



A STUDY ON IMPACT OF TEAM WORK, WORK CULTURE, LEADERSHIP AND COMPENSATION ON ENGAGEMENT LEVEL OF EMPLOYEES IN MSMES IN INDIA

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Abstract: *Employee engagement has emerged as a critical driver of business success in today's competitive marketplace. Further, employee engagement can be a deciding factor in organizational success. Not only does engagement have the potential to significantly affect employee retention, productivity and loyalty, it is also a key link to customer satisfaction, company reputation and overall stakeholder value. Thus, to gain a competitive edge, organizations are turning to Human Resource to set the agenda for employee engagement and commitment. The challenge today is not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives. There are many variables namely team work, leadership, compensation, work culture, commitment etc. that affect engagement level of the employees in an organization. This article made an attempt to study about impact of team work, work culture, leadership and compensation on engagement level of employees in Micro, Small and Medium Enterprises (MSMEs) in India.*

Keywords: *Employee engagement, MSMEs, India, Leadership, Work Culture, Team Work, Compensation*

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1. INTRODUCTION

Engagement is the state in which individual are emotionally and intellectually committed to the organization as measured by three primary behaviors: say, stay and strive. Success today requires a good bit more and good attendance. Employee plays a vital role in each and every organization. The interest of employee will help to achieve organizational objectives. The extent to which an employee believes in the mission, purpose and values of an organization and demonstrates that commitment through their action as an employee and their attitude towards their employer and customer is Employee Engagement.

It is high when the statement and conversation held reflect natural enthusiasm for the company, its employee and the product and services provided. For the past two decades companies had been trying to realize the benefit of empowerment, teamwork, recognition, people development, performance management and new leadership style. There is a big difference between putting in place initiatives that have the overall goal of increasing employee engagement and truly seeing the payoffs. And, on the other hand, one might easily attribute low engagement to persistent downsizing, which lead to an erosion of loyalty and commitment. The working definitions of engagement largely defined in terms of how a person “feels inside”. However, when one asks the people if the level of engagement in the work place would be readily apparent to a visitor from the outside, their answers are invariably “yes”. Job enjoyment, believe in what one is doing, and feeling valued all contribute to observable behavior. One can observe levels of excitement and energy, one can witness people going to extra length to solve customer issues and one can see an ethic of quality and continuous improvement. Similarly, workplace behaviors indicative of low engagement are whining, low energy, passive-aggressive behavior, lack of teamwork etc are also visible.

2. REVIEW OF LITERATURE

The relationship that people have with their work and the difficulties that can occur if that relationship goes awry have long been recognized as a significant social problem and the term “burnout” is now routinely used to describe this phenomenon (Maslach et al., 2001). Numerous studies on burnout have been conducted which concluded that job burnout is a psychological syndrome that can develop in response to chronic stressors at work (Maslach



et al., 2001). It is also understood that burnout can negatively impact individuals and agencies in many ways.

A majority of the previous researches on burnout have focused on identifying its antecedents and outcomes. Only in recent years have researchers started to pay attention to the opposite state of burnout: employee engagement (Gonzalez-Roma, Schaufeli, Bakker, & Loret, 2004). Now studies are being conducted which seek to compare the positive construct of engagement with the negative state of burnout. The proposition is that an understanding of engagement could yield perspectives about how to alleviate burnout (Maslach et al., 2001). It is believed that, in the process of building an environment where employees are likely to become engaged, many of the problems associated with stress and dissatisfaction in the workplace will be overcome (Freeney & Tiernan, 2006). This requires a focus not only on burnout prevention, but also on developing strategies to foster energy, involvement and effectiveness in employees (Maslach & Leiter, 1997).

Researchers in these recent studies have investigated staff engagement to determine if it is the polar opposite of burnout (Maslach et al., 2001, Schaufeli & Bakker, 2004, Gonzalez-Roma, et al. 2004, Freeney & Tiernan, 2006). So far, research findings support the proposition that engagement is the antithesis to burnout (Freeney & Tiernan, 2006). Engagement is said to be characterized by vigor, dedication, and absorption, whereas the core dimensions of burnout are described as exhaustion, cynicism, and inefficacy (Gonzalez-Roma et al. 2006). Burnout and engagement are further reported to be opposite in that they have different consequences and different predictors (Schaufli & Bakker, 2004).

The most comprehensive study to date of employee engagement has come from The Gallup Organization's research using the Q12 instrument. For more than 50 years, the Gallup poll has been questioning customers and employees on a variety of workplace topics. Their surveys attempt to find out more than simply how satisfied persons are with their jobs. It addresses the extent to which employees needs are being met and examines the emotional ties they have to their employment. According to Coffman and Gonzalez-Molina (2002), results of this Gallup research have shown that business units in which employees score in the top half on employee engagement have, on average, a 56% higher success rate with customer loyalty, a 44% higher success rate on staff turnover, a 50% higher success rate on productivity outcomes, and a 33% higher success rate on profitability outcomes.



One key component of the Gallup Q12 instrument is that it includes items that Gallup researchers have found to be under the influence of the manager. This allows for practicality of change based upon the survey results. Over a period of time, Gallup consultants have educated managers and have partnered with companies to implement change strategies. Between the first and second year of implementing changes those companies have, on average, scored one-half standard deviation higher on employee engagement and sometimes as much as a full standard deviation or more of growth after three years. Current evidence from the Gallup 12 studies has demonstrated that, to some extent, employee engagement is influenced by the manager, is changeable, and can vary widely from one workplace to another (Coffman & Gonzalez-Molina, 2002).

Kahn's research sought to identify the psychological conditions necessary to explain moments of personal engagement and personal disengagement among individuals across different situations at work (Kahn, 1990). His work used the methods of observation and interviewing to conduct a qualitative study of personal engagement among 16 camp counselors and 16 architectural firm members. Kahn found that people draw upon themselves to varying degrees while performing work tasks and they can commit themselves physically, cognitively, and emotionally in the various roles they perform. Or, they may choose to withdraw and disengage from their work roles and work tasks. Results of Kahn's study suggest that there are three psychological conditions that shape how people perform their roles -- meaningfulness, safety, and availability.

Studies on employee engagement clearly demonstrate the benefits of having an engaged workforce. Research indicates that by better understanding engagement, new strategies could be developed that would increase levels of employee engagement, thereby possibly decreasing the costly negative effects of burnout for employees in the human services field. Unfortunately, research that examines staff engagement specifically in the human services field is extremely limited. Additional research is needed to further our knowledge of engagement in human services settings and to identify what the predictors and consequences of engagement might be. This study has made an attempt to study about the impact of certain variables namely team work, work culture, leadership and compensation (Predictors) on employee engagement.



3. OBJECTIVES OF THE STUDY

The study is intended to observe the impact of team work, work culture, leadership and compensation on employee engagement in MSMEs as most of these units do not have enough funds to establish a separate HR department which usually functions as a connecting link between the management and the employees and would address the issues relating to both sides. Since most of them do not have a separate HR department and the owner/CEO has to play the dual role of taking care of the business on one hand and simultaneously addressing employee needs as well on a day-to-day basis. The basic objective is to determine the impact of team work, work culture, leadership and compensation on employee engagement in MSMEs sector. There is a lot of discontentment among the younger generation as they feel they are always underpaid and the management is not giving them enough responsibility.

4. METHOD OF RESEARCH

Survey method through structured questionnaire was adopted for the study.

4.1. Sampling Frame and Data Collection Procedure

Primary data required for the study was collected through questionnaires distributed to 500 employees, who included top management, middle management and employees in the MSMEs. They represented workforce employed in the private sector in South India mainly in some parts of Chennai, Bangalore, Cochin and Hyderabad working in different functional areas like production, sales, marketing, finance accounts and administration departments. A total of 28 units were covered in the study – 12 micro units, 10 small units and 6 medium units.

Convenience sampling was adopted taking into account availability and approachability of employees for the purpose of data collection.

A total of 500 questionnaires were distributed after translating the questions in the native language for the convenience of the employees after obtaining the consent of the owners/HR department officials. Completed questionnaires received were 445, which represents 89% response rate and only 441 questionnaires were used and the remaining were discarded as they were incomplete and could not be used for statistical purposes.



5. DATA ANALYSIS AND INTERPRETATION

5.1. Analysis of Demographic Characteristics of the employees

Table - 1

Demographic Characteristics of the employees

No.	Particulars	No. of respondents	Percentages
1	GENDER		
	Male	331	75.1
	Female	110	24.9
	Total	441	100
2	TOTAL WORK EXPERIENCE		
	Up to 5 years	175	39.7
	6 years to 10 years	103	23.3
	More than 10 years	163	37.0
	Total	441	100
3	EXPERIENCE IN THE PRESENT ORGANISATION		
	Up to 5 years	233	52.8
	6 years – 10 years	094	21.3
	More than 10 years	114	25.9
	Total	441	100
4	POSITION IN THE PRESENT ORGANISATION		
	Top management	020	4.5
	Middle management	100	22.7
	Employees	321	72.8
	Total	441	100
5	AGE		
	Up to 25 years	136	30.8
	26 years to 40 years	234	53.1
	41 years to 50 years	060	13.6
	More than 50 years	011	2.5
	Total	441	100

Source: Primary data

Important demographic characteristics based on the sample survey of employees as shown in the above table are presented below.

1. Sample population reveals that 75.1% of the employees are male and 24.9% are female. It indicates that there are more male employees than female employees working in MSMEs.
2. 63% of the employees possess less than ten years of total work experience and 37% of the employees possess more than ten years of experience.



3. 74.1% of the employees have less than ten years of service in the present organisation and 25.9% of the employees have more than 10 years of service in the present organisation.
4. Top management employees who include General manger, Vice President and President of the organisation represent 4.5% of the sample; middle management who include managers and team leaders constitute 22.7% of the sample and 72.8% of the sample are employees.
5. 83.9% of the respondents belong to the age group of below 40 years, 13.6% of the respondents belong to the age group of 40 years to 50 years and 2.5% of the respondents belong to the age group of more than 50 years.

5.2. Multiple Stepwise Regression Analysis

Multiple regression analysis is a statistical technique that can be used to analyze the relationship between a single dependent (Criterion) variable and several independent (predictor) variables. The objective of multiple regression analysis is to use the independent variables whose values are known to predict the single dependent value selected.

5.2.1 The Impact of Team work, Work Culture, Leadership and Compensation on Employee Engagement

Hypothesis – 1:

H₀: There is no significant impact of team work, work culture, leadership and compensation on level of engagement of employees in MSMEs.

H₁: There is a significant impact of team work, work culture, leadership and compensation on level of engagement of employees in MSMEs.

In this part of the analysis, engagement and independent variables are entered in step wise regression analysis. The independent variables are Team work, Work culture, Leadership and compensation and the dependent variable is employee engagement.

The Table – 3 shows the model summary for the R, R², adjusted R² and standard error of the estimate. The R² value indicates the percent of variance in the criterion (dependent variable) that is accounted for by the linear combination of predictor (independent) variables. Model 4 has R² value of 0.493 which indicates the variance accounted for by the linear combination of Team work, Work culture, Leadership and compensation.



Table – 2

Impact of Team work, Work Culture, Leadership and Compensation on Employee

Engagement

MODEL SUMMARY				
Model	R	R squared	Adjusted R Square	Std. Error of the Estimate
1	.647 (a)	.418	.417	7.16765
2	.682 (b)	.466	.463	6.87585
3	.698 (c)	.487	.484	6.74243
4	.702 (d)	.493	.488	6.71283

a. Predictors: (Constant), Work culture

Table - 3

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ANALYSIS OF VARIANCE

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16201.287	1	16201.287	315.352	.000(a)
	Residual	22553.732	439	51.375		
	Total	38755.019	440			
2	Regression	18047.577	2	9023.789	190.870	.000(b)
	Residual	20707.441	438	47.277		
	Total	38755.019	440			
3	Regression	18888.844	3	6296.281	138.500	.000(c)
	Residual	19866.175	437	45.460		
	Total	38755.019	440			
4	Regression	19107.976	4	4776.994	106.009	.000(d)
	Residual	19647.043	436	45.062		
	Total	38755.019	440			

a. Predictors: (Constant), Work culture

b. Predictors: (Constant), Work culture, team work

c. Predictors: (Constant), Work culture, team work, leadership

d. Predictors: (Constant), Work culture, team work, leadership, compensation

e. Dependent variable: engagement.

The Table – 4 shows that selected independent variables namely Team work, Work culture, Leadership and compensation have significant impact on employee engagement. The one way ANOVA (F test) in the table – 3 for all models is also statistically significant. Therefore, it



can be concluded that Team work, Work culture, Leadership and compensation have significant impact on employee engagement. Further, Beta scores indicate that Team work, Work culture, Leadership and compensation have positive impact on factors causing financial exclusion.

Table – 4
Impact of Team work, Work Culture, Leadership and Compensation on Employee engagement

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	45.988	2.311		19.903	.000
	Work culture	.505	.028	.647	17.758	.000
2	(Constant)	39.129	2.473		15.820	.000
	Work culture	.399	.032	.511	12.422	.000
	Team work	.201	.032	.257	6.249	.000
3	(Constant)	39.496	2.501		14.590	.000
	Work culture	.317	.037	.405	8.584	.000
	Team work	.147	.034	.188	4.332	.000
	Leadership	.167	.039	.213	4.302	.000
4	(Constant)	37.698	2.549		14.787	.000
	Work culture	.268	.043	.344	6.278	.000
	Team work	.134	.034	.171	3.900	.000
	Leadership	.169	.039	.215	4.367	.000
	Compensation	.049	.022	.103	2.205	.028

a) Dependent variable: Engagement

Source: Primary data

6. CONCLUSION

Employee engagement invokes passion for their work among the employees and drives them to meet and even exceed their expectations. Engaging employees is necessary to



make them fall in line with the mission, goals and values of the organization and also to facilitate in settling issues and concerns between the employer and the employee.

A large US-based financial services company analyzed the drivers of engagement among 12,500 employees in its major operating groups. The data on employee perceptions showed that the factors that have the greatest impact on engagement are:

- The chance to do challenging work.
- Access to the needed information.
- Ability to reach career goals
- Access to the needed training.

Terilyn Monroe in her article stated that, to be high-performing organizations, employees need to renew their commitment to their work, their manager and their team every day and ultimately reach inspirational levels of engagement. She felt that powerful experiences that resonate inside an individual, validating the value systems and making him/her feel stronger and bolder are the 'defining moments' which make an employee successful.

Stroud's study utilized a Fortune 500 multinational corporation's leadership competency model multi-rater feedback and employee engagement instruments to explore the relationship between the leadership competencies of senior organizational leaders ($N=163$) and the engagement of employees in their organizational units. The study results indicated that Integrity and Collaboration and Teaming are two specific competencies among senior leaders that appear to have meaningful positive relationships with employee engagement. Regression analysis of this study reveals that Team work, Work culture, Leadership and compensation impact the engagement level of employees in MSMEs in India.

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