



# Drivers of Employee Engagement in the Banking Industry: Empirical Evidence From Fourteen Banks

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## ABSTRACT

This study attempts to identify the factors that drive employee engagement in the banking industry. The empirical setting of the study was 14 Indian banks. A survey with the help of a questionnaire was conducted to collect data (n=700). Data were analyzed using multivariate data analysis techniques. A model identifying the variables that drive employee engagement was developed and tested. Results of exploratory factor analysis revealed six factors that drive employee engagement: emotional satisfaction, perceived fairness, personal development, culture, clear communication, and compensation. Results of regression analysis showed that two of these factors (i.e., emotional satisfaction and compensation) were significant in the overall model. Integration of the results with the reinforcement theory suggests that satisfaction of the emotional needs of the employees and system of compensation can be systematically, selectively, and differentially used in banks to align employee behaviours with behaviours typically associated with high levels of engagement and organizational success.

## KEYWORDS

Bank, Banking Industry, Behavior, Employee Engagement, Reinforcement Theory

## INTRODUCTION

Products and services are increasingly becoming commoditized due to globalization. Consequently, more and more firms are finding it difficult to develop a distinctive edge in the market based on their products and services (Boswell, 2008). Business leaders recognize this challenge and understand that developing a unique workforce is the answer to this problem (Endres & Mancheno-Smoak, 2008). A unique workforce is one asset that cannot be duplicated by the competitors (Fisher, Schoenfeldt, & Shaw, 2006). This realization has led many corporate houses to make strategic changes in their human resource policies (Sandhu & Prabhakar, 2012). Businesses are increasing their investments in employees with a view to effectively engage them for organizational success (Zacharatos, Hershcovis, Turner, & Barling, 2007). Mills (2007, p. 11) elaborates:

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*Businesses must adapt and change to survive in the modern, competitive landscape. This means those that will dominate and thrive will be excellent in managing the process of adoption and strategic change. To achieve this without an engaged workforce is unthinkable.*

Investment in employee engagement can help create a workforce that outperforms the workforce of the competitors (Fernandez, 2007). It can also motivate employees to align their efforts with the operational and strategic objectives of the organization (Walton, 2009). Therefore, academic literature is replete with call for research on ways to engage employees (Berwald, 1998; Medlin & Green, 2009). Berwald (1998, p. 158) states that industrial psychologists ‘should start addressing issues of team performance, managing change, employee engagement and the effectiveness of HR strategies in producing organizational results’. The present study addresses this call for research and empirically examines the drivers of employee engagement in the banking industry. The study categorically attempts to: (1) identify the factors that drive employee engagement in the banking industry, and (2) assess the impact of these factors on employee engagement.

In the next section of this article a critical review of existing relevant literature is undertaken. Subsequent sections focus on methodology and data analysis. The article ends with a discussion on the implications and limitations of the study.

## LITERATURE REVIEW AND THEORETICAL FRAMEWORK

A review of the relevant literature is presented in this section. This section aims to exhibit the definitions, benefits and drivers/influencers of employee engagement. This section serves two purposes. First, it attempts to explain and orient the dependent variable, that is, employee engagement. Second, it helps identify variables that form the basis of the questionnaire. Further, reinforcement theory is frequently used to make sense of employee engagement. This section also discusses the link between employee engagement and reinforcement theory.

### Employee Engagement

Academic and practitioner literature is replete with definitions of employee engagement. Several definitions of employee engagement focus on the characteristics and feelings of engaged employees. Wellins and Concelman (2005) propose a definition of employee engagement that focuses on the positive feelings of employees regarding five issues: job involvement, job value, job ownership, job satisfaction and enthusiasm at the workplace. Fernandez (2007) defines an engaged individual as someone interested in delivering beyond expectations. Fernandez (2007) describes high levels of energy and purposeful actions aimed at meaningful results as key identifiers of engaged employees. A study conducted by Catteeuw, Flynn and Vonderhorst (2007) highlights the employee engagement efforts of Johnson and Johnson. As pointed out by Catteeuw *et al.* (2007, p. 151), Johnson and Johnson describe engagement as the extent ‘to which employees are satisfied with their jobs, feel valued, and experience collaboration and trust’.

Some definitions of employee engagement describe it in terms of its attributes. Kahn (1990) theorizes employee engagement to be a mix of emotional, cognitive and behavioural attributes. Based on the work of Kahn (1990), Walton (2009, p. 31) defines ‘employee engagement as the cognitive, emotional and behavioural components that influence an employee’s attitude, beliefs, and behaviours aligned with the desire to facilitate business-unit financial and nonfinancial success’. Wefald and Downey (2009) propose a conceptual model that describes employee engagement as a multifactor construct. A scrutiny of these factors reveals all the factors to be motivational factors.

Review of literature also reveals two related terms used by academic researchers: self-engagement (Britt, 1999) and full engagement (Robertson & Cooper, 2010). Self-engagement is the intrinsic

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