Predictors & Outcomes of Employee Engagement: Implications for the Resource-based View Perspective

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This paper extends the resource based view of the firm to employee engagement and explores linkages with firm performance. It argues that employee engagement interacts with other intangible variables such as the sense of justice and psychological contract which an individual feels and expects, respectively. The individual's psychological contract is shaped by organizations' HR policies along with many social cues from the work environment. This may affect the employee engagement. Further, there may be a positive effect of Employee Engagement on Organizational Commitment and Organizational Citizenship Behavior. The entire equation may lead to high firm performance which in turn may affect Employee Engagement. It proposes a conceptual model of these intangible variables and their linkage with the tangible variable of firm performance.

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Resource-based View

We extend the resource based view of the firm to employee engagement and try to explore linkages with firm performance. By developing these intangible capabilities of employee engagement, it's antecedents and outcomes, which are path dependant, a firm can stay ahead of it's competitors (Teece et al 1997; Colbert 2004) and leads to VRIN which is difficult for competitors to imitate (Barney 1991).This is in line with the dynamic capability perspective, which extends the RBV (http://www.valuebasedmanagement.net methods_barney_resource_based_ view_firm.html/accessed 28th March 2009). It also fills in the lacunae pointed by researchers like Foss et al (1996b). Foss and Ishikava (2006) point out to the shortcomings of RBV and state that process orientation has not made the theory dynamic. Foss (1996b) speculates that various "competence-based," "capabilities," "dynamic capabilities," etc. approaches which all try to highlight dynamics in various ways (e.g., Hamel and Prahalad 1994) in RBV should be the focus of research..

The resource-based view suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships, are embedded in a firm's history and culture, and generate tacit organizational knowledge (Barney 1991). Much work has been done in behavioral perspective, leading to a non-conclusive view that role behaviour may be copied by competing firms (Colbert 2004). HR practices and strategic HR roles on the other hand emanate certain intrinsic motivational effects like Organizational Commitment and lead to high firm performance (Bhatnagar 2007, Bhatnagar 2009a).The motivational basis of employee work attitudes and behaviors is regarded as an important component of research agenda relating to management practices (Aryee, Budhwar & Chen 2002) especially in an employment relationship domain (Bhatnagar 2009a:171). In the current study we explore the processes which emanate in organizations due to certain HR practices in the workplace. We are not studying the HR practices of the organization in this paper, but the processes which serve as an important competitive advantage for the firm. These are captured through the sense of justice and psychological contract and individual feels. The formation of the individual's psychological contract is shaped by company policies related to recruitment, compensation, claims etc along with social cues from the work environment (Boxall & Purcell 2002).This in turn may affect the employee engagement. There may be a positive effect of the Employee En-

gagement on Organizational Commitment and Organizational Citizenship Behaviour. There may be an interactive effect between these, leading to lower intention to quit. The entire equation may lead to high firm performance which in turn may affect Employee Engagement. We examine this variable in the configurational approach (Delery & Doty 1996) of theorizing SHRM. The configurational school in organization studies follows a holistic principle of inquiry and is concerned with how patterns of multiple interdependent variables relate to a given dependent variable (Meyer, Tsui & Hinings 1993). Researchers gather multiple dimensions of organizations, such as strategies, structures, cultures, and processes, into typologies of ideal types and treat the types as independent variables (Colbert 2004:344).

Measurement of Employee Engagement

Employee Engagement is a key to retention of talent (Glen 2006) and is an area where lead has been taken by practitioners (Bennett & Bell 2004, Baumruk et.al 2006, Gallup Management Journal 2006, Parsley 2006, Woodruffe 2006). It is an area where rigorous academic research is required (Macey & Schneider 2008, IOP Speical Issue 2008)

> **Employee engagement is a key to retention of talent**

Employee Engagement (Cartwright & Holmes 2006, Joo & Mclean 2006, Rothbard 2001) is an important mediator

variable which research studies in India and globally have not investigated (Bhatnagar 2007a, Saks 2005). In their research, Robinson, Perryman and Hayday (2004) note that Employee Engagement has been highlighted by practitioners, but largely undermined in academic literature. Although Kahn (1990), Saks (2006), and Bhatnagar (2007a) have tried to provide a concrete conceptual definition of the Employee Engagement construct, yet literature revealed that the conceptualization and definition of the construct is frequently contaminated with its identification with other outcome variables such as job involvement, intrinsic motivation, organizational commitment, and organizational citizenship behavior. (Bhatnagar 2007a; Saks 2006) This was seen when Gallup q ^{12} (Buckingham & Coffman 1999) or Gallup Workplace Audit was used (Bhatnagar 2007a). We would like to extend the work and would measure using Employee Engagement with a different scale of Saks (2006) in the Indian context. It is hypothesized:

Hypothesis 1: Employee Engagement is a holistic measure of job Engagement and Organizational Engagement.

Predictors of Employee Engagement

Measurement of employee engagement has entered into academic and practitioner debate (Meyer & Gagne 2008:61). The authors state that Self Determining Theory has guided the measurement of engagement relevant variables like: need satisfaction, motivational states, psychological and behavioral outcomes in a variety of contexts (e.g., Ryan & Connell 1989). The authors propose to map the antecedents of Employee Engagement, which reflect a degree of need satisfaction. Variables of justice, like procedural and distributive may provide a perception of fairness to the employees. The formation of the individual's psychological contract is shaped by company policies related to recruitment, compensation, claims etc along with social cues from the work environment (Boxall & Purcell 2002). The motivational basis of employee work attitudes and behaviors is regarded as an important component of research agenda relating to management practices (Aryee, Budhwar & Chen 2002) especially in an employment relationship domain (Bhatnagar 2009a:171).

Over the past decade or so, numerous studies have provided empirical support to the notion that psychological contract as an important motivator for employees (e.g.,) Sturges, Conway, Guest and Liefooghe, 2005, Rousseau 2004). Wilhelm et al. (2007) state that the results of these studies and highlight that when individuals perceive breach of promises by their employer; their motivation and commitment to the organization decreases and their intention to leave their jobs increases (Tekleab, Takeuchi and Taylor 2005) as cited in Bhatnagar (2009:172). This current study proposes to measure the predictors of Employee Engagement. These are variables of justice and psychological contract. The authors propose to test the following hypothesis:

Hypothesis $_2$: Procedural and distributive justice; transactional and relational psychological contract will be predictors of Employee Engagement

Outcomes of Employee Engagement

Consultants have focused on Employee Engagement encompassing in some combination affective commitment (e.g., pride in the organization, willingness to recommend the organization as an employer), continuance commitment (e.g., intention to remain with the organization), and OCB, described as discretionary effort (e.g., feeling inspired by the organization, being willing to go above and beyond formal role requirements). Macey & Schneider 2008:57). Bhatnagar (2007) reports studies on organizational commitment as an explanatory factor of employees' mobility. Linkages between mentoring and organizational commitment and source of support and target of commitment have been explored by Lin et al., (2005), Payne & Huffman (2005), Stinglhamber and Vandenberghe (2003). However, Bhatnagar and Sharma (2009:292) report recent research (Iverson & Zatzick 2007: 456) which has highlighted "the economic and political conflicts associated with such practices (Godard 2001a), including the financial costs that may offset productivity gains (e.g., Cappelli & Neumark 2001) and the intensification of work that results in greater burnout and stress for employees (e.g., Green 2004, Ramsay, Scholarios & Harley 2001). They have further found organizational commitment to be a predictor of firm performance in

Indian sample. They found the firm's competitive advantage emerging due to organizational commitment. More recently Employee Engagement has been related to building a firm's competitive advantage. Employee Engagement, in fact, can make or break the business bottom line (Lockwood 2006). Martel (2003:30, 42) is of the opinion that in order to obtain high performance in postindustrial(sic), intangible work that demands innovation, flexibility, and speed, employers need to engage their employees. Engaging employees—especially by giving them participation, freedom, and trust—is the most comprehensive response to the ascendant postindustrial values of self-realization and self-actualization. Performance data of the best companies in the US show that in all the practice areas discussed previously. Objectives are more easily met when employees are engaged and more likely to fall short when they are not. In order to maintain an *Employer brand* we see an emergence of a series of studies on employer of choice, which also measure engagement index and financial performance (Coleman 2005).

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A recent SHRM Conference (2006) reported the results of a new global Employee Engagement study showing a dramatic difference in bottom-line results in organizations with highly engaged employees when compared to organizations

whose employees had low engagement scores (Bhatnagar 2007a). A compelling question is: how much more productive is an engaged workforce compared to a non-engaged workforce? (as cited in Seijts & Crim 2006 and reported in Bhatnagar 2007a).

According to Soupata (2005) organizations should strive towards 'enterprise excellence'. In this context, processes such as employee communication, employee relations, and their learning and development assume an important role in predicting an employee's performance and his/her attachment to his/her job and organization. It is in this context that we consider employee engagement as a peremptory construct in explaining an employee's attachment to his/her job and his/her organization. As reported by Xanthopoulou et al. (2009 : 184), the motivational process of the job demands–resources (JD-R) model (Bakker & Demerouti 2007) suggests that job resources are the main initiators of employees' work engagement and consequently of enhanced performance. Job resources refer to physical, social, or organizational aspects of the job that are functional in achieving work-related goals, reduce demands and the associated costs, and stimulate personal growth and development (Bakker & Demerouti 2007). As intrinsic motivators, job resources fulfill basic human needs (i.e. need for belonging) and foster individuals' development (Deci & Ryan 1985). As extrinsic motivators, they encourage employees' to exert effort towards a task (Gagne´ & Deci 2005). In both cases, employees may

become more engaged in their jobs, because they derive fulfillment from it (Schaufeli & Bakker, 2004) and inturn they perform better (Bakker 2009).

Further, given the logic of self determining theory (Meyer & Gagne 2008:61) the current study proposes to measure the antecedents and outcomes of Employee Engagement, which would predict higher firm performance at the organizational level and lower intention to quit at the individual level . These support directly the outcome variables of Employee Engagement as pointed by Macey and Schneider (2008). They focus primarily on task performance and organizational effectiveness as outcomes of engagement. This further supports the SDT theory implications on employee well being as pointed by Meyer and Gagne (2008:61). Individuals who experience the feeling of well being in an organization due to high Employee Engagement may exhibit lower intention to quit.

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Extending this work and building on RBV, the authors propose organizational commitment, lower intent to quit, and firm performance to be the outcome variables at individual and firm levels. These would provide a competitive advantage to the firm. This line of research would fill in the caveat in RBV as pointed by Colbert (2004). It answers the question:

how does a firm actively build and continuously renew strategic human and organizational resources to fuel competitive advantage?

With the resource-based view of the firm as the basis, the authors propose that Employee Engagement would lead to higher levels of organizational commitment, lower levels of quit intention, and higher level of firm performance as the outcomes. This would lead to an inimitable and sustained competitive advantage to the firm. It is expected that by proving this line of thought, the authors would be able to answer the doubts raised by Colbert (2005) that firms may find it difficult to develop and renew strategic human and organizational resources and practices to maintain competitive advantage.

Hypothesis$_3$: An employee's commitment to his/her organization and Organizational Citizenship Behavior may interact to result in lower intention to quit.

Fig. 1 - The Proposed Conceptual Model

Hypothesis$_4$: Organizational Commitment and Organizational Citizenship Behaviour will be predicted by Employee Engagement.

Hypothesis$_5$: Organizational Commitment and OCB will predict lower intention to quit

Hypothesis$_6$: Firm Performance will predict Employee Engagement.

Mediator Role between Predictors & Outcomes

Furthermore, we intend to conceptualize Employee Engagement as a factor within the wider concept of 'Hidden Assets' (Ehin 2005) of an organization. Besides, we aim at testing the proposed conceptual model (Fig. 1) as a non-recursive one wherein we posit Employee Engagement as an important mediator variable, in place of an outcome variable as suggested by previous literature (Kahn 1990, May *et al.* 2004).
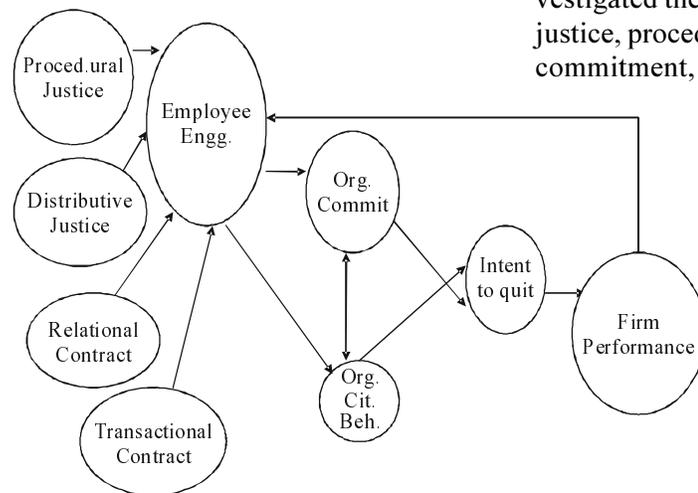
Hopkins and Washington (2006) investigated the perceptions of distributive justice, procedural justice, organizational commitment, organizational satisfaction and turnover intentions in a downsizing context. Results suggested that trust partially mediated the relationship between distributive justice and both organizational .satisfaction and affective commitment. Additionally, the relationship between procedural justice and turnover intentions was

mediated by trust perceptions (Hopkins & Washington 2006:477).

Later, a study by Loi et al (2006) investigated the empirical linkage between employees' justice perceptions, perceived organizational support, organizational commitment and intention to leave. A hypothesized model was developed to empirically test the linkage between the relationships among employees' justice perceptions, perceived organizational support (POS), organizational commitment and intention to leave. This model was tested using hierarchical regression analyses on a sample of 514 practicing solicitors in Hong Kong. The results indicated that both procedural and distributive justice contributed to the development of POS, and POS mediated their effects on organizational commitment and intention to leave. As expected, organizational commitment was negatively related to intention to leave.

More recently, a relationship antecedent model was developed by assimilating research findings on organizational struct-ure, internal communication, and organizational justice into relationship management theory by Kim (2007:170) where justice is the mediator between internal communication, organizational structure as antecedents and organizational trust, commitment satisfaction and relationships as outcome variables.

Evidence also suggests that decreased perceptions of organizational justice and trust can adversely impact an employee's level of commitment and sat-

isfaction with the organization (Cohen-Charash & Spector 2001, Mishra and Spreitzer 1998). The accumulation of these negative perceptions and feelings may lead to an increase in turnover among survivors (Aryee, Budhwar & Chen 2002, as cited in Hopkins & Washington 2006:478). Recent research in engagement literature (Bakker 2009) has consistently found work engagement (i.e. a positive affective/motivational reaction towards the job that is characterized by vigour, dedication, and absorption), when measured as a general well-being indicator, has been found to be positively related to individual job performance (for a review see Bakker 2009). Sonnentag (2003) found that employees' day-levels of work engagement predicted their day-levels of proactive behaviour, after controlling for general levels of engagement and work characteristics. This is in consonance with the strain of research cited earlier and that Employee Engagement would be a predictor to organizational commitment, organizational citizenship behaviour and may lead to lower intent to quit. Given the mixed findings in research we postulate the following hypothesis to be tested in Indian industrial context.

Hypothesis $_7$: Employee Engagement will mediate the relationship between Justice and psychological contract as antecedents and organizational commitment, OCB, intent to quit and firm performance as outcome.

Very few studies investigate the linkage between Employee Engagement and firm performance. Recent work of

Xanthopoulou *et. al.,* (2009) has found this linkage, but with diverse variables. Xanthopoulou *et. al.,* (2009) investigated how daily fluctuations in job resources (autonomy, coaching, and team climate) are related to employees' levels of personal resources (self-efficacy, self- esteem, and optimism), work engagement, and financial returns. Forty-two employees working in three branches of a fast-food company completed a questionnaire and a diary booklet over 5 consecutive workdays. The multi-level analyses, utilized in the research study, confirmed that day-level job resources had an effect on work engagement through day-level personal resources, after controlling for general levels of personal resources and engagement. Day-level coaching had a direct positive relationship with day-level work engagement, which, in-turn, predicted daily financial returns.

Harter, *et. al,.* (2002a) used meta-analysis to examine the relationship at the business-unit level between employee satisfaction-engagement and the business-unit outcomes of customer satisfaction, productivity, profit, employee turnover, and accidents. Generalizable relationships large enough to have substantial practical value were found between unit-level employee satisfaction-engagement and these business-unit outcomes. An implication is that changes in management practices that increase employee satisfaction may also increase business-unit outcomes, including profit. Further, in a related work Harter et al (2002 b), stated that methodologically in their meta-analysis, they could not address the issue of statistical causality,

which they have tried to establish through case studies. Looking at this gap in literature we propose to test our model statistically and would apply Amos (version 17.0; Arbuckle & Wothke 1999) for the same, and would conduct our data to structural equation modeling.

> **Changes in management practices that increase employee satisfaction may also increase business-unit outcomes, including profit.**

In a related research by Schneider, Hanges, and Smith (2003) on employee attitude data from 35 companies over 8 years were analyzed at the organizational level of analysis against financial (return on assets; ROA) and market performance (earnings per share: EPS) data using lagged analyses permitting exploration of priority in likely causal ordering. Analyses revealed statistically significant and stable relationships across various time lags for 3 of 7 scales. Overall Job Satisfaction and Satisfaction with Security were predicted by ROA and EPS more strongly than the reverse (although some of the reverse relationships were also significant). Research has usually not indicated reverse causal indicators on employee engagement though related studies (Schneider, Hanges, & Smith 2003), quoted above, on Employee attitude, Job satisafaction and Financial performance are present.

In our study we propose a linkage between firm performance and Employee Engagement, but in a reverse feedback loop. This entails that those firms which

are financially robust will have a higher Employee Engagement score. This line of research is in consonance with the findings of a study by Towers Perrin (2003). Their Talent Report reflected operating margin with 5%, 10%, 15% change in engagement. More recently, MacLeod (2009) found in both public and private sectors that leadership, line management, employee voice and integrity are key enablers of engagement and that the correlation between engagement, well-being and performance is repeated too often for it to be a coincidence. The study was conducted in the western context.

We posit thus:

Hypothesis $_8$: There may be reverse causality between Firm Performance and Employee Engagement.

Further the study by Bhatnagar (2006) reported vast differences in organizational learning capabilities in Indian industrial sectors, especially in the sunrise sectors at that time (IT, ITES). Following that line of research and variance found in the Indian context, and given the context of recessionary pressures on the economy, we would like to test the following hypothesis:

Hypothesis $_9$: Managers of Indian industry sectors will differ in Employee Engagement and intent to quit.

Hypothesis $_{10}$: Managers in Sunrise sectors like ITES may have higher Employee Engagement and firm performance linkage than managers of manufacturing/engineering sectors

The hypotheses above are presented in a proposed conceptual path model (fig.1) along with a competing model (fig.2). Which ever model emerges after testing the hypothesized relationships and applying structural equation modeling to confirm or reject the hypothesized relationships, will be adopted for discussion and further implications.

Sample: We collected data for the present study from 310 working executives employed in different industry sectors. For this purpose different strata of managers viz., senior-level, middle-level, and junior-level managers were randomly assigned the survey instrument. Thus, purposive sampling in selecting the organizations of the respondents and stratified random sampling for selecting the respondents themselves was applied for data collection.

Measures: For the purpose of measurement, items have been selected from standardized questionnaires to make up a survey instrument comprising 102 items, excluding items related to demography. *Emotional engagement*

Fig. 2: Competing Model: Employee Engagement –Correlates and Outcomes
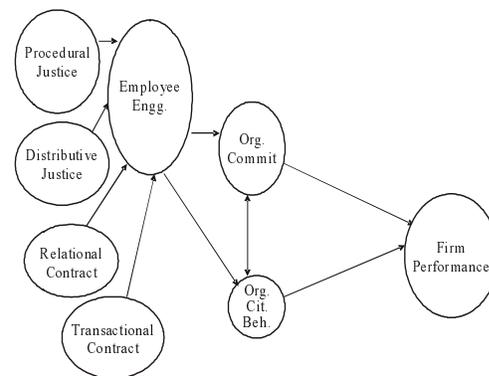
was measured using 11 items of the scale developed by Saks (2006). This measure takes into consideration two facets of Employee Engagement, that is, job *engagement and organizational engagement* comprising five and six items respectively. *Organizational justice* was calculated on the basis of the scale reported by Collquit (2001). The construct of organizational justice comprised *Distributive justice (four items) and Procedural justice (seven items). Psychological contract comprising Relational contract and Transactional contract* are proposed to be computed with the help of nine items and eight items respectively of the scale developed by Raja, Johns, and Ntalianis (2004). *Organizational commitment* was computed using the scale developed by Rhoades, Eisenberger, and Armelli (2001). The scale comprises six items. *Organizational citizenship behavior (OCB)* was computed on the basis of the scale developed by Lee and Allen (2002). This scale comprises eight items. Of these eight items, four represent Organizational citizenship behavior directed towards individuals (OCB-I) and four characterize Organizational Citizenship Behavior directed towards the organization (OCB-O). *Intention to quit* was measured using the three item scale reported by Colarelli (1984). Firm performance was measured by taking firms profit and loss statements from the respondents.

Data analysis technique: This research is proposed as a non-recursive study attempting to confirm certain hypothetical relationship(s) between the proposed variables. We propose to examine the data by administering regression; interactive effect and mediating effect using generalized least square (GLM) through the Statistical Package for Social Sciences (SPSS) version 16.0, and testing a structural equation model using Applied Moments of Structure (AMOS) version 16.0 to confirm the causal relationships between the identified variables.

Theoretical and practical implications: We will present the model which is confirmed through our results. This model may strengthen the dynamic nature of RBV and will help us draw further implications for theory based on our empirical findings in the Indian context. This work contributes to the Employee Engagement and RBV literature and throws important implications for HR managers who may design intervention to improve Employee Engagement and increase competitive advantage for their firms.

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Role, Work Perception & Stress in a High Reliability Work Environment

Omer Bin Sayeed & Satish Chandra Kumar

An empirical study of work attitude, role efficacy and stress experienced in a high reliability professional group was undertaken using a sample of 52 Indian Air Traffic Controllers (ATC) working in the Mumbai Airport. Results showed that ATCs experienced role stress with regard to inter-role distance, role isolation, resource inadequacy, role erosion and role stagnation. ATCs maintained high confrontation or problem solving skills in their role followed by helping relationship, perceived integration with the job and managing well their inter-role linkages. Results further showed significant relationships between work attitude and role efficacy dimensions. Regression analysis within respective canonical variable sets revealed role stress being a significant predictor of attitude towards supervisors and management, while role efficacy dimensions (role making, role centering and role linking) showed significant explanatory power equally strongly with respect to attitude towards work, working conditions, co-workers, supervisors, and management.

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Air Traffic Controllers (ATCs)

Air Traffic Control is basically a ground-based system dedicated to the safe, orderly traffic control and expeditious flow of air traffic. The Air Traffic Controllers (ATCs) who man the system are well trained professionals. They work under extremely demanding conditions for the safety of more than one aircraft at any given time. Safety is maintained through a system of airways and separation standards and the air traffic controllers provide continuous instructions to the pilot through the medium of Voice Radio Telephony (VRT) from the moment of start off to the final taxiing of the plane into the parking slot.

The Air Traffic Control System in India is divided into five units, namely, (a) Surface Movement Control (b) Control Tower (c) Approach Tower (d) Area Control Center (e) Flight Information Center. These units function in coordination with each other in

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order to ensure the objectives of safety and expeditiousness. The Air Traffic Controller (ATC) is a trained professional, a quick thinking man who does not have the privilege to stall. His job calls for a great deal of control and quick decision-making. All his instruction to the pilot are recorded continuously on tape and any instructional delays are traceable to replay. Hence, the ATCs are under continuous scrutiny and function to standards of pinpoint accuracy with a traffic load over which they have no control. An incorrect decision on his part can mean a loss of human lives and millions of rupees as he, at any point of time, is responsible for more than one aircraft. Adding to the pressure is the almost intolerable requirement that the ATCs must retain an outward calm revealing no feelings of pressure or anxiety to the pilots. Simultaneously, they have to maintain an optimum tension level to ensure mental alertness. These two requirements – contradictory in terms of human nature – are exhausting mentally and in the long run takes a toll on the ATCs' mental and physical health (Crump 1979). Perhaps, due to these reasons such professions which require higher levels of mental alertness, continuous monitoring at the personal level and extremely higher levels of risk (likely human and financial losses) involved in making decisions are generally termed as high reliability professions. Since ATCs jobs involved all the three criteria mentioned above, it is but right to characterize their occupational domain of work as a high reliability profession.

In 1993, the Government of India announced the 'Open Sky Policy' in civil aviation. As a result of this liberalization policy there has been an advent of private airline companies. This has resulted in increased number of flights and consequently increased air traffic. Such a situation directly translates into higher amount of work pressure and workload for the ATCs. Mumbai (previously known as Bombay) India's commercial capital has a Flight Information Region (FIR) stretching to 1.2 lakhs square kilometers, making it the biggest FIR in South Asia, yet it operates with a single runway. Technically, Mumbai has two runways, but they cannot be used simultaneously because they intersect each other in the middle. Being the busiest Airport in the country Mumbai handles more than 320 flight movements per day (i.e., 24 hours) in addition to 100 flights, which over fly. Besides regular flights, the ATCs at Mumbai also have to handle helicopter movement from Juhu and the Oil Rigs at Mumbai High and also the Naval helicopters. This adds tremendously to their workload, as managing helicopter movement is very time consuming job.

Review of Literature

Given the highly demanding conditions under which the ATCs work and the absolute nature of the decisions they must take, most studies in the West on this group have focused on the stressors associated with their jobs (Grandjean 1968, Grandjean & Wotzka 1971, Krol 1971, Repetti 1993). The primary short term but uncontrollable stressors for ATCs is their burgeoning workload. It is easy to observe that there is a direct predictable relationship between the