

## **EMPLOYEE ENGAGEMENT AS AN INDICATOR OF STAFF ATTITUDE TO THE CHANGES IN ORGANIZATION**

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### **Abstract**

This paper is based on the study carried out in 2010-2012 and devoted to the assessment of the employee engagement level in the largest commercial bank of Russia (“Sberbank of Russia”). The paper covers the nature of employee engagement, the methodology for assessing the level of engagement, study of the factors influencing it.

The paper presents the findings from the study carried out in bank offices located in different settlements with the population greater than 200 000 people (116 cities in total) around Russia. The survey has been carried out annually since 2010. Each year more than 100 thousand bank employees participate in the surveys.

The study showed that this index largely reflects the willingness to work for the organization, even when significant changes are being introduced. However, the index is not completely reliable: in the large organization there were some manipulations with the final figures at the time of the evaluation, some employees were influenced by the management, and also a high level of “fictitious engagement” was registered which alters the practical findings of the study.

**Key words:** employee engagement, employee engagement index, factors of employee engagement, employee engagement study

**JEL Code:** J24, J28

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### **Introduction**

The constantly changing needs of the real sector caused by the exponential rate of the information society development, the growth of competition from domestic and foreign companies force organizations to change the interaction of the subjects of labor to obtain innovative results, to reduce costs, to development product lines, and to limit risks.

Nowadays, it is generally agreed that an employee is the most important asset of an organization. On the one hand, the organization can introduce specific requirements to be met by potential and existing employees, and on the other hand, employees can expect the

organization to take actions necessary to meet the needs of the employees in return. Where these interests meet, the employee's perception of the organization is formed. If the organization acts as a partner to its staff, the employees, in return, will accept the employer with due interest and respect, even if the organization in which they work is undertaking significant changes.

Frequently, organizations introduce changes without taking into account the staff that will have to implement the changes and will have to work in the new environment. And this is where the effectiveness of the changes introduced can be measured using the employee engagement index. This is what our study is devoted to.

### **1. Theoretical basics of “employee engagement” concept usage**

In scientific papers of foreign and domestic authors several similar definitions are used, they are: satisfaction, loyalty, engagement, commitment, and others. (Andryushchenko, 2010).

This paper will focus on the concept of “employee engagement” as an indicator of the employee attitude towards the organization and the changes taking place within the organization in the medium-term perspective (2-3 years). Let us consider what properties it has and what its advantages over other similar attitudes are.

It is necessary to note, that in Russia this concept has come into use only recently, and the definition has not been established yet, so the concept is still translated differently into Russian (Nikolaev, 2013). There are at least three terms used in the English language to describe similar concepts: they are – “commitment”, “engagement”, “retention”, but the definitions vary.

In foreign papers these concepts are differentiated (Balain, 2011), there is a certain hierarchy between the concepts, and the concept of “engagement” reflects the highest level of involvement, embracing “commitment” and “retention” (Vance, 2006). In domestic papers there is a large number of discrepancies that might be explained by the fact that the concept of “employee engagement” was only recently introduced to the academic community in Russia, and the use of similar foreign concepts was not taken into account properly.

Currently, the concept of “employee engagement” plays an important role in human resources management, but so far there has been a number of difficulties in defining the concept in domestic papers. In our paper, we will use the “employee engagement” term that is widely used in scientific papers in English.

According to a number of scientists “employee engagement” - is primarily a person's inclination to undertake a particular task, and this inclination consists of three components:

knowledge, interest and effectiveness (Verba, 1995). The opportunity to use skills and abilities combined with the desire to learn new trends, to keep abreast of innovations, and the apparent effectiveness of work are the factors contributing to employee engagement. Or employee engagement can be seen as a “positive, fulfilling work-related state of mind that is characterised by vigour, dedication and absorption” (Schaufeli, 2006).

An important aspect of employee engagement is that it can be characterized by the amount of physical and mental energy that employees willingly devote to business processes, provided this energy is not caused by rational approach (Rich, 2010).

Employee engagement is primarily the work activity, and, as a rule, it is associated with the actual behaviour of the employee. It is the behavior that can objectively describe the employee’s positive attitude to their own labor.

Employee engagement has not only got a longer impact but a greater intensity when compared to loyalty. G. Blau and K. Boal in their research found that employee engagement is a more stable attitude than loyalty, and, on the one hand, it is more difficult to form, but, on the other hand, is less influenced by external factors (Cohen, 1999).

Taking into account the fact that the term “employee engagement” has been used frequently and arbitrary, and the lack of clarity in its definition, we have formulated the following definition of the “employee engagement” term – it is a sustainable employee attitude, which involves long-term employee motivation to contribute to organizational success and bringing an additional benefit for the organization, expressed in the commitment to their organization’s goals and values.

## **2. Influence of employee engagement on employee behavior**

According to foreign authors, the concept of employee engagement involves five basic principles (Astin, 1999):

1. Engagement refers to the investment of physical and psychological energy in various objects. The objects may be highly generalized (support of the company innovative policy) or highly specific (implementation of changes in a particular business activity);
2. The effectiveness and productivity of any business activity is directly related to the concentration of that practice to increase employee engagement in the activity being undertaken;
3. Different employees demonstrate different levels of engagement; even when completing similar tasks, while at the same time, the level of engagement for the same employee can be

different and vary within the certain limits. The range of variation is also a certain indicator of employee engagement;

4. Employee engagement has both quantitative and qualitative features. The extent of employee engagement can be measured quantitatively, for example, (on average how often the employee works longer hours, how often the employee works overtime, how often refers to the company as a good employer) and qualitatively (if the employee carefully studies all internal sources of information about the organization, reads every information message from the division of internal communication sent via corporate email);

5. The amount of extra study material, associated with any business activity of organization is directly proportional to the quality and quantity of employee involvement in that activity.

Basing on this theoretical analysis we can conclude that “employee engagement” is an essential indicator that can demonstrate employees’ attitude to changes in the organization.

On the one hand, this is a prolonged factor and it demonstrates the employee’s attitude to the organization in medium-term, while on the other hand, it is the aspect of the business activity, and it is mostly demonstrated in the employee behaviour.

As innovative companies are subject to constant changes, these two characteristics are key. This point of view is shared by a number of authors (Gibson, 2003). The experience of foreign companies shows that the level of employee engagement is the best indicator of the employees’ attitude towards the organization, as this level is easy to assess and to use in the long-term.

### **3. The description of the employee engagement level study**

Let us consider the findings of three iterations of surveys carried out to assess the level of staff engagement in OJSC Sberbank of Russia in 2010-2012. It should be noted that this study is ongoing and annual.

Sberbank, being the largest national financial institution, implements significant work related changes, many of which affect its staff and can be perceived in a negative way. The average number of Sberbank employees as of 01.01.2013 amounted to 233,396 people, the actual number was 245 316 employees. Sberbank of Russia has the largest network among domestic banks: currently there are 17 regional banks and about 20 thousand internal structural divisions throughout the country.

*The aim of the study* was to investigate employee engagement at the time of significant changes in the organization, to assess the possibility of using the employee engagement index as an indicator of employees’ attitude to the undergoing changes.

*The objectives of the study:*

- to identify how the bank is perceived by its employees;
- to study changes in the employee engagement index;
- to determine how the key factors of job satisfaction influence the overall employee engagement level;
- to identify areas that can contribute to a positive perception of the changes taking place in the bank in the long run and to an increased attractiveness of the bank as an employer.

*The object of the study* - bank staff working in settlements with the population of more than 200 000 people, as well as in several cities with the population of less than 200 000 people (total 116 cities). The total number of respondents amounted to 116 thousand bank employees (from top executives to frontline employees).

*The subject of the study* - the level of employee engagement and the factors influencing it.

*The research methodology:*

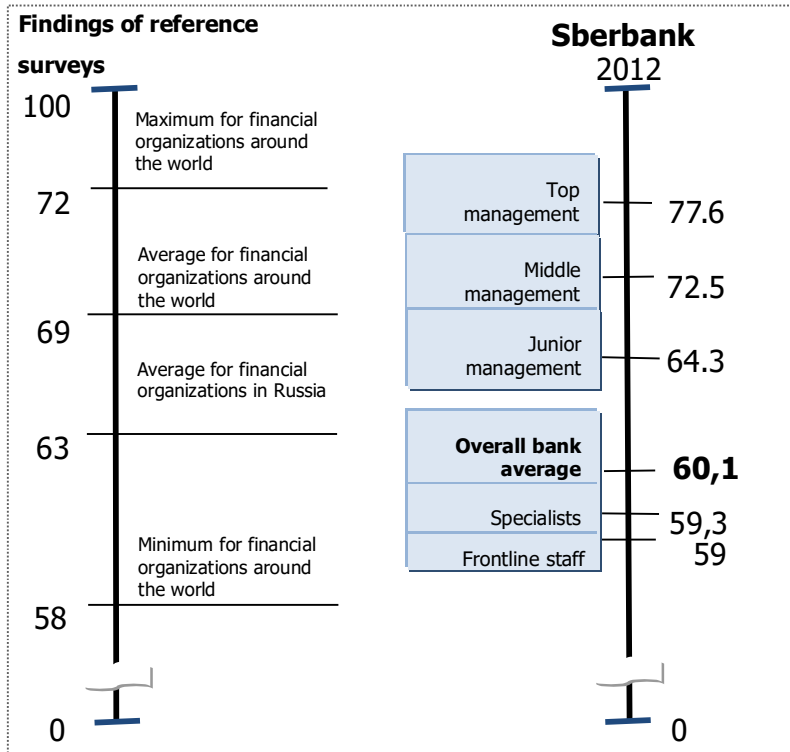
- a survey carried out to assess the level of bank staff engagement;
- structured interviews of the bank top management and executives.

Because of the requirements of corporate privacy we could not previously publish the results of the study.

86% of the employees agreed to participate in the survey and to express their opinion on the issues raised.

The indices in the study were calculated basing on the average marks given by all the survey participants. The highest possible employee engagement index score is 100 per cent. The average employee engagement index score in Sberbank amounted to 60.1 percent in 2012. The average employee engagement index score can be described as low. When compared to the data from other similar reference studies, this score matches the minimum score for financial organizations around the world (Figure 1).

**Fig. 1: Comparison of the average employee engagement index score for financial organizations (based on similar reference studies) with the data from Sberbank.**



Source: author's work

The survey showed that the bank senior management demonstrated the highest employee engagement index score of 78.2%, and the lowest score of 58.5% was demonstrated by frontline employees (customer service specialists) (Table 1).

**Tab. 1: The employee engagement index score by jobs for the period from 2010 to 2012**

By bank jobs	Period		
	2010	2011	2012
<b>Bank average score</b>	<b>59.7</b>	<b>59.9</b>	<b>60.1</b>
Top executives	78.2	76.8	77.6
Middle managers	72.1	71.4	72.5
Junior managers	64.5	64.2	64.3
Specialists	58.8	59.3	59.3
Frontline staff	58.5	58.5	59

Source: author's work

Taking into account the data obtained in 2010-2011 it can be noted that there is an upward trend across all job types: a slight growth for management, and a noticeable growth for frontline staff.

The data on factors having the greatest impact on employee engagement is shown in Table 2.

**Tab. 2: Factors having the greatest impact on employee engagement score in SberBank in 2010-2012**

Factors (factors as described above)	Scores by factors over the	Contribution
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	years			to the engagement
	2012	2011	2010	
Workflow	55.9	55.6	54.5	0.11
The top management of Sberbank	59.7	59	58.2	0.11
Being valued by the company (harmony of personal and corporate goals)	60.7	56.2	54.8	0.11
The opportunity to use one's potential	68.5	79.3	74.3	0.10
The system of incentives and rewards	55.8	54.7	50	0.10
Working conditions	64	69.3	68.8	0.10
Values and image of the Bank	73.2	72.8	74.3	0.10
Communicating goals and objectives	73.9	75	74.5	0.08
Additional benefits for employees: benefits	42.8	-	-	0.07
Team	76.5	75.4	74.8	0.05
Immediate supervisor	76.4	75.9	74	0.05
Additional benefits for employees: insurance	43.3	-	-	0.03
Training opportunities	57.6	47.2	37.8	0.02
Regional Bank Leaders	60.5	61.1	58.8	
Office Heads	63.3	-	-	

Source: author's work

Shapley Value ( $R^2 = 0.58$ ) was used to calculate the score.

According to the survey it was determined the effect of various factors of satisfaction on the overall level of engagement. Biggest influence to the engagement has such factors as: “Workflow”, “The top management of Sberbank”, “Being valued by the company”.

The comparison of the results obtained to the data on total job satisfaction in the stated bank revealed that the employees satisfied with their work for the bank mentioned low (less than 60%) satisfaction with such factors as workflow (55.9%), training opportunities (57.6%), the system of incentives and rewards (55.8%), the bank senior management (59.7%). Additional benefits for employees remain the most negatively perceived factor (42.8%). In recent years there was a decrease in social programs financing, which influenced the employees' attitude to the current system of benefits for employees.

The survey findings revealed that there are many weaknesses in workflow process, one of the major drawbacks being – “the level of IT technologies” (satisfaction decreased by 1.1%), “the improvement of workflow processes” (down by 3.9%).

Employees' dissatisfaction with the bank top management can be explained by the policy changes being introduced and affecting everyone but being disliked by many. However, the study showed that despite this the employees generally positive perceives the changes in the Bank, especially those that have a positive impact on their work.

Also this dissatisfaction can be explained by the lack of information available on the positive aspects of changes undertaken in the organization (the survey showed a reduction in

satisfaction with the quality and the amount of information available on changes in the bank by 1.1%).

The survey findings showed that, in general, the bank employees have a clear understanding of: a) their goals, objectives and expected results; b) criteria used to evaluate their work; c) their contribution to the achievement of the bank objectives; g) the overall bank strategy and development.

The survey findings showed that “the opportunity to use one’s potential” still remains to be the strategic advantage of the bank (in 2010-2011 there was a positive upward trend in the whole bank reaching 79.3%, with a further decline to 68.5% in 2012). This factor has the greatest influence on employee engagement, and the satisfaction remains high. The bank employees are satisfied that they can use their knowledge and experience to the full extent; they believe their work is valued by the bank.

The two key issues were identified basing on the survey findings:

- The difference in the employee engagement index score by regional banks and by jobs can be explained by manipulations with the final figures locally. The scale of the survey being large, subcontractors had to be invited to carry out surveys in regional banks; this leading to the decrease in quality control at the time of application forms filling. Random telephone calls to employees expected to take part in the surveys revealed that some of the employees were not familiar with the survey, could not remember the questions, or even never heard about the employee engagement survey. Thus, the conclusion is that due to the lack of personalized application forms, some of the forms were completed not by the respondents, but people interested in falsification. In future studies of employee engagement in bank should take into account that some data inputs can be manipulated. The questionnaire of research should be modified.

- The second issue was “fictitious engagement” when staff interviewed in the survey demonstrated engagement, but later observation revealed that the employees did not behave engaged. Generally, the employer is accountable for the “fictitious engagement” level increase as it is the employer who creates the background for the mandatory need to linger after work beyond the working hours, to go to work at the weekends, to demonstrate engagement in words, but not in deeds.

The stated issues identified the necessity of defining the main areas to be dealt with in order to form real employee engagement.



#### **4. The main objectives of the bank related to increasing the level of employee engagement**

Four factors have been identified as of higher priority to further increase of bank employees' engagement:

- a system of incentives and rewards;
- organization of the workflow;
- the senior management;
- harmony of personal and corporate goals

The following recommendations for each of the four factors were proposed to the senior management following the findings of the survey:

*Incentives and rewards* – it is necessary to establish a regular monitoring process comparing the compensation market data with the salaries paid by the bank to develop a competitive policy of remuneration, it is also necessary to compare the salaries paid within the bank. Existing salary surveys can be used, for example, one offered by PWC (the company has been conducting salary surveys in the largest Russian and international companies since 1999) and AMT (the salary surveys have been conducted since 2004 in 218 cities in Russia and the CIS countries) and industry-wide surveys (by E & Y), where one can find information on pay offered for particular jobs.

*Workflow* – it is necessary to improve work processes in the bank; the decision-making process has to be simplified; and according to the survey the bank IT-systems need to be upgraded.

*The senior management* – internal communications should be improved enabling employees to communicate with the senior management face-to-face or via a channel for employees' complaints. A goal-oriented plan of internal communication has to be drawn to allow highly engaged employees to communicate with the senior management. The information on “irreversible changes” has to be properly conveyed to the staff; when talking to employees managers should focus on the fact that “the improvements are made for future success, regardless of any external factors or possible change of leadership, while employee benefits are maintained and expanded (job security, workflow optimization, etc.)”.

*Harmony of personal and corporate goals* - a system of career planning and counseling for employees has to be created and implemented, the bank staff has to be empowered to influence management decisions of the bank (in particular, with the help of internal crowdsourcing technology), communication channels need to be improved, adding the

possibility of communicating information "bottom-up ". The problem of heavy operating loads and overtime is of high priority, and can be solved by workflow optimization (for example, the closure of bank operating day), prioritized objectives and functions of different posts, and the amount of overtime work needs to be cut promptly throughout the Bank.

## **Conclusion**

In this paper we have considered the essence of employee engagement; the need to study and improve employee engagement further. Basing on the findings of the survey on employee engagement and factors influencing it the recommendations on how to improve the level of employee engagement were made.

Employers' interest in employee engagement study is now building up, and its importance emphasizes the need for a comprehensive study. The advantage of the methodology of analyzing this index is that it can be carried out in any medium or large organization regardless of industry sector (the organization size is restricted to middle and large due to a higher possibility of select errors in smaller companies to draw sound conclusions).

However, the study of employee engagement has drawbacks as well. This index is not fully reliable when reflecting employee motivation and interest, especially when the employees remain unclear about their future job with the company. Similar findings were made in the article of Purcell (Purcell, 2014). Moreover, results might be inaccurate due to "fictitious engagement" (when the employees demonstrate involvement, but, in fact, have a negative attitude to the organization and changes in it), altering the practical conclusions of the study.

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