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## Creating Employee Engagement in India- The Role of Employer Branding

Karnica Tanwar<sup>1</sup>

### Abstract

*Employee engagement is a top of the mind issue for many organisations. Google and social media search indicates a rising interest in this term over last decades. The relevance of employee engagement cannot be ignored in India where the business environment is ever- changing and highly volatile. HR practitioners have realised that employees don't merely look for a career but they look for a good experience. Therefore, it becomes important to identify the factors that make employees happy and engaged. Employer branding is a promising strategy that addresses the problem of disengagement at workplace. The purpose of present study is to identify the key dimensions of employer branding and empirically examine the effects of different dimensions of employer branding on employee engagement. The reliability and validity of the model has been addressed through CFA (Confirmatory Factor Analysis). SEM (Structural Equation Modeling) has been used to determine the contribution of employer branding upon employee engagement. The results demonstrate that three out of four dimensions of employer branding are found to be critical predictors of employee engagement. The study accentuates the importance of employer branding as a critical tool to enhance employee engagement levels in a developing nation like India.*

**Keywords:** Employee Engagement, Employer Branding, Existing Employees, IT Sector, SEM

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### 1. Introduction

Employee engagement has received much attention of researchers as well as practitioners in the first decade. Researchers define employee engagement as the level of commitment employees have towards their organisation (Anitha, 2014). Employee engagement has become an imperative tool for the success of the organisation (Little, 2012). It is often argued that engaged employees have higher retention rates than disengaged employees (Wollard, 2011). This disengagement leads to low productivity and performance. Also, because talented employees are an asset that cannot be duplicated by competitors, their engagement becomes all the more important (Anitha, 2014).

In order to achieve high engagement levels, employer branding is fast emerging as a strategic HR approach which aligns both internal practices and external images to achieve positive employee engagement and employee satisfaction (Mosley, 2007). Employer branding helps an organisation in identifying the important attributes that are embraced by potential and existing employees. These attributes are termed as 'package of benefits' which are marketed both internally and externally in order to earn the label of 'most attractive employer'. Thus, employer branding offers a unique employment experience to existing and potential employees (Edwards, 2009).

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1. Assistant Professor- Management, Jagannath International Management School (JIMS)  
Vasant Kunj (Affiliated to GGIPU)  
E-mail Address: karnica.tanwar@jagannath.org

It is a proven fact that employer branding helps in employee attraction (Michaels *et al.*, 2001). But does the same employer brand helps in creation of engaged workforce? The present study tries to answer this question by empirically examining the effect of employer branding dimensions on employee engagement by taking Indian IT Sector as the Case Study.

## 2. Literature Review

For the development of conceptual model, a review of literature was conducted on employer branding, its dimensions and employee engagement.

The idea of employer branding was conceptualised by Ambler and Barrow (1996) in their article, "The Employer Brand". As discussed by them, the role of employer branding is attraction, retention and commitment of employees. In the present study, employee engagement has been chosen as the desired employer branding outcome as employee engagement is considered as an important element in retaining employees in the organisation.

The first valid scale to measure employer branding was developed by Berthon *et al.* (2005). They confirmed the three dimensional structure of employer branding developed by Berthon *et al.*, (2005). However, one limitation of the scale is that it can be used to measure students' perception only. For the present study, the scale developed by Schlager *et al.* (2011) was used as they had identified the relationship between employer branding and job satisfaction in their study. The dimensions identified by them include economic value, development value, social value, diversity value and reputation value. The present study, four of their five dimensions were taken to measure employer branding.

Employee engagement has majorly been defined as emotional and intellectual commitment of employees to the organisation (Richman, 2006). Employee engagement also helps in creation of employee retention, customer loyalty, business growth and profitability (Truss *et al.*, 2006).

### 2.1 Employer Branding and Employee Engagement

Employer branding and employee engagement are closely tied to each other. Employer branding helps to attract good candidates which are apt for the company. Such people love to work with the company. This generates employee engagement. Research shows that 49 percent of companies consider employee engagement as sign of a good employer brand (Human Resource Today, 23 April, 2015). This correlation has also been recognised by various academic researches. A study conducted by Heger (2007) identified the relationship between strong employer brand and employees' level of engagement. Corporate Leadership Council also found that weak EVP (Employee Value Proposition) is the reason why employees disengage from the organisation. Another empirical study conducted by Burawat (2015) identified positive relationship between employer branding and employee engagement. Thus, past literature supports the positive relationship between employer branding and employee engagement.

In the present study, scale developed by Schlager *et al.* (2011) was used as they had identified the relationship between employer branding and job satisfaction. The dimensions identified by them include economic value, development value, social value, diversity value and reputation value. The present study, four of their five dimensions were taken to measure employer branding.

## 3. Hypotheses Development

The next section revolves around development of hypotheses. It discusses the relationship between employer branding dimensions and employee engagement.

### **3.1 Development Value**

There have been studies in the past that have established direct link between training and development and employee engagement. Employee training is considered as one of the most important practices which strongly influence each employee's engagement level. Investing in employees' training and professional development helps in creating high engagement among employees (SHRM, 2014). Also, various employee development programs help in generation of employee engagement (Choo and Bowley, 2007).

Hence, the following hypothesis can be formulated:

*Hypothesis 1: Development Value is positively contributing towards employee engagement.*

### **3.2 Social Value**

As argued by Ferguson (2007), positive culture of an organisation helps in enhancing levels of employee engagement. Sirisetti (2012) noted that positive work relations, team spirit, learning opportunities and employee input in decision making helps in improving engagement levels.

Hence, the following hypothesis can be formulated:

*Hypothesis 2: Social Value is positively contributing towards employee engagement.*

### **3.3 Economic Value**

There has been a lot of research in the past that have identified rewards and compensation as a positive contributor towards employee engagement (Gerhart, 2003; Scott, 2010; Thorp, 2012). Compensation is considered as a springboard to derive employee engagement. Boon (2006) also supported this view by citing compensation and benefits as a major source of organisational commitment and engagement.

Hence, the following hypothesis can be formulated:

*Hypothesis 3: Economic Value is positively contributing towards employee engagement.*

### **3.4 Diversity Value**

Research shows that diversity causes more engagement and better performance. Sodexo's Employee Engagement Survey found that diversity is one of the major drivers of employee engagement (Diversity Inc, Feb 2013; Hyde, 2014). As discussed by Roberson and Park (2007) workforce diversity results in enhances engagement and productivity. This helps in reducing absenteeism and turnover. Hence, the following hypothesis can be formulated:

*Hypothesis 4: Diversity Value is positively contributing towards employee engagement.*

## **4. Research Methodology**

### **4.1 Development of Instrument**

The questionnaire consisted of 24 items, split into 2 parts for measurement of employer brand and employee engagement. The responses were measured by using the following five-point Likert scale: Strongly Disagree (1) – Strongly Agree (5).

#### *Dimensions of Employer Brand*

Items measuring employer brand were adopted from study conducted by Schlager *et al.* (2011) in order to establish content validity. The items are mentioned in table 1. Questions related to demographic characteristics were also included in order to check the reliability of the instrument; a pilot test was conducted with 40 practitioners which turned out to be statistically significant (0.82).

**Table 1: Items for Measuring Employer Brand**

<p><b>Economic Value</b></p> <p>Good Salary                  Good Retirement Benefits                  Fair amount of vacation                  Good health benefits                  High job security</p>	<p>Schlager <i>et al</i> (2011)</p>
<p><b>Development Value</b></p> <p>Good internal training opportunities                  Good mentoring cultureRoom for creativity                  Empowering environment Good recognition for individual work</p>	
<p><b>Social Value</b></p> <p>Respectful environment                  Friendly relationship amongst individual co-workers                  Strong team spirit                  Competent Co workers Good managers                  People first attitude</p>	
<p><b>Diversity Value</b></p> <p>Good varieties of work activities                  Challenging tasks Interesting tasks</p>	

*Items for Measuring Employee Engagement*

Employee engagement was measured using five items adopted from The ISA Engagement Scale. The reliability of ISA Scale was 0.86. The items are mentioned in Table 2.

**Table 2: Items for Measuring Employee Engagement**

Items	Source
<p>I focus hard on my work                  I pay a lot of attention to my work.                  I share the same work values as my colleagues                  I feel positive about my work                  I feel enthusiastic about my work.</p>	<p>Soane <i>et al.</i>, (2012) <i>The ISA Engagement Scale.</i></p>

#### 4.2 Sampling Plan

The Indian IT sector was selected for data collection as “the most attractive sector” by Randstad Employer Brand Awards for three consecutive years (2014-2016).

Two IT firms were selected from the Awards List. Purposive sampling method was used. Employees who have been working for more than 2 years were selected. Respondents were approved personally to collect responses. A total of 317 questionnaires were distributed out of which 283 responses were found relevant for conducting analysis.

#### 5. Data Analysis

The Structural Equation Modeling (SEM) technique was used to validate the research model. Measurement quality was assessed using CFA. SEM was run through AMOS 21. Construct wise reliability was established using cronbach alpha (Cronbach, 1951) which came out to be 0.854.

##### 5.1 Confirmatory Factor Analysis (CFA)

According to Fabrigar (1999) CFA helps in assessing unidimensionality and allows focussed testing of specific hypotheses. In the present study, reliability and validity estimates along with model fit indices were ascertained.

Content validity was ensured as all the items identified through literature review. The regression weights were above 0.5. In order to establish construct validity, convergent and discriminant validities were established. The criteria to ensure convergent validity is:  $CR > 0.70$ ,  $CR > AVE$  and  $AVE > 0.50$  (Hair *et al.*, 2006). According to (Fornell and Larcker, 1981), in order to assess discriminant validity, the AVE of each construct should be greater than its shared variance with other constructs. i.e.  $MSV < AVE$  and  $ASV < AVE$ .

As shown in Table 3, both the standardised factor loadings and AVE are greater than 0.5 which indicates good convergent validity of the latent constructs. Further, Alpha value of all the constructs is greater than 0.70. This satisfies the criterion for convergent validity.

Thereafter, discriminant validity was ascertained. As seen in the Table.3 the AVE values of all the EB factors are larger than their corresponding squared inter-construct correlations. Thus the criterion of discriminant validity is also duly met.

**Table 3: Reliability and Validity Estimates**

Constructs	Construct Reliability (CR)	Average Variance Explained (AVE)	Maximum Shared Variance (MSV)	Average Shared Variance (ASV)	Convergent Validity	Discriminant Validity
Dev Value	0.832	0.523	0.134	0.055	Yes	Yes
Eco Value	0.843	0.556	0.165	0.013	Yes	Yes
Social Value	0.784	0.503	0.077	0.016	Yes	Yes
Div Value	0.700	0.501	0.235	0.065	Yes	Yes
Employee Engagement	0.829	0.526	0.055	0.033	Yes	Yes

Source: Gakingston MS-Excel Validity Master Output

### 5.2 Measurement Model

After establishing reliability and validity of individual constructs, the model fit indices of the overall measurement model were determined. The measurement model revealed good model fitness. As suggested by Bentler (1990): (i) CMIN/df <3, (ii) RMR <0.10 (iii) AGFI >0.80 (iv) CFI > 0.90 (v) RMSEA <0.05 (vi) p-value > 0.05 are considered appropriate. The measurement model indicated an acceptable model fit where (CMIN/df =1.352, p-value =.076, CFI= 0.923, RMR= 0.055, RMSEA= 0.054, AGFI= 0.743, GFI= 0.984). Thus, the model fit indices were found to be meeting their respective criteria.

### 5.3 Structural Model

The hypothesised structural model was conducted to examine the hypothesis with respect to employer brand dimensions and employee engagement. Four dimensions of employer brand were related to employee engagement.

The relationships between independent and dependent variables were evaluated by examining Beta weights. Three hypotheses were found to be significant: The path from development value to employee engagement ( $\beta = 0.543$ ,  $t=1.332$ ,  $p<0.05$ ), Social value to job employee engagement ( $\beta = 0.478$ ,  $t=1.678$ ,  $p<0.05$ ), economic value to employee engagement ( $\beta = 0.565$ ,  $t= 3.335$ ,  $p<0.05$ ) and Diversity value to employee engagement ( $\beta = 0.209$ ,  $t= 2.841$ ,  $p<0.05$ ). Therefore, hypotheses H1 and H3 were supported. Thus, it can be said that development value, social value and economic value significantly influence employee engagement. For the relevant Structural Model, refer Figure.1.

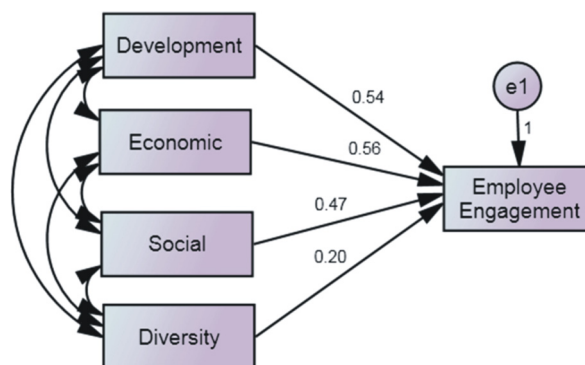


Figure 1: Structural Model

## 6. Discussion

The results suggest that development value (Hypothesis 1) was found to be the most effective indicator of employee engagement. Thus, career development is an essential part antecedent of employee engagement. This shows that if desire of employees to learn and develop is not fulfilled, they will begin looking for work elsewhere. Helping employees learn and grow will help in their engagement which will ultimately help the organisation grow (Shuck and Wollard, 2010; Noe *et al.*, 2010; Crawford *et al.*, 2010). With respect to hypothesis 2, social value was found to have a positive impact on employee engagement. It contained items related to positive work culture, team spirit and friendly co-workers. The results suggest that employee engagement is an outcome of healthy culture. Thus, employee engagement does not entirely depend on compensation or employee development, happy employees and team work also forms a part of

entire employee engagement strategy. The results also suggest that compensation leads to higher levels of engagement (Hypothesis 3). This shows that in order to foster employee engagement, organisation must provide competitive salary package. The results are in line with previous studies (Berry 2010; Bal *et al.*2013). Thus, utilising compensation as a proactive tool is a crucial step. No support was for Hypothesis 4, suggesting that diversity value is not positively related to employee engagement. This shows that a lot more has to be done to educate the employees about the advantages of having a diverse workforce. The HRD must be aware of diversity issues and strategically utilise the workforce towards improving organisational productivity (Tanwar and Prasad, 2016). This can be done by conducting learning and training programs on regular basis. Also, diversity in tasks should be encouraged.

## 7. Implications

### 7.1 Theoretical Implications

With regard to the effect of employer branding dimensions on employee engagement, the findings suggest that three out of four dimensions viz. development value and economic value and social value are found to have positive relationship with employee engagement. The findings of the study indicate that employer branding dimensions explain variations in employee engagement. Therefore, one significant contribution is initiation of employee engagement through employer branding. As suggested by literature, employee engagement is associated with retention and productivity. Thus, employer branding can increase retention through employee engagement.

### 7.2 Managerial Implications

Development value was found to be the most crucial factor in driving employee engagement. Thus, organisation should focus more towards development and training of employees. A proper learning environment will help in fostering innovation and creativity among employees. Economic value was found to be another important element of employer branding towards generating employee engagement. The results show that salary and financial incentives motivate workers. The results are in line with past research where salary was found to have positive impact on employee satisfaction and employee engagement (Agarwala 2003; Tella *et al.* 2007). Moreover Indian IT Sector offers various incentives in the form of bonuses and extra pay for night shifts. The study shows that this strategic compensation system is helping organisation to enhance engagement among employees.

## 8. Limitations and Future Research Directions

A few limitations also emerge from the study. First, the study can be replicated in other sectors as well. Second, future studies can include intervening variable like gender, employee demographics, job tenure. Third, employee engagement of public sector can be studied. Fourth, in the present study only four dimensions have been studied. There is a scope to identify more dimensions of employer branding. Fifth, in the present study only employee engagement has been studied as the predicted outcome. The dimensional structure can be used to predict various other organisational outcomes like productivity, employee performance, job satisfaction, organisational commitment. Thus, the above mentioned issues can be addressed in future studies.

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