



Key Components of Employee Engagement: An Observational Analysis of MSME's in Kashmir

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Abstract – Purpose- Employee engagement is a topic of concern for every enterprise be it small or medium. Success of enterprise is determined by its capability of retaining best talent. The purpose of this paper is to determine the factors that influence employee engagement. If the factors that have positive impact on employee engagement are known, then it becomes easy for the enterprise to act accordingly on those factors.

Methodology- Data was collected from a sample of 68 employees from different small and medium scale enterprises operating in various districts of Kashmir.

Findings- Financial factors mostly influence employee engagement. If employees are provided with impartial compensation and rewards for their work, they feel motivated and give their best. Enterprises that take into account career development opportunities for employees succeed in improving employee engagement. Enterprises should work on all the factors like financial, growth, motivation in order to compete globally because employee engagement now a days has gained global importance.

Research limitations- The study involves a small sample of only 68 employees. Employee preferences vary, some factors may influence an employee in one way and same factors may influence the other employee differently. So further research can be conducted on this study.

Practical implications- The study highlights the significant strategies that enterprises can use in order to increase their employee engagement. The study is helpful for the enterprises who want to retain talent and improve engagement levels of employees.

Value/ originality- The paper is contributing to the existing body of knowledge related to employee engagement. Previous literature has lacked in determining employee engagement with respect to small and medium scale enterprises of Kashmir.

Keywords – Employee engagement, organizational factors, factors financial, motivational factors, growth factors, personal factors, SME's.

I. INTRODUCTION

As globalization is achieving its peak, organizations eventually realize the reality that one of the dominant resources that every enterprise need is human resource. So, now a days employees are treated as not just a source but a strategic associate and this transition has taken the concept of employee engagement at pinnacle. One of the toughest challenges for employers is to ensure that employees are not only physically present in enterprise but are also mentally and emotionally associated with the enterprise. In simple words, they just have to set the seal on employee engagement [Nagesh, Sridevi and Prathika 2019]. Employee engagement has come out as a principal factor of business. In any organization employees are the key resource and play a significant role in driving growth and productivity. Right employees are indispensable assets and backbone of the organization. Success of every organization depends on how well employees are engaged. The topic of employee engagement achieved peak from the past decades. It is believed that for any organization the

challenging task is defining and implementing employee engagement strategies. Engaging employees turns out to be essentially significant here. That engagement can appear as employee improvement that upholds development. It can likewise appear as input. Paying attention to employees can work well for an organization. In 70's and 80's the concept was not in limelight but focus was on employee satisfaction.

Employee satisfaction had practically zero association with performance and was more about employee than the organization or the employee's relationship with it. From employee satisfaction, the focus moved towards employee commitment. Employee commitment determines the loyalty of employee towards organization and in a long run commitment can be viewed as element of engagement but can't take place of employee engagement. As the competition increases the terms like employee satisfaction and commitment seem to be sketchy and then there arises the concept of employee engagement [Byrne 2013]. Employee engagement is important for the prosperity of



any association as it prompts solid business execution. It is concerned about the issues of responsibility, fulfilment and authoritative conduct. Perhaps the main thought is that employee engagement has started the far-reaching interest. It can bring connect of employees with the enterprise and help in recognizing and passing on assumptions for one another and also prompts lucidity in conveying a clear vision. Besides this it also fabricates trust and collaboration inside the individuals from the group and in the enterprise. Additionally in such cases employees take a stab at the great standing of the organization. Anyways these components clarify well what employee engagement mean for the presentation of the workers inside the enterprise [Pragati and Vaishali 2019]. The ability of an organization to achieve productivity depends on the efforts that organization takes to retain employee engagement [Gigi and Umma 2017]. The ability of an organization to retain talent plays an important role in gaining competitive advantage [Stanislaus 2015]. Research done in the field of employee engagement hardly give attention to the archetypes of employee engagement. Every organization should first develop a basic understanding about the factors and should investigate the factors that affect employee engagement [Rozana, Rahiyima, Nurul, Arnida and Koe 2019].

Organizations that provide their employees plenteous opportunities to learn various skills, acquire knowledge, develop various abilities have more employee engagement. Employees usually invest in those organizations that provide them opportunities to grow. Career development is a cosmic factor for employee engagement. Employee engagement is more in those organizations where they get appreciated by the leader and where their efforts are counted. Leadership is also a key factor of employee engagement. In every organization, leadership should be ambitious, radical and future oriented and should also attract employees towards their vision in order to gain employee engagement [Schaufeli 2019]. An organization should have proper pay structure and benefits to motivate the employees. As motivation is a predictor of employee engagement so more the employees are motivated more will be engagement.

Employees should be rewarded for their outstanding performances because rewards and recognition turn out to be the core factor of employee engagement. standardized communication is another factor of employee engagement. Research has shown that miscommunication between employees and management reduces employee engagement. There should be proper communication of expectations both from employee and employer side. Employees should be treated equally without biasness. Research has shown that one of the reasons for reduced employee engagement is favouritism. There should be equal opportunities of growth and development for employees [Chandani and Mehta 2016]. Flexible working hours to employees is another factor that contributes to

employee engagement. When employees are given flexibility to work either around the regular office hours or work away from office, they feel engaged [Hasim, Ahmad and Idris 2013].

II. REVIEW OF LITERATURE

Kahn (1990) acknowledged that employee engagement can be achieved by focusing on three main psychological conditions like safety, meaningfulness and availability. Meaningfulness focuses on the achievements of the employees. Employees can be engaged when they feel a sense of belongingness in the organization. Safety of employees is also important factor that influence employee engagement. So, the overall focus is given on psychological needs. Once the psychological needs of employees are met then it becomes easy task for organization to engage them.

Saks (2006) differentiated between work engagement and organizational engagement. Work engagement should not be mixed with organizational engagement. work engagement focuses on eagerness for performing the task that is given to employees, while organizational engagement demands passion of employee for the organization and loyalty towards the organization. It was found that work and organizational engagement are different because organizational engagement is a much stronger forecaster of all of the outcomes than work engagement.

Robinson (2006) acknowledged that employee engagement can be achieved by developing a positive work environment. Employees would love to work when they feel kind of positivity around. Positive work environment encourages employees and results in improved employee performance and low employee turnover. A healthy and caring work culture not only improves employees wellbeing but also improves satisfaction of employees. Positive work environment improves the emotional connection of employees with the organization.

Ngobeni and Bezuidenhout (2011) concluded that career development opportunities should be given to employees to engage them. If organization fails to provide opportunities for growth and development of employees then employees will feel demotivated and stagnant and are more likely to leave the organization. Employees often switch their jobs if they don't get opportunity to grow. There should be career development programs in every organization and employees should be assigned new task so that they get engaged not only towards their work but also towards organization.

Swati (2013) conducted a study on effective employee engagement factors and she came up with the conclusion that there is not a single or specific factor that suits employees. Employee engagement factors change from



employee to employee as well as organization to organization. Every organization is different and so are employees working there. A single factor can't influence all the employees. Needs and preferences vary from employee to employee and from organization to organization. It is very important for the organization to analyse the needs of employees and then provide them with the solutions accordingly.

Anitha (2014) concluded that work environment including both physical and emotional aspects should be uplifted, boss subordinate relationship should be strengthened and a proper leadership policy should be followed in order to improve employee engagement. Focus was given on three factors that is work environment, leadership style and strengthened relationship with top management. These are the factors that mostly influence employees in the organization. Questionnaire was used to collect the data and regression analysis was used to determine the factors of employee engagement.

Zaki (2015) concluded that one of the best ways to engage employees is to fulfil the expectations of employees. When employees start working in the organization then their expectation with organization and employers increase. Once employee's expectations are fulfilled, it boosts their performance which in turn gives edge to overall organizational performance. Employers should ensure that there is a standardized communication through which employees can freely talk about the expectations they have with the organization. Questionnaire was used to collect the data followed by correlation and regression analysis to analyse the data.

Pooja and Shubhangi (2016) acknowledged that leadership plays an important role in employee engagement. Proper leadership style help in retaining better talent in the organization. The engagement of employees in the organization depends on the behaviour of leader. When leaders are cooperative and are ready to listen to employees, they get engaged towards work place. Besides proper leadership, compensation and feedback from employers also help in employee engagement. So, focus was given to three factors of employee engagement that is leadership styles, compensation and feedback from employer.

Sivasubramanian and Rupa (2017) described that employee engagement can be achieved by offering rewards to employees for their performance. Rewards and appreciation form outstanding performances boosts motivation of employees. Career development opportunities are also important in order to engage employees. Efforts of employees need to be acknowledged in order to elevate the commitment levels of employees. When employees are provided with rewards and their efforts are acknowledged in the organization, this results in more employee engagement.

Pang and Lu (2018) acknowledged that there are various factors that influence engagement. If employees are provided with appropriate and satisfying wages as per their job levels, it can boost employee engagement in organization. There should be equal and impartial salary system in the organization. Employees should be treated equally and there should be equal wages for equal work. Employees should be given wages as per the work they are doing for the organization without any bias.

Carbonell et al (2018) described communication as a means to connect with employees. If an organization follows standardized communication system then it will help in engaging employees. Problems of employees should be taken into account by creating a strong communication system. Sometimes employees are not able to communicate about their expectations and grievances they have with the organization. Miscommunication has been attributed as the most negative influencer of employee engagement. For retaining best talent in the organization, communication barriers should be removed.

Kwon and Kim (2019) described positivity of employees as main factor of employee engagement. If employees are confident and resilient then their engagement levels are strong. Employees should be ready to take risk and push back the stereotypes. They stressed on self-assurance and morale of employees as factors that influence employee engagement. In nutshell, it is the self-efficacy of employees that contribute towards employee engagement. If employees have cynicism and are doubtful about the task they are given in the organization, this will decrease their engagement level.

Simone and Whittington (2020) concluded that organizations can help in cultivating employee engagement by focusing on leadership. Positive leadership behaviour is a key to better employee engagement.

Leadership is one of the constructs that influences the employee engagement in an organization. Proper leadership style help in retaining better talent in the organization. The engagement of employees in the organization depends on the behaviour of leader. Effective leadership boosts morale of employees and also ensures appropriate resources to employees.

Agarwal (2020) defined leadership as a key component of employee engagement. Many leadership styles exist like strategic, cultural, charismatic, team and coaching leadership. Leadership styles play an important role in engaging employees.

If a leader is understanding and help in shaping the career of employees then employees feel motivated and give their best to engage themselves in the organization. If a leader is not paying attention towards needs of employees, then this results in absenteeism and disengaged workforce.



Research Objective

- To study the key components affecting employee engagement including financial, growth, motivational, personal and organizational factors.

Hypothesis

- **H0** There is not significance influence of factors (financial, growth, motivational, organizational and personal) on employee engagement.
- **H0** There is significance influence of factors (financial, growth, motivational, organizational and personal) on employee engagement.

III. RESEARCH METHODOLOGY

The study is related to the components that influence employee engagement. The study involves use of primary data collected from the small and medium scale enterprise employees operating in four districts of Kashmir like Srinagar, Pulwama, Anantnag and Budgam. A survey questionnaire was used for data collection and primary data was used targeting 68 employees. The questionnaire is based on a 5- points Likert scale in which 1 refers to strongly disagree, 2 for disagree, 3 for neither agree nor disagree, 4 for agree and 5 for strongly agree. Analysis of data was done by using factor analysis as a statical tool involving use of SPSS software.

IV. DATA ANALYSIS AND INTERPRETATION

Table 1: Demographic profile of respondents

Dimensions	Category	No. of respondents	Percentage of respondents
Gender	Male	50	73.5%
	Female	18	26.5%
Age	Up to 30	24	35.3%
	30-40	31	45.6%
	40-50	12	17.6%
	50-60	1	1.5%
Highest qualification	Higher secondary	28	41.2%
	Bachelor's degree	17	25.0%
	Master's degree	18	26.5%
	Above master's	5	7.4%
	Total		68

Table 1 shows the demographic profile of respondents. Out of 68 respondents, majority of respondents were male comprising 50 employees that comes out to be 73.5% and 18 female employees that comes out to be 26.5%. Most of the respondents (45.6%) belong to the age group between 30-40 years, 35.3% respondents belong to the age group up to 30 years, 17.6% belong to age group of 40-50 years and 1.5% belong to the age group of 50-60 years. Looking

at educational qualification 41.2% respondents have completed higher secondary, 25% respondents have completed bachelor's degree, 26.5% respondents have completed master's degree and only 7.4 respondents have completed above master's degree.

Table 2: Validity of KMO and Bartlett's test

Kaiser- Meyer Olkin Measure of sampling adequacy		0.812
Bartlett's test of sphericity	Approx. Chi square	1506.225
	Df	435
	Sig.	<0.001

As per the above table, the KMO value of 0.812 is satisfactory and the Bartlett's test of sphericity is also significant, which means that the correlation matrix on basis of which factor loadings are to be plotted, is not an identity matrix, which in turn improves the scope for carrying out an exploratory factor analytic procedure.

Table 3: Loading of factors on Rotated component matrix

Employee engagement components	Component					
	1	2	3	4	5	6
Factor 1-Compensation and rewards						
Employees follow equitable and impartial pay structure	.720					
Rewards and recognition are given for better performance	.769					
Retirement or death gratuity is provided to employees	.652					
Employees are involved in taking management decisions	.748					
Enterprise uses technical expertise to engage employees	.637					
Enterprise conducts social activities like family gatherings and festival celebrations	.602					
Employees have proximity between office and home	.568					
Enterprise treats employees equally without bias	.563					
Educational adequacy is required to get engaged in enterprise	.743					
Factor 2-Growth and development						
Medical health insurance is given to employees when needed		.544				
Enterprise provides mentorship and training to boost career of		.677				



employees						
Enterprise learning programs are organized to engage employees		.567				
Enterprise follows updated HR policies to engage employees		.765				
Enterprise invests in work place resources to enhance employee wellbeing and performance		.587				
Grievance redressal committee provides readily accessible mechanism for disposal of employee grievances		.521				
Employees are provided with flexible working hours		.434				
Nature of job determines the levels of engagement		.550				
Factor 3 -Enterprise values and policies						
Values of enterprise and values of employees are similar		.632				
Motivation is a key factor of engagement but at the same time it creates conflict and tension at work place		.853				
Policies of enterprise are discussed with employees before implementation		.619				
Factor 4-Employee empowerment						
Enterprise provide bonus on festivals			.510			
Loan facilities are given to employees when needed			.463			
Safety of employees is the top priority of for enterprise			.511			
Female employees are given relaxation like maternity leave			.810			
Factor 5 -Health of employees						
Employees who got infected with covid-19 are given extra leaves					.37	8
Employee attitude towards engagement is worsened due to covid-19 pandemic					.76	6
Factor 6-Career progression and security						
Enterprise allows employees to continue education						.834
Enterprise provides transport facilities to employees						.150

Employee engagement questionnaire used in the analysis was subjected to Principal component factor analysis, followed by Varimax rotated factor analysis which yielded six factors.

As shown above in the table 9 items were selected for factor 1 titled as compensation and rewards, 8 items were selected for factor 2 titled as growth and development, 3 items were selected for factor 3 titled as enterprise values and policies, 4 items were selected for factor 4 titled as employee empowerment, 2 items were selected for factor 5 titled as Health of employees and 2 items were selected for factor 6 titled as career progression and security.

Table 4: Total variance explained

Initial Eigen Values			
Component	Total	% Of variance	Cumulative %
1	11.802	40.698	40.698
2	2.615	9.016	49.713
3	1.721	5.935	55.649
4	1.477	5.092	60.740
5	1.297	4.472	65.212
6	1.130	3.898	69.109

The total column gives the eigenvalue or amount of variance in the original variables accounted for by each component. The % of variance column gives the ratio expressed as percentage of the variance accounted for by each component to the total variance in all variables. The cumulative % column gives the percentage of variance accounted for by the first components. Since eigenvalues should be greater than 1, so the components with eigenvalue 1 or greater than 1 have been extracted because those factors which high eigenvalues are likely to represent a real underlying factor. The table above shows that first component explains the most variance and the last components explains the least variance.

V. FINDINGS AND CONCLUSION

Results show that 29 employee engagement items reveal KMO value of this study as 0.812 which indicates that sample taken for factor analysis is significant statistically. Bartlett's sphericity test shows chi square value as 1506.225 which again is statically significant. In this study 29 employee engagement items were taken for factor analysis. By using principal component factor analysis, 6 factors were like compensation & rewards, growth and development, enterprise values and policies, employee empowerment, health of employees, career progression & security. Results show that compensation and rewards are highly associated with employee engagement followed by other factors. Employees first should be motivated by giving them appropriate compensations and rewards for their efforts and they should be provided with career development opportunities.



Empowerment of employees should be taken into account by following ideal policies. Health and security of employees should also be taken into consideration. Once enterprise work on these factors, it will eventually increase employee engagement in the enterprise. So, we accept the hypothesis that there is a significant influence of these factors on employee engagement.

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