The Significance of Employee Engagement in Organizations

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Executive Summary

A study conducted by the Society for Human Resource Management (SHRM) in the USA sustains that job satisfaction is declining. In 2010, job satisfaction was at 84 percent but the next year the rate decline to only 81 percent of job satisfaction. Unfortunately, this condition is related to disengagement which ultimately leads to an increase in turnover rates. The US Bureau of Labor Statistics for 2011 indicated that the average turnover in all industry in 2011 was 13 percent, where 9 percent was related to voluntary turnover and the rest to involuntary turnover (Bandura & Lyons, 2014).

The common problem analyzed in the four written papers that are required in fulfillment for MSA 698 Directed Administrative Portfolio was on the significance of employee engagement in organizations. The objective of each paper is to draw research-based conclusions and recommendations for practitioners and decision makers about the impacts of employee engagement in organizations, which strategies organizations can implement to improve employee engagement, and what is the cost-benefit analysis behind employee engagement strategies. The literature included in this portfolio sustains that the benefit for organizations is not only to reduce employee turnover but also having a highly engaged workforce it will improve the performance and profitability of the firm.

The researcher sustains that there are several low-cost engagement strategies organizations can implement in the short term such as develop mentoring and coaching programs, flexible schedules, include work perks from external vendors, and foster a transformational leadership culture. Additionally, organizations need to evaluate the implementation of other engagement strategies that required planning and additional resources such as training programs, educational assistance, and total rewards program and recognition.
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The Significance of Employee Engagement in Organizations

In today's global economy, organizations consider human capital as a critical factor to provide a competitive advantage over the others. Employee engagement is one strategic area that organizations can develop in order to have a committed and satisfied workforce. This workforce in return will help the organization to reach its goals and objectives (Sushil, 2014).

The researcher concentration is general administration and employee engagement is one of the most important areas for organizations and decision-makers due to its direct relationship with the performance and profitability results. The researcher sustains that when organizations implement effective engagement strategies, consequently their turnover rates will decrease and then organizations will gain a competitive advantage based on the performance of their human capital.

The researcher of this paper used as an example data from one large global organization where the significance of employee engagement is tangible. This organization is Continental AG, which is the second largest automotive supplier in the world. The researcher sustains that the literature, data provided, and recommendations included in this portfolio can be used as a reference to define and implement a strategic plan that will support the organization to improve employee engagement and it will reduce the negative effects of employee turnover.

The policies and practices defined by HR facilitate and fosters a psychological contract between the employee and the organization which creates the conditions for employee engagement. Figure 1 below shows the most important employee engagement drivers. Work is related to a well-written job description, as this tool shows employees how they contribute to the mission, goals, and objectives of the organization. Meaningful work, challenging tasks, and empowerment provide a sense of commitment to the organization. Persons are related to
leadership, as they play a significant role to develop engagement. Opportunities mean to invest in people in the form of training and career development. Researchers have found that growth opportunities are the second most powerful way to increase employee engagement next to recognition. Total reward programs motivate employees to do their best and facilitate the constructive feedback to identified areas for improvement. Company processes are focused to facilitate the tools and resources for the employees to do their jobs effectively. Quality of life looks for the well-being of the employees, an employee who has less stress and is healthy tends to perform better (Antony, 2018).

Figure 1 Engagement Drivers

Taken from Paradigm shift in employee engagement - A critical analysis on the drivers of employee engagement (p. 36) by Antony, 2018.

The researcher of this paper sustains that HR practitioners and managers need to consider the employee engagement drivers to define the unique strategic plan required by their organization.
The Implementation Framework and Assumptions of the Research

As a result of the large interest from researchers, agencies, and organizations that are concerned with the low levels of employee engagement in today's working environment, the objective of this portfolio is to provide key recommendations based on research for decision-makers on how to implement a strategic plan to improve employee engagement.

It is the recommendation from the researcher that organizations first of all need to perform an engagement survey and a Strengths- Weaknesses- Opportunities-Threats (SWOT) analysis in order to evaluate what is the level of employee engagement in the organization. The engagement survey can be done by an external company, or it can be done internally as long as the survey is designed by a cross-functional team to reduce biases. It is also recommended to collect the necessary key performance indicators that are available in the organization to be able to measure the impact of the new strategic plan adopted by the organization, such as turnover rates, headcount ROI, efficiency, and profitability.

The researcher sustains that organizations need to analyze the results from the employee survey and from the SWOT analysis, where data needs to be classified according to the main categories associated with engagement drivers. This methodology will help organizations to prioritize which areas need immediate attention in order to improve employee engagement. It is also very important to have a continuous communication with all the employees in the organization about the status of all activities, actions, and results. Communication is a key element to establish a sense of trust among all stakeholders in the organization.

This paper considers as an example Continental AG, and employee engagement is one of the most relevant topics included in the sustainability report. This organization recognized since 2015 that to be successful in the long term, they need it to improve in 18 strategic areas as shown
in Figure 2 below. These areas are incorporated in the corporate culture and in the strategic plans for the company from both the external and the internal perspective. Continental AG defined specific goals for 2020 in order to achieve measurable improvement results in all of these 18 strategic areas (Continental Corporation, 2017).

Figure 2 Continental AG Strategic Areas

![Figure 2 Continental AG Strategic Areas]

Taken from 2017 Sustainability Report and UN Global Compact Communication on Progress (p. 10) by Continental Corporation, 2017.

The following sections on this paper will provide a systematical approach to implement and justify the employee engagement strategies for organizations resulting from the research done on each of the individual core courses of the MSA 698 Directive Administrative Portfolio. It is the assumption of the researcher that the results of the engagement survey will come from honest and truthful responses from the employees.
Summary of the Portfolio Contents

MSA 601: Organizational Dynamics and Human Behavior

The objective of this paper is to highlight the importance of employee engagement for organizations and how the job demands-resources theory (JD-R theory) can correlate the benefits of transformational leadership to employee engagement.

In today's global environment, organizations realize that having an engaged workforce offers a competitive advantage, especially because engaged employees are persons that are vigorously immersed to their work, they have a higher commitment to the organization, and they are highly motivated to go the extra mile to achieve the goals and objectives of the organization.

There major consultant agencies, Gallup Q12, CIPD, and Towers Watson have identified that on average for all industries the levels of employee engagement are very low, around 30 to 35 percent. These results indicate that there is a high probability that organizations will have an increase in their turnover rates, in absenteeism, and eventually they will have lower levels of productivity. All these impacts will lead to a lower profitability result for the organization.

The researcher sustains that the employment relationship with their leadership is one of the most important contributors to foster employee engagement. The literature supports that leadership characteristics such as consideration for employee's needs, empowering employees, foster open communication, and promote innovation and growth are all positively related to employee engagement. Transformational leadership is the style that comprehends all of these characteristics.

The JD-R theory states that in the workplace all interactions are based on demands or resources. Job demands include all the work needs that require a mental or physical effort. Job resources include all the available tools that can be used to deal with stressors related to their...
The JD-R theory proposes that job resources have a positive relationship with job resources because when employees have all the necessary resources to manage their challenging work tasks, employees feel higher engagement. When leaders use a transformational leadership style and help employees find solutions to the work demands, these leaders stimulate their employees thus creates a psychological commitment that correlates to a higher engagement.

The researcher sustains that Continental AG needs to identify and monitor how employees perceive their leadership based on the engagement survey. Implementation of evaluations like the 360-degree feedback on all managers will help to identify the level of training required for the managers to increase their transformational skills. The recommendation from the researcher is that Continental AG must adopt a transformational leadership style to improve employee engagement.

As a conclusion for this paper, the researcher recommends that organizations such as Continental AG must implement strategic plans to increase employee engagement. The expected benefits of employee engagement include higher employee commitment, motivation, innovation, loyalty, and higher involvement in the problems of the organization. These benefits will help to reduce the negative impacts of disengagement such as turnover, absenteeism, lower productivity, and lower profitability.

**MSA 602: Financial Analysis, Planning, and Control**

This paper confirms that the cost-benefit analysis methodology is one of the most effective tools that HR practitioners and managers can use to present a business case to the organization in order to support the resources required on employee engagement strategies.

The researcher sustains that one of the biggest financial impacts of employee disengagement is the costs of employee turnover. Some of the main expenses organizations incur
with employee turnover include the replacement costs, the separation costs, the costs associated with the time the position was not fulfilled, the interviewing costs, the onboarding costs, and the training costs of the new employee. All these expenses could sum up to considerable dollar amounts very quick depending on the size of the company and how high is the employee turnover rate per year. The literature sustains the turnover costs are between 30 percent and up to 200 percent of an employee's annual salary.

The researcher identified that there are many different employee engagement strategies that an organization can implement to reduce turnover rates. Some strategies require minimum investment from the organization such as mentoring programs, implement flexible work schedules, and incorporate perks from external vendors at their own cost. Some examples of perks at work include allowing vendors to provide services at competitive prices for employees inside the organization, such as dry cleaning services, concierge services, and mobile car wash services.

Based on the literature, there are other employee engagement strategies that can be incorporated in any budget based on the cost-benefit analysis, such as provide more training per employee to increase their job satisfaction and commitment to the organization. Engagement surveys can help organizations to identify which trainings are of more interest to all employees. Organizations and leaders can also promote higher education among the employees and promote the benefits of educational assistance programs for career development within the organization. These programs can be customized for the organization in partnership with the universities. These programs require more investment, but the cost-benefit analysis to reduce turnover rates should be able to justify the investment.

The researcher identified other work perks that can be analyzed using the cost-benefit analysis such as implementing subsidized meals at work, or provide shuttle services, or provide
free snacks and beverages, or implementing employee wellness programs, etc. Many of these strategies can be justified by the benefits of reducing the turnover costs. However, managers and HR practitioners need to prioritize which actions bring more benefit to the organization.

The researcher of this paper identified that for Continental AG the main area to focus, or the area that has the highest turnover rate is employees under 20 years. The recommendation from the researcher is that Continental AG needs to invest more on strategies that can reduce the turnover rates of younger employees, but trying to balance for the rest of the workforce.

The researcher recommends that Continental AG need to incorporate a balanced mix of employee engagement strategies of low cost and other employee engagement strategies that require more investments based on the areas where the organization need to reduce turnover. It is important to perform a cost-benefit analysis where resources are required to justify the implementation of these strategies.

**MSA 603: Strategic Planning for the Administrator**

The objective of this paper is to develop a systematic approach based on research and literature on how to define a strategic plan for the organization to improve employee engagement. The researcher's recommendation is to develop a Strengths- Weaknesses-Opportunities-Threats (SWOT) analysis to identify how organizations can take advantage of their internal strengths and external opportunities to minimize the impact of their internal weaknesses and external threats.

The researcher used as an example a SWOT analysis on Continental AG, however, the employee engagement strategies identified for this company are also applicable to other organizations affected by employee turnover.
The recommendations included in this paper for the strategic plan to improve employee engagement for Continental AG include the development of a corporate culture that supports transformational leadership style. It is also recommended to implement the correct degree of work flexibility for the employees to promote a better work-life balance. Continental AG also needs to provide sufficient resources to complete the demanded work tasks. Leadership at Continental AG also needs to encourage and promote more training for employees, and they need to prepare a career development plan for all employees. Additionally, Leadership at Continental AG need to promote more mentoring and coaching programs, especially for younger employees.

Regarding compensation, the researcher sustains that organizations cannot afford to rely only on salary and benefits to improve employee engagement. However, employees have a positive response towards a total rewards program that includes financial and non-financial rewards. Based on the literature, the researcher also recommends that Continental AG needs to implement a rewards and recognition program that motivates employees to bring their best to their work roles in order to achieve the goals and objectives of the organization. There are many low-cost recognition software solutions that Continental AG can acquire to send recognition notifications to employees for a job well done. Give a small souvenir such as a corporate T-shirt can also boost the recognition program among employees.

The researcher sustains that all the recommendations included in this paper have a positive impact on employees to improve their commitment, job satisfaction, and their performance that will result in a higher employee engagement. The final recommendation from the researcher is that Continental AG needs to incorporate a variety of employee engagement
strategies according to the needs of the organizations to promote higher employee engagement based on the results of the SWOT analysis.

**MSA 604: Administration, Globalization, and Multiculturalism**

In today's global environment, managers have the challenge to motivate a diverse workforce which includes employees with different backgrounds, gender, ethnicity, age, education, religion, and work experience. The literature in this paper confirms that organizations can have different generations at work including baby boomers, generation X, and millennials. This multicultural workforce must work together each day to support the organization to achieve its goals and objectives.

The researcher sustains that each generation brings to the workplace its own individual contribution, so it is important that managers develop a high cultural awareness so they can take advantage of the unique characteristics of each generation at work. The literature included in this paper also sustains that one of the most important elements to increase employee engagement on multicultural teams is the relationship employee have with their leadership.

Considering the rapid demographic changes in the workforce such as the increase of female workers, or the inclusion of more millennials to replace the older generations at work, researchers sustain that the concept to have one unique solution to reduce turnover is obsolete.

The researcher sustains that implementation for diversity strategies in organizations such as Continental AG start at the hiring process. HR practitioners must incorporate diagnostic procedures to eliminate biases towards female candidates or towards any other group. Additional training for hiring managers is recommendable so the interviews and the selection of candidates are focused on their skills and experiences.
It is the recommendation from the researcher that Continental AG must incorporate other diversity practices such as employee inclusion, mentoring programs, and training programs. Additionally, Continental AG needs to implement communication programs against discrimination and harassment, and they also need to increase the staff diversity in order to improve employee engagement and reduce employee turnover. The literature on this paper validates that the implementation of diversity practices sends a powerful message to the employees about the support and commitment of the organization to embrace diversity.

The researcher recommends for Continental AG to incorporate some diversity goals as part of the individual goals and objectives of the organization, such as complete a mentoring program, identify specific training for employees, and to identify a specific goal to increase the number of female executives in the organization.

The researcher sustains that having a diverse workforce is a competitive advantage for the organization. A multicultural workforce provides a wide range of different experiences, attitudes, mindset, and problem-solving skills that provide higher efficiency and profitability to the organization.

**Key Takeaways from the Research**

**Key Takeaway 1**

The researcher sustains that the development of this portfolio which is focused to analyze administrative issues in organizations such as the significance of employee engagement provides a systematical approach to find real strategic solutions to address the problems for the organizations. The strategies and recommendations included in this paper are based on the learnings from the MSA core programs, on the research, and on the literature, so they provide a powerful foundation for the researcher to present the findings and results to leadership and
decision makers. Each paper analyzed the administrative issues from different perspectives so the conclusions and recommendations comprehend a wide range of areas that may have an impact on the organization.

**Key Takeaway 2**

Employee engagement is a critical element for any organization to be successful and to gain a competitive advantage in today's global environment. Literature confirms that on average, the current levels of employee engagement in organizations are still very low. One of the major benefits of employee engagement for organizations is the reduction in turnover rates. The high costs associated with employee turnover represent a huge financial burden for any organization as it does not only involve the replacement costs for the employee but also there is a performance deterioration and employee moral repercussions to the organization especially for the employees that are affected by the person leaving the company.

**Key Takeaway 3**

The researcher sustains that there is no one universal recipe to solve the problems of employee disengagement and employee turnover. However, there are many strategies that organizations can implement to improve employee engagement, such as flexible work schedule, increase training for employees, implementing mentoring programs, implement a career development plan for employees, provide educational assistance, promote more work perks at work, implement a total rewards program, increase diversity members in leadership, etcetera. The researcher recommends that first, it is necessary to make a thorough assessment of the organization using a SWOT analysis and engagement surveys to identify which areas of employee engagement need to be addressed.

**Key Takeaway 4**
The researcher sustains by using the example of Continental AG, that organizations are very well aware of the huge impact employee turnover brings to the results and profitability of the company. It is common for large organizations to include the impacts of employee turnover as part of the sustainability reports or in the annual corporate results for investors. Even though there are some employee engagement strategies that require low investments for their implementation, there are other employee engagement strategies that require a cost-benefit analysis, in this way the organization can approve the necessary resources to invest on such strategies.

**Key Takeaway 5**

The researcher sustains that organizations that are ethical are the ones that are successful in today's environment. Ethics are part of all the activities within the organization. Organizations that promote a corporate culture where organizational trust, open communication, and respect for the people are included in the day to day activities allow employees to have a higher job satisfaction and higher commitment to the organization, Ethical behavior starts with leadership, as they have a high influence to the employees. Corporate Social Responsibility (CSR) programs actually bring more benefits to the organization as they foster a stronger relationship with the community, thus the researcher confirms that actions to invest in ethics do pay.
References


