

## The Importance of Employee Engagement Within a Service Industry Company

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**Abstract:** The purpose of this paper is to observe the level of employee engagement within a company in the service industry in Romania, as well as to identify the factors that may increase the degree of this engagement. The aim of this study is to highlight the strengths, weaknesses and trends of the insurance company compared to the reference data. As one of the most studied topics in organizational science, employee engagement at work is seen as a critical component to achieving sustainable organizational success. Employee engagement is an important issue in management theory and practice. However, there are still major differences in the concept, theory, influencing factors and outcomes of employee engagement, and there is still no authoritative standard. Great management has always been about performance. Great managers get great performance from people. Over the past 100 years, countless approaches, practices, programs, ideas and strategies have been developed and implemented by managers as ways to improve the performance of employees. To fulfill the purpose of this paper, online questionnaires were applied within the insurance company to measure the level of employee engagement. The results of the respondents were analyzed according to the type of job, sex, age and correlated with the results of all the statements in the questionnaire. Analyzing the results of the respondents, the strengths and weaknesses of the company can be highlighted from the point of view of employees, these also determining the level of employee engagement. This study provides an insight into the impact an insurance company has on its employees. The results of the study show the importance that the company must allocate to increasing employee engagement so as to increase their productivity and thus the company's profit.

**Key words:** employee engagement; performance management; company performance; working conditions; human resources

**JEL codes:** J5, M5

### 1. Introduction

Human resource (HR) is the most important component of a company, although until now for quite a long time, companies did not think that they could create a competitive advantage with the help of its employees. The existing, dynamic business environment, which changes every minute, has the role of making the decision-making process a difficult task for companies. In order to face the competition, companies must be more and more innovative, and the human resource has an important role to play, because it is responsible for the effective use of

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all opposing resources owned by a company.

However, surveys around the world show employee engagement at an alarming rate (Blessing White, 2011; Gallup, 2016). The Gallup survey (2017) revealed only 15% of employees who should be fully employed worldwide. This implies the need for companies to implement strategies and programs that aim to increase the level of employment of employees and thus help employers gain a competitive advantage with the help of their employees. In order to be able to implement appropriate engagement programs, it is necessary to accurately measure the level of employment of employees.

Given these, tools have been developed over time to measure employee engagement, covering several issues (Blessing White, 2011; James et al., 2011; Pati & Kumar, 2011; Shuck et al., 2016; Soane et al., 2012).

It is mandatory for companies to use scale measurement tools of employee engagement (Albrecht, 2010) to ensure the design and implementation of appropriate strategies for employees and the achievement of a sustainable competitive advantage through an employed workforce.

Employee engagement at work is one of the most studied topics in organizational science (Carasco-Saul et al., 2014; Lee et al., 2016) and forms a critical and fundamental component to the ongoing sustainable success of organizations (Mirvis, 2012). Since the concept of engagement was first introduced by Kahn (1990), many scholars have placed considerable effort conceptualizing the term engagement. Although there have been various definitions offered, the most popular and widely used definition of employee engagement is “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al., 2002).

In conjunction with this, it has also included the problems of labor engagement, job engagement, and role engagement. During this instance, studies have shown that employee engagement features a strong and positive relationship with income growth, stock price, individual job performance, and overall financial performance of a corporation. That is, since engaged employees tend to have an energetic and enthusiastic attitude towards their work, and are often deeply committed to their work, they might be expected to perform their respective tasks during a more capable manner, which could lead on to an enhanced individual or group performance also as a strong foundation from which organizational sustainability can happen (Kim, Kolb & Kim, 2013).

Employees demonstrate trust and commitment to the company when they like what they do (Baumruk, 2004), because it stimulates self-motivation to perform their duties effectively. Employee engagement is very important in companies around the world, as it has become very well known that engagement connects employees with the company (Macey & Schneider, 2008, Jena & Pradhan, 2017), demonstrating loyalty. Commitment can be creating success in the business environment, because an employee is involved in achieving the company's goal by displaying his proactive attitude (Schaufeli & Bakker, 2004).

The purpose of this study is to highlight the need to use methods by which employee engagement can be measured in companies in the Romanian service industry, so that the company can understand the employees' perspective of how they feel at work, how the work affects their productivity and, implicitly, about the way in which the company's profitability can be increased.

## **2. Literature Review**

The principles of management and the management process are two topics that have been explored and discussed in the management literature for over a century (Fayol, 1916; Stanley, 2012). Fayol's work related to the principles and process remains applicable today (McLean, 2011; Brunsson, 2008). Modern approaches to effective

management depend to some extent upon the foundation provided by these two concepts (Stanley, 2012). Employee engagement, a much more recently identified management construct, has probably received as much attention in the management literature over the past 15 years as any other single management approach to improving individual and organizational performance. Building upon the research in the areas of job satisfaction and organizational commitment, employee engagement has been explored by both academicians and practitioners as a vital mechanism toward improved performance (Medlin and Green, 2009; Green and Medlin, 2010).

One of the first challenges presented by the literature is the lack of a universal definition of employee engagement. Kahn (1990) defines employee engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. The cognitive aspect of employee engagement concerns employees’ beliefs about the organisation, its leaders and working conditions. The emotional aspect concerns how employees feel about each of those three factors and whether they have positive or negative attitudes toward the organization and its leaders. The physical aspect of employee engagement concerns the physical energies exerted by individuals to accomplish their roles. Thus, according to Kahn (1990), engagement means to be psychologically as well as physically present when occupying and performing an organizational role.

Most often employee engagement has been defined as emotional and intellectual commitment to the organization (Baumruk, 2004; Richman, 2006; Shaw, 2005) or the amount of discretionary effort exhibited by employees in their job (Frank et al., 2004). Although it is acknowledged and accepted that employee engagement is a multi-faceted construct, as previously suggested by Kahn (1990), Truss et al. (2006) define employee engagement simply as ‘passion for work’, a psychological state which is seen to encompass the three dimensions of engagement discussed by Kahn (1990), and captures the common theme running through all these definitions.

The existence of different definitions makes the state of knowledge of employee engagement difficult to determine as each study examines employee engagement under a different protocol. In addition, unless employee engagement can be universally defined and measured, it cannot be managed, nor can it be known if efforts to improve it are working. This highlights the problems of comparability caused by differences in definition. Furthermore, whilst it is acknowledged that employee engagement has been defined in many different ways, it is also argued the definitions often sound similar to other better known and established constructs such as “organizational commitment” and “organizational citizenship behaviour” (Robinson et al., 2004). Thus Robinson et al. (2004) defined engagement as “one step up from commitment”. As a result, employee engagement has the appearance of being yet another trend, or what some might call “old wine in a new bottle”.

In the only study to empirically test Kahn’s (1990) model, May et al. (2004) found that meaningfulness, safety, and availability were significantly related to engagement. They also found job enrichment and role fit to be positive predictors of meaningfulness; rewarding co-worker and supportive supervisor relations were positive predictors of safety, while adherence to co-worker norms and self-consciousness were negative predictors. Resources were a positive predictor of psychological availability, while participation in outside activities was a negative predictor. Overall, meaningfulness was found to have the strongest relation to different employee outcomes in terms of engagement.

An alternative model of engagement comes from the ‘burnout’ literature, which describes job engagement as the positive antithesis of burnout, noting that burnout involves the erosion of engagement with one’s job (Maslach et al., 2001). According to Maslach et al. (2001), six areas of work-life lead to either burnout or engagement: workload, control, rewards and recognition, community and social support, perceived fairness and values. They

argue that job engagement is associated with a sustainable workload, feelings of choice and control, appropriate recognition and reward, a supportive work community, fairness and justice, and meaningful and valued work. Like burnout, engagement is expected to mediate the link between these six work-life factors and various work outcomes. May et al.'s (2004) findings support Maslach et al.'s (2001) notion of meaningful and valued work being associated with engagement, and therefore it is important to consider the concept of 'meaning'.

According to Holbeche and Springett (2003), people's perceptions of "meaning" with regard to the workplace are clearly linked to their levels of engagement and, ultimately, their performance. They argue that employees actively seek meaning through their work and, unless organizations try to provide a sense of meaning, employees are likely to quit. The research findings suggest that many people experience a greater search for meaning in the workplace (70 per cent) than in life in general (ibid). There are numerous possible reasons for this, for example, it may be because people generally spend longer at work than on other parts of their lives. Holbeche and Springett (2003) argue that high levels of engagement can only be achieved in workplaces where there is a shared sense of destiny and purpose that connects people at an emotional level and raises their personal aspirations.

Saks (2006) argues that one way for individuals to repay their organization is through their level of engagement. In other words, employees will choose to engage themselves to varying degrees and in response to the resources they receive from their organization. Bringing oneself more fully into one's work roles and devoting greater amounts of cognitive, emotional, and physical resources is a very profound way for individuals to respond to an organization's actions, as suggested earlier by the work of Kahn (1990). Thus, employees are more likely to exchange their engagement for resources and benefits provided by their organization.

### **3. Methodology**

The purpose of this study is to highlight the level of employee engagement in a company in the Romanian service industry so that the company knows what methods it can use to increase employee engagement. Employee engagement can be measured in companies in the Romanian services industry in order to understand employees' vision of how they feel at work, how the work affects their productivity and, implicitly, how the company's profitability can be increased. The sample used in this study is composed of employees of the Romanian insurance company.

In order to run this study, a questionnaire was developed and applied to a sample of employees of an insurance company in Romania, between November and December 2018. The completed questionnaire includes 74 questions. The survey measures employee engagement and satisfaction. The responses received from the questionnaire were used as data for the quantitative analysis of the study. To ensure the validity of the study, all variables included in the applied questionnaire were derived from empirical observations and theoretical reviews.

The questionnaire was distributed by direct contact, through the e-mail address of the employees, to all employees of the company and was made online through AON Empower Results, their answers being saved on the server, automatically and orderly, having permanent access to information and graphics related to answers. The number of respondents was 998 employees from the executive level and 11 employees from the senior management level.

The sample that is the object of the investigation is formed by the company's staff. The respondents are between 22 and 60 years old, and they are represented by 59% women and 41% men.

The scale used in the questionnaire was taken from the existing literature and adapted to the requirements of this study. All responses to the applied questionnaire were measured using the six-point Likert score scale, with a score of 1 representing the total disagreement score with the statement, up to a score of 6 representing the total agreement score with the statement.

In the reports we differentiated between four levels: “Agreeing respondents” are those who marked 5 or 6 for a given question, “Positive hesitants” are those employees who are not totally satisfied with a given area, but they are rather satisfied than dissatisfied. (On a scale of 6 they marked 4 — “slightly agree”). “Negative hesitants” are rather dissatisfied than satisfied, opposite to the former group. Still their dissatisfaction can easily be turned into more positive direction with certain changes. (They marked the answer 3 — “slightly disagree”). Disagreeing respondents are those who voiced the most negative opinions. (They marked answers 1 or 2.)

The study aims to verify certain factors created based on existing theories, based on the sample studied. The factors in this study were created on the basis of four indices: Engagement index (Factor 1), Leadership index (Factor 2), Performance Culture (Factor 3) and Employer Brand index (Factor 4). The factors of this study are the following:

- F1: Employees speak positively about the company, are emotionally attached and motivated;
- F2: Leaders and managers engage employees in the vision and lead the company to success;
- F3: Employees are aware of company goals and their personal contribution to achieve high performance;
- F4: The company enjoys a continuous supply of qualified talent needed to achieve business goals.

Engagement index means that employee associates his/her future with the company and feels motivated to exert extra effort for the company.

Leadership index refers to employees experience that leaders give high importance to people being listened, engaged and given the proper attention from their managers and refers to the fact that employees trust in the senior leaders’ expertise and their decisions, that they drive the company to success.

Performance culture index refers to the fact that everyone knows how they can contribute to realize the business strategy, they take responsibility and they are supported by managerial attention. It is clear and transparent what recognition and reward one can expect for the real performance delivered in the given period. Solid performers are recognized, high performers are treated with special attention.

Employer brand index means that the company is well-known and has good reputation on the market, especially for those target groups which are critical for the organization’s business success. The employees are proud to be part of the organization, and they can identify themselves with the goals and values of the company.

#### **4. Results and Discussions**

A first important result of the study is related to the distribution of engagement within the Romanian insurance company, presented in Figure 1. From this figure can be seen the distribution of engagement in the company and compared with the Romanian average and the score of the best employer in Romania.

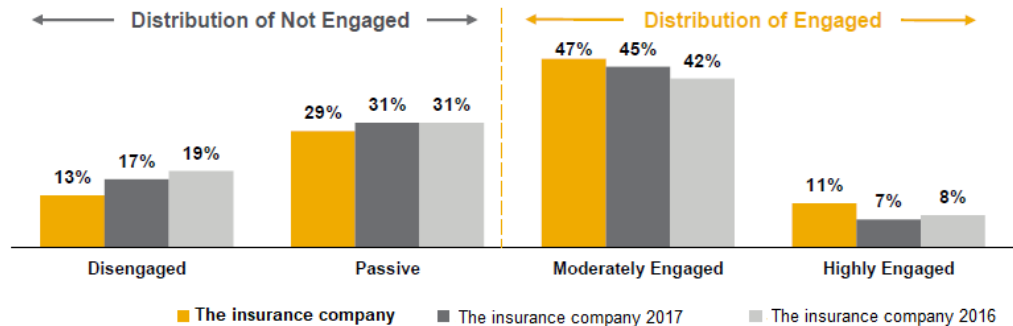
Proportion of 13% is of those respondents who are quite negative about the company, do not particularly want to remain with the organization and do not go above and beyond in their jobs.

Proportion of 29% is of those respondents who show ambivalence in their response to engagement items and either slightly agree or slightly disagree with most or all the items.

Proportion of 47% is of those respondents who agree with most of the items in Engagement but not in a

strong way.

Proportion of 11% is of those respondents strongly agree to most or all the items in Engagement and have strong say, stay and strive aspects to their engagement.



Romania average	16%	24%	41%	19%
Romania Best Employers	5%	14%	41%	40%

Figure 1 Engagement Distribution

Figure 2 shows the distribution of engagement depending on the type of job that employees have. Thus, it can be observed that the highest level of engagement is found in the senior leadership category with a percentage of 36%, being followed by the manager category with a percentage of 17%, and the employee category with a percentage of only 10%.

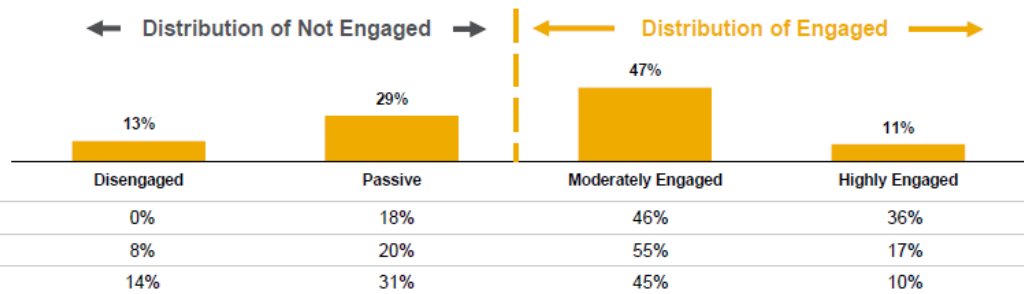


Figure 2 Engagement Distribution by Type of Job

Figure 3 shows the results of the six Engagement questions of the questionnaire. Thus, this results a percentage of 68% engaged employees who speak positively about the company among co-workers, clients and his/her friends, a percentage of 64% engaged employees who associates his/ her future with the company and a percentage of 54% engaged employees who feels motivated to exert extra effort for the company.

Considering these, the level of employee engagement within the insurance company is 58%, compared to the Romanian average of 60% and the score of the best employer in Romania of 81%. Thus, Factor 1 is confirmed. Employees speak positively about their employer, they have emotional attachment to the organization and they feel motivated by the company to exert extra effort to meet the business goals.

The satisfaction with the senior leadership team of an organization is one of the key differentiating factors between average and high engagement companies. Those management teams have the best potentials to create high engagement and a high performing team, where the leaders can show a compelling future vision, they are

trusted by the employees, that they drive the company in a good direction, furthermore they consider people as one of the most valued assets of the organization.



Figure 3 Engagement Index Question Results

Figure 4 shows the results of the Leadership Index questions. Analyzing these answers, we can observe a 64% percentage of the Leadership index and thus a confirmation of Factor 2. The top management team of the company can engage the employees with the future vision. The leaders personally are role models and as a team they act with high effectiveness.



Figure 4 Leadership Index Question Results

There are some key differences between the companies who show single and double digit growth. The high performer companies show clear accountability about the strategic goals, employees are aware how they can contribute to business success and they are supported by their managers in doing so. Moreover, these companies reward and recognize their employees not only financially and morally, but also with future growth opportunities aligned with the future needs of the organization.

Figure 5 shows the results of the Performance Culture index questions. Analyzing these answers, we can observe a 59% percentage of the Performance Culture index and thus a confirmation of Factor 3. The employees are aware of the company goals and their personal contribution in the overall performance. People are motivated with different tools to achieve high level of performance.

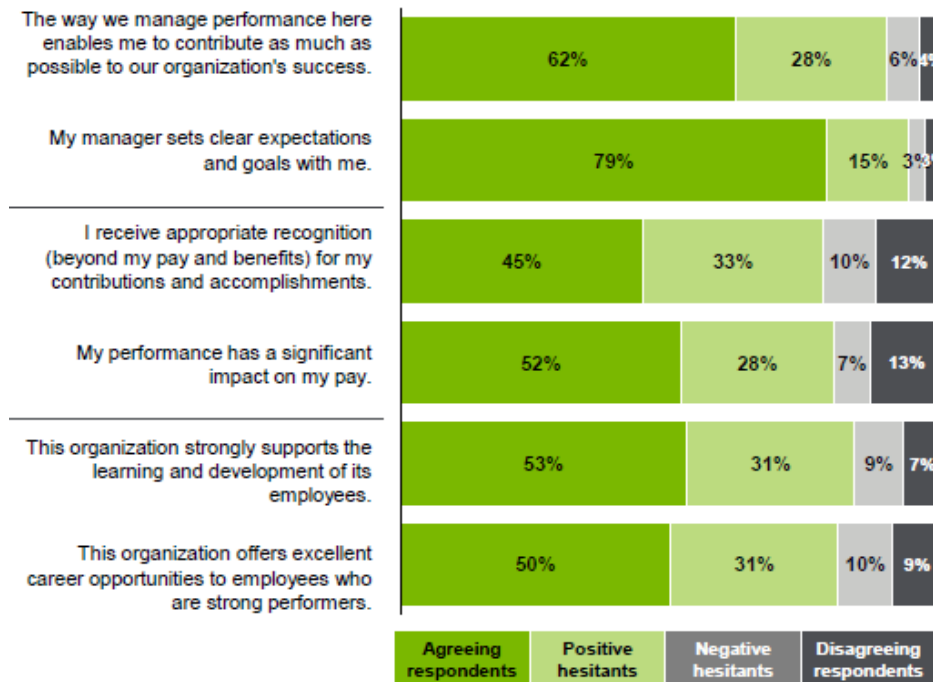


Figure 5 Performance Culture Index Question Results

For several organizations it is a challenge to attract the right quantity and quality of workforce needed to realize the business strategy. Once the necessary human resources are recruited, a new challenge starts with the long term motivation and retention. Succeeding in these aspects has better chances if the company has an attractive and credible promise to employees which distinguishes the organization from other players of the market.

Figure 6 shows the results of the Employer Brand index questions. Analyzing these answers, we can observe a 75% percentage of the Employer Brand index and thus a confirmation of Factor 4. The company manages to attract the workforce it needs to realize the business goals. The company image on the product/service market is aligned with that of the labour market. Employees are offered a fair deal, which is kept and respected.





Figure 6 Employer Brand Index Question Results

#### 4. Conclusion

This study highlights employee engagement of a company in the Romanian insurance industry, namely 58%, comparable to the Romanian average of 60%, which proves that this company invests in its employees and is interested in how they feel at work. Given the level of employee engagement measured, the insurance company can invest more in benefits granted to employees which will result in an increase in their engagement.

The study also shows the value of the engagement depending on the seniority of the employees and thus in the category with less than 3 months there is a score of 88% and in the category 3 months - 1 year the score of 73%. Also the employees up to 25 years have a score of 64%, which means that the benefits of this category must be understood so that the engagement reaches a level closer to other age categories.

Given these, the objective of this study was achieved by the fact that the Romanian insurance company managed to measure employee engagement, by defining the most important factors that play an important role both in the employee work and in the company's profitability.

Improving conditions for employees and leaders at work so that they can engage in both core job and non-core job roles is an important goal for firms that want to gain competitive advantage.

It is clear that this is one of the several limitations that the study has. Another limitation is that none of the results can be generalized; one natural research opportunity is to replicate the case and see what happen.

To continue this study, it is important to see how this score of employee engagement can influence the company's profitability. Thus, the needs of employees at work must be highlighted, so that the company can use methods that increase productivity and thus increase the company's profit.

Organizations need more engagement at work. They need leaders, managers, supervisors, and employees who will take time to go above their core job roles if the business is to remain competitive in the global economy. However, employers cannot expect a magic formula to make engagement happen. It will be a long journey that

starts at the top of the organization and moves its way throughout the business.

The importance of employee engagement in a company in the service industry is that employees practically no longer make the distinction between working for them and working for the company. For the engaged employee, work is actually synonymous with personal development and he believes about the company in which he works that it is the best environment in which he can be fulfilled professionally. The higher the employee engagement is, they want to work more for the company and thus increase its profit and image.

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