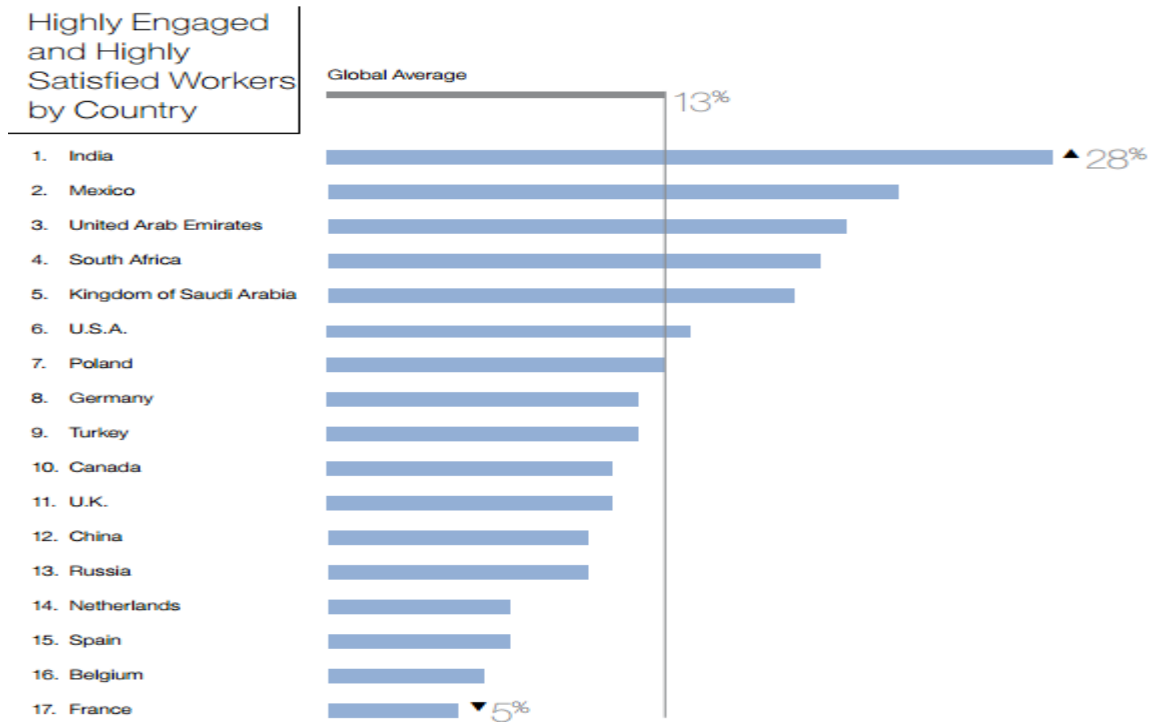


Figure 4: Percentage of workers who are highly engaged and highly satisfied

Other well-known consulting companies, such as HCM Advisory Group, also examined these issues. For example, their study from 2015 questioned the issues relating to programs for employee engagement. Results show that 65% of respondents consider recognition programs as the most important thing, for 56%, wellness programs, and for 53%, having a good balance of work and personal life (Whyte, 2015). Positive corporate image, good relationships with management and colleagues, acquainted with the company's mission and clear personal contribution to the organization are other factors that determine employee engagement.

Another study conducted by Alex Edmans (2014) shows that companies with higher satisfaction of workers usually achieve above-average return on capital.

A survey conducted by Deloitte (2015) among more than 3300 leaders or CEOs in 106 countries shows that participants that consider engagement as "very important" have doubled from 26% in 2014 to 50% this year. While 6% of business leaders who participated in the inquiry have no program to measure and improve engagement, only 12% of respondents have implemented a program to identify and build a strong corporate culture. Seven percent of them think that self-assessment is useful for excellent measurement, improving motivation, and engagement, and retention of employees. The study also shows that employees are becoming more

mobile, independent and unpredictable and as a result, more difficult to control and engage with.

A survey conducted in Bulgaria by Aon Hewitt¹ in 2014 shows that employee engagement in Bulgaria is increasing, while the level of dissatisfaction with pay and working conditions remains relatively high. This study found a 10% (total 64%) increase in the level of employee engagement in Bulgaria over the previous year. According to results, the level of employee engagement is inversely proportional to the size of the companies in which they work. For companies with up to 250 employees, the average level of engagement is 66%, companies between 250 and 1,000 employees have 64% of employees engaged whilst 44% of employees in large companies with more than 1,000 employees are engaged.

According to the AON, the involved employees can be found in the pharmaceutical industry, followed by the IT sector and manufacturing. More than half of the employees in these companies speak positively about their employer, whom they want to continue working with in the long term. They also put lots of extra effort

¹ In the study by AON Bulgaria in 2014 are included a total of 56 companies from 12 industries. Nearly 14,500 employees have shared their opinion about their employer and 456 top managers (leaders) have evaluated the companies that manage

into their everyday work, which contributes to business success.

The study also showed that Generational differences and their management are a main issue among top managers in 2014. Employees from 25 to 29 years in Bulgaria for example, have the lowest engagement (52%) compared to the other age groups. The lowest rated factors are remuneration and recognition that people receive from their employer. These are motivating factors that can affect the level of employee engagement. On the other hand, relationships with colleagues in the workplace and support of line managers are among the factors that receive high satisfaction. Young people expect to have open and honest communication with the top-level managers in their companies. That is why they are so critical to them; only 41% see evidence of effective top-level management of the company. On the other hand, only 38% of those surveyed absolutely agree with the statement that "Top management treats employees as the most valuable asset of the company."

Meanwhile, career opportunities that companies provide are the decisive factor in retaining talent and engaging employees. It turns out that every second employee in Bulgaria is not familiar with the opportunities for career development and growth in the company they work at. Currently, managers almost daily have to answer the question: "What could be my growth in this company?". If they don't have a definite and clear answer and don't provide information about the career path of employees, there is a risk of losing their talented employees.

Often existing systems for career development are good only in the form of written procedures and rules. Only half of HR managers of companies surveyed say they have created a clear system for career development for their new employees. Whatever the reason is, when employees do not see their career develop in the company, their commitment is more likely to fall. Only 52% believe that their company develops their talented employees and 50% of them agreed that the company advances those who contribute most to its success. Therefore, employees are left with the feeling that a job well done and achieving goals are not important for professional advancement or better pay.

Dissatisfaction with the pay is linked to disparity with contribution of employees in the company - only 46% of surveyed employees agreed that the payment they receive corresponds to their contribution to the company. Their point of view depends on the extent to which employees are informed on how it can be changed, how is influenced by their contributions and how much they believe that the system for determining the remuneration is clear and fair. Information and communication in these areas have great potential impact on increasing the level of engagement. Efforts made by employers should be aimed at creating a fair remuneration policy - through a transparent system tied to performance, recommended by AON.

They also found that additional benefits play a key role in employee engagement. According to every second employee, additional benefits which the employers provide do not match the employee's needs. More often employees think that quantity and type of benefits offered are not as important as their quality and personalization for their needs. The most frequently-

mentioned benefits meeting employee needs are; health insurance, supplementary pension insurance, food vouchers and transportation costs.

The AON study shows an interesting trend in the plans of companies to hire people or reduce staff; only 4% of HR directors are planning staff reduction, while 42% of them plan to increase the staff by up to 10%. Up to 54% of HR managers expect to maintain the same numbers.

Researchers have found positive relationship between employee engagement and organizational excellence outcomes: employee retention, profitability, productivity, safety and customer loyalty. Studies also show that the more engaged employees are, the more likely their employer is to exceed the average industry growth in its revenues. Employee engagement is found to be higher in double-digit growth companies. Research also claims that engagement is positively related to customer satisfaction (Markos 2010). Engaged employee consistently demonstrates 3 general behaviors that improve organizational performance:

- Say – the employee publicly recommends the organization to potential employees and customers
- Stay – despite opportunities to work elsewhere, the employee has a great desire to be a part of the organization
- Strive – the employee uses an additional time.

Organizations with employees that are engaged, have higher level of employee retention as a result of reduced turnover and intention to leave the company, performance, gainfulness, customer satisfaction and growth. Companies with disengaged employees, on the other hand, suffer from waste of effort, earn less commitment from the workers, face raised absenteeism and also have less customer orientation, less labor productivity, and reduced operating and net profit margins.

According to the study the things that most engage employees are opportunities for career advancement, recognition of the work and reputation of the brand. Employees have expectations of the company's leaders - be open and honest in communication and to pay attention on the decisions made by staff members. In addition, the characteristics of a successful leader are clearly indicated as:

- He is concentrated and focused on key areas with the right resources and efforts;
- He is available for employees, giving them the necessary support to perform their daily work tasks;
- He is open and honest in their communications with employees;
- He is an expert in business management and thinks for business success in the long run.

The expectations for the leader are highest because he represents the company and its culture. Employees believe that a good business leader balances their interests with those of the company (64% to 42% - employees working in companies with strong leaders compared to companies without leaders). They also support and implement successful practices for people management (63% to 42%) and relate to employees as the most valuable asset of the company (55% to 34%).

There is not a universal and generally accepted way to increase employee engagement or their motivation to be more active, more creative and more productive. Based on the results of the reviewed studies concrete actions can be proposed to management to increase employee engagement in Bulgarian business organizations.

- Initially it is better to select the right methods of communication and the right communication channels. There are different possibilities for communication in a corporate environment. In most cases a combination of different channels proved most effective and readily available to employees. That will increase employee awareness of the organization and also its goals.
- Another recommendation is to regularly seek opinions of employees on their work in the company and their satisfaction in different areas of work. There are many ways for doing this and each employer may decide which one to use according to their resources and potential. When managers seek for the employee's point of view this means that they care about staff's opinion and their way of looking at business processes. This inevitably affects how they relate to their duties.
- Managers of the intermediate level of a hierarchical organization have a key role in communicating with employees on a daily basis. Particular attention should be paid to their motivation, because commitment is transmitted from the top to the bottom (top-down) of the organization. The more involved the direct managers are, the more engaged will be all other employees in the company.
- Additional benefits should also be mentioned. The needs and the expectations of different groups of employees must be identified. It's possible for management to give the necessary flexibility to decide what to include in personal benefit package and to offer the best options. This demonstrates a personal regard towards the needs of the individual employee.
- Trending approach to engage employees is gamification. As for the recent development in business' best practices, the concept of gamification has emerged as a powerful method for encouraging employee engagement. In its essence gamification is transforming the working environment (in a general sense i.e. including corporate culture) into game-like environment (Marchev, Marchev 2011). Gamification leverages design, big data analytics and new research on universal human motivators to influence employee actions. It applies the same principles that inspire people to play games — achievements, status and rewards — and motivates them to put learning and

collaboration at the top of their to-do lists. Gamification leads to real, measurable improvements to a wide range of key performance indicators (Bunchball, 2016).

- Aon Hewitt surveys make clear that different generations of employees have different needs and requirements. That's why organizations should have different policies and procedures for their employees. People from the Baby Boom generation (those born between 1945 and 1965) are individualists and are motivated by prestige, status and the privileges that their employers provide. The main factors of the work environment that affect their engagement are attitudes with colleagues, work assignments and a sense of satisfaction from work. Those from Generation X, place an importance on determining their own working hours to achieve a better balance between work and personal life. The employees of this generation in Bulgaria are satisfied with the feedback given from their supervisors, as well as the fact that they encourage them to give ideas and suggestions related to workflow. On the other hand, Generation Y members present the most difficulties to an employer; the representatives of this generation need recognition for their achievements, and also to have good relations with colleagues and their direct superiors.
- The opportunities for career development within the company must be clearly defined. According to the already-quoted study, opportunities for career advancement are among the things that most engage employees.
- Employees of a company are the most valuable asset and they should be made aware of this. Remuneration is only one way to be rewarded for their contribution to the company. There are many other opportunities for doing this, which should be chosen depending on the capabilities and desires of the company's management.

The engaged employee is the one who is ready to make further efforts for the success of the company. He shares with colleagues, clients and friends a positive opinion of his employer. He not only shows its willingness to contribute, but knows exactly how to work effectively because he clearly understands goals and strategy of his employer. He is also aware that his efforts towards quality and efficiency effects the results of his company. The engaged employee perceives organizational success as his own success. In addition, it is easier to keep him in the company because he wants to be part of it.

This is an Open Access article distributed under the terms of the Creative Commons Attribution Licence



References

- Bagyo, Y., 2014, *Leadership Style In Improving Performance Through Engagement*, [online] Available at: <http://iosrjournals.org/iosr-jbm/papers/Vol16-issue5/Version-2/G016524049.pdf>, [Last accessed July, 14th, 2016]
- Bunchball, 2016, *Gamification for Employee Engagement*, [online] Available at: https://www.bunchball.com/sites/default/files/Bunchball_SB_Employee_Engagement.pdf, [Last accessed July, 14th, 2016]
- Consultancy.uk, 2015, *Deloitte: Employee engagement #1 HR challenge*, [online] Available at: <http://www.consultancy.uk/news/1625/deloitte-employee-engagement-no-1-hr-challenge>, [Last accessed July, 14th, 2016]
- Edmans, A., 2014, *Employee satisfaction and firm value: A global perspective*, [online] Available at: <http://www.voxeu.org/article/employee-satisfaction-and-firm-value>, [Last accessed July, 14th, 2016]
- Gallup, *Employee Engagement in U.S. Stagnant in 2015*, [online] Available at: <http://www.gallup.com/poll/188144/employee-engagement-stagnant-2015.aspx>, [Last accessed July, 14th, 2016]
- Krueger, J., E. Killham, 2006, *Who's Driving Innovation at Your Company?*, GALLUP BUSINESS JOURNAL SEPTEMBER 14, [online] Available at: http://www.gallup.com/businessjournal/24472/Whos-Driving-Innovation-Your-Company.aspx?g_source=Employee%20Engagement%20006&g_medium=search&g_campaign=tiles, [Last accessed July, 14th, 2016]
- Luthans, Fred, 2002, *Organizational Behavior*, Ninth Edition, McGraw-Hill Irwin, Boston
- Macey, W. H., Schneider, B., 2006, *Employee experiences and customer satisfaction: Toward a framework for survey design with a focus on service climate*. In A. I. Kraut (Ed.), *Getting action from organizational surveys*, San Francisco: Jossey-Bass, pp. 53–75
- Marchev, A., A. Marchev, Jr., 2011, *Neizbejniat prehod ot sholasticizam kam igrovi podhod*, Jubilee scientific conference "Perspectives and challenges of education in business administration" 14.10.2011 – 15.10.2011, Sofia, conference proceedings (Only available in Bulgarian)
- Markos, S., S. Sridevi, 2010, *Employee Engagement: The Key to Improving Performance*, International Journal of Business and Management Vol. 5, No. 12; December 2010
- Newstrom, J.W., Davis, K., 2007, *Organizational Behavior*, 12th ed., Upper Saddle River, New Jersey: Pearson Prentice Hall, pp.345
- Robinson, D., S. Perryman, S. Hayday, 2003, *The Drivers of Employee Engagement*, [online] Available at: <http://www.employment-studies.co.uk/system/files/resources/files/408.pdf>, [Last accessed July, 14th, 2016]
- The Steelcase Global Report, Steelcase Inc, [online] Available at: <http://www.red-thread.com/wp-content/blogs.dir/779/files/2016/05/2016-Engagement-Report.pdf>, [Last accessed July, 14th, 2016]
- Ulrich, D., June 2010, *Interview about his HR philosophy*, RBL Institute, [online] Available at: <http://rblip.s3.amazonaws.com/Institute/Q%26A/Ulrich.Human%20Capital%20Telescope.pdf> [Last accessed July, 14th, 2016]
- Whyte, A., 2015, *Firms Recognize Engagement*, Talent management magazine, May 2015, [online] Available at: http://www.talentmgt-digital.com/read-tm/may_2015?pg=15#pg15, [Last accessed July, 14th, 2016]
- Wiley, J., 2010, *Employment engagement. Human Resources*, February 2010. pp 29-32.