


Employee engagement and performance: A study of South African retail organisations circa COVID-19

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ABSTRACT

Employee engagement is the practice of emotionally and physically engaging employees of organisations in order to derive greater organisational outcomes. More engaged employees lead to more satisfied customers, which eventually results in organisational success. Therefore, the primary objective of the study is to investigate employee engagement practices and empirically test the concept with the constructs suggested by the Temkin Group research. A quantitative research method was applied with a survey technique of data collection. A total of 253 valid cases were analysed in SPSS and SmartPLS software packages. The findings indicated that all the constructs used in this study (e.g. inform, inspire, instruct, involve, and incentivise) were found to be reliable and valid enough to develop an overall employee engagement concept. In addition, the practices were significantly related to the employee engagement concept. Employee engagement has the highest relationship with involved practice ($\beta=0.901$) compared to other practices. The mean value of inspire practice was the highest (2.9644) and incentivise practice had the lowest mean score (2.5534). Overall, the study contributed to the existing literature in employee engagement. The findings have implications for human resource managers, marketers and related decision-makers.

Keywords: employee engagement; performance; South African; retail organisations

INTRODUCTION

Employee engagement has generated much interest among academics and practitioners alike. When employees are aware of the context of a business, organisations are benefitting from the improved performance of employees (Barik & Kochar, 2017). According to Markos & Sridevi (2010), organisations have to build a two-way relationship between employer and employee, which is a requirement of engagement. Growing sophisticated technologies require more employees with increased technical and professional skills (Markos & Sridevi, 2010). These employees with increased technical and professional skills should be managed carefully. In other words, they should not be managed in a totalitarian management style, or old styles of management (Markos & Sridevi, 2010). This fact is further enhanced by the COVID-19 pandemic that placed an extra burden on management and staff alike to overcome the challenges as posed by the pandemic. According to Shukla et al. (2015), "employee engagement is the extent to which employees put discretionary effort into their work, in the form of extra time, mental ability, passion and energy". Pleasant customer experiences and greater business outcomes are generated by engaging the employees properly (Lucas & Temkin, 2012). In times of crisis such as during the COVID-19 pandemic, these engagements have become more and more important and relevant to organisations. According to Lucas & Temkin (2012), employee engagement is a neglected field in spite of its convincing positive effects. So, employees need to be engaged and empowered to achieve proper organisational outcomes. A more efficient and productive workforce can be created by engaging

employees, specifically during times such as the 2020 COVID-19 pandemic where it has become more and more important to have employees engaged in all activities of the organisation and to render better customer service. Many of these services moved from face to face to remote. Any initiatives of improvement related to the organisation will be in vain in the absence of employee involvement and engagement (Markos & Sridevi, 2010). Several studies have found that employee engagement is a key predictor of outcomes such as employee satisfaction, productivity, improved employee turnover (Barik & Kochar, 2017), performance and morale (Bailey et al., 2017), and customer service. Therefore, it is essential to conduct more empirical research to validate the employee engagement construct and its relationship with various outcomes.

The overall purpose of this research is to statistically validate the employee engagement construct and propose a conceptual framework for future study related to the impact of employee engagement on performance and its benefit in crisis situations such as the COVID-19 pandemic. The specific objectives of the study include investigating the extent to which inform, inspire, instruct, involve, and incentivise are related to the employee engagement construct.

The study has been organised into different sections namely literature review followed by research methodology and data analysis techniques; findings; discussion of the results; conclusion, and limitations and guidelines for further study.

LITERATURE REVIEW

Several past studies related to employee engagement, organisational performance, and the resultant financial outcome were reviewed (Saks, 2006; Markos & Sridevi, 2010; Gruman & Saks, 2011; Lucas & Temkin, 2012; Temkin & Lucas, 2013).

Barik and Kochar (2017) explored several key factors such as a reward system, job enrichment, effective leadership, the scope of advancement and self-development, employment security, self-managed teams and decision-making authority driving employee engagement. In addition, employee engagement results in outcomes such as increased productivity, profitability and lower employee turnover.

Bailey et al. (2017) explored evidence that ensures organisational performance and individual well-being through a higher level of engagement. A systematic review of 214 studies reveals that psychological state of mind, job design, leadership, organisational and team factors, and organisational interventions are the main antecedents of engagement. In addition, engagement was found to be positively related to several outcomes, including individual morale, task performance, extra-role performance and organisational performance (Bailey et al., 2017).

Saks (2006) conducted a study to detect the antecedents and consequences of employee engagement. The antecedents of employee engagement detected in the study were job characteristics, perceived organisational support, perceived supervisor support, rewards and recognition, procedural justice and distributive justice. However, the results indicated that job characteristics, perceived organisational support, and procedural justice were statistically the most significant antecedents of employee engagement. The consequences of employee engagement identified in the study were job satisfaction, organisational commitment, low intention to quit, and organisational citizenship behaviour. The findings indicated that job satisfaction, organisational commitment, low intention to quit, and organisational citizenship behaviour were most significantly influenced by employee engagement.

According to Markos & Sridevi (2010), one of the strongest predictors of positive organisational performance is employee engagement, which is built on the foundation of earlier concepts like job satisfaction, employee commitment and organisational citizenship behaviour. In addition, employees who are engaged feel emotional attachment and involvement with their organisation and job respectively.

Gruman & Saks (2011) described a greater emphasis on performance management systems by the current organisation. The findings indicated that the performance management system is a way of producing higher levels of job performance and generating increased performance.

This study has taken the research of the Temkin Group as a conceptual foundation and empirical analysis (Lucas & Temkin, 2012; Temkin & Lucas, 2013). The Temkin Group has conducted research to unearth the best practices termed the "Five Is of Employee Engagement" (i.e. inform, inspire, instruct, involve, and incent).

- Inform – Employees need to be aware of the vision and brand values of the company, understand these issues, as

well as have an understanding of the feelings of customers towards the company and its brands.

- Inspire – Employees must have a sense of belonging and feel part of the organisation’s vision and values. This will help them believe that they are important and are valued so they can have pride in what they do and in the company.
- Instruct – Employees must receive assistance by various means to meet the expectations on the brand promises to customers. This can be in various forms such as coaching, discussions and focused training.
- Involve – Based on feedback received from employees and customers alike, employees should redesign and restructure job descriptions, adapting and enhancing work processes, and look at problem solving methods.
- Incent – Employees generally are in favour of incentives that are based on the objective evaluation of their efforts, the allocation of appropriate rewards for their efforts, and positive reinforcement for desired employee behaviour in order to motivate employees to continue striving to do their best.

Lucas & Temkin (2012) also emphasised support from other functional departments within the organisation for a successful employee engagement programme. In addition, they identified some areas for collaborating between customer experience and human resources (Lucas & Temkin, 2012). Another study (Temkin & Lucas, 2013) by the Temkin Group, conducted with more than 2 400 US employees, came up with some interesting findings. Companies with greater engaged employees outperform their competitors in various aspects such as financial performance and customer experience. The reasons for this outperformance are highly engaged employees working harder. Retail organisations have less engaged employees. On the other hand, organisations in the services industries have the highest number of engaged employees. The study also found that those employees who are constantly engaged with customers, high-income earners, male, and African-American personnel are highly engaged employees. A successful employee engagement programme produces engaged employees who are a valuable asset to organisations (Temkin & Lucas, 2013).

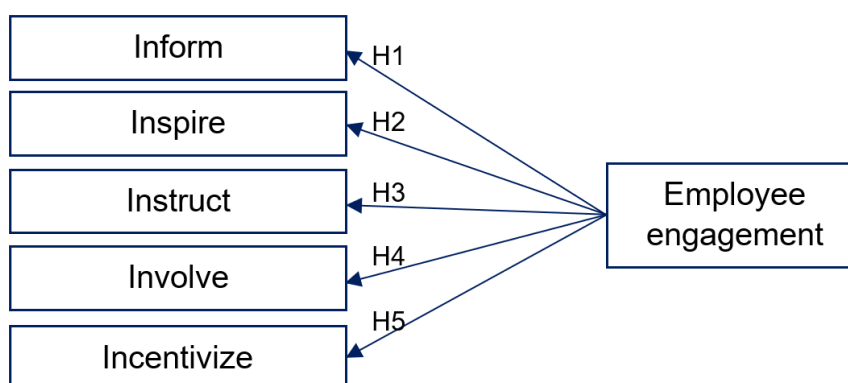
CONCEPTUAL FRAMEWORK

Based on the study of the Temkin Group’s best practices, the conceptual model for this study was proposed (Lucas & Temkin, 2012; Temkin & Lucas, 2013).

From the above discussion, five hypotheses (H1 to H5) were formulated.

- H₁: Employee engagement practice “Inform” is significantly related to “Employee engagement”.
- H₂: Employee engagement practice “Inspire” is significantly related to “Employee engagement”.
- H₃: Employee engagement practice “Instruct” is significantly related to “Employee engagement”.
- H₄: Employee engagement practice “Involve” is significantly related to “Employee engagement”.
- H₅: Employee engagement practice “Incentivise” is significantly related to “Employee engagement”.

FIGURE 1
CONCEPTUAL FRAMEWORK



METHODOLOGY

Research methodology delineates a systematic process by which research will be conducted and where approach, sampling design, instrument design, data collection and statistical techniques for data analysis are used to fit the needs of the research (Akter, 2015). This section will focus on the sampling process and data collection, followed by measurement instruments and plan for data analyses.

Sampling design and data collection

Malhotra (2010) defines a sample as a subset of the population selected for participating in the study, where the sample characteristics called statistics are used to predict the population parameters through estimation and hypothesis testing. Retail organisations in South Africa were considered as the population and a total of 278 responses were collected through a structured questionnaire. The respondents were owners and employees from different levels in retail organisations. A quantitative research design was followed to conduct the study. Due to cost and time considerations, a non-probability convenience sampling technique was utilised. The guidelines of Hair et al. (2019) were followed in determining sample sizes. After collecting the data, initial screening showed some missing values, which were discarded and 253 responses were retained for statistical analyses.

Measurement instrument

The questionnaire consisted of two parts. First of all, some information related to demographic characteristics (e.g. gender, age, rank or position in the organisation, job function, number of employees, and age of the organisation) of the respondents were requested. The second part included the measured variables of this study. A 20-item Employee Engagement Survey Questionnaire was used, where each respondent was required to rate their opinion on a five-point Likert-scale ranging from 1 – “Never” to 5 – “Always”. The items were developed by reviewing the pertinent literature related to employee engagement (Lucas & Temkin, 2012; Temkin & Lucas, 2013). The latent constructs and their measured items are shown in table 1.

TABLE 1
CONSTRUCTS AND MEASURED VARIABLES

Construct	Code	Items
Inform (INFO)	INFO1	The company uses a formal customer experience plan identifying key topics, audience segments, delivery channels, and frequency.
	INFO2	Internal customer experience communications are tailored to specific job roles.
	INFO3	Employees across the organisation are provided easy access to feedback from customers.
	INFO4	Leaders across the organisation regularly discuss customer experience in their communications.
Inspire (INSP)	INSP1	The company has a clear set of values, which guides decision-making across the organisation.
	INSP2	Executives meet with employees on different levels across the organisation.
	INSP3	Stories about employees helping customers are retold to reinforce company values.
	INSP4	The company provides resources for employees to participate in volunteer causes.
Instruct (INST)	INST1	Customer experience training is embedded in orientation sessions for newly hired employees.
	INST2	All managers are trained to develop their skills in reinforcing the company's values with their employees.
	INST3	Managers coach employees on customer-centric behaviour and practices.
	INST4	Employees across the organisation are recruited to teach customer experience behaviour and practices to fellow employees.
Involve (INVO)	INVO1	Employee feedback is actively solicited and formally acted upon.
	INVO2	The organisation communicates the actions it takes based on employee feedback.
	INVO3	The organisation facilitates employee interactions across functional teams to raise awareness and increase collaboration.
	INVO4	The organisation uses a defined network of employees as ambassadors of its customer experience efforts.
Incentivise (INCE)	INCE1	The organisation has formal incentives for reinforcing good customer-centric behaviours and results.
	INCE2	Managers are evaluated based on the engagement levels of their employees.
	INCE3	The organisation has a formal peer-to-peer recognition programme.
	INCE4	Teams that demonstrate customer experience excellence are publicly celebrated.

Data analysis

Data collected through questionnaires were analysed using the SPSS and SmartPLS software tool version 21 and 3 respectively. The analysis started with demographic profiling of the respondents followed by descriptive statistics (e.g. mean, standard deviation, skewness and kurtosis), model validation and reliability through confirmatory factor analysis and partial least square structural equation modelling (PLS-SEM).

FINDINGS

Demographic analysis

First of all, the analyses began with demographic profiling of the samples. The frequency distribution and percentile of ranking or title category indicate that the maximum number of responses came from managers (55.7%). Next, the analyses showed that the highest number of responses have come from operation departments (31.6%). The range of highest frequency in the number of employees is more than 200 (40.3%), which indicates significant participation of the large organisations in this survey. The male and female ratio is 60.9%:39.1%. The age range "35-44" has the highest frequency (45.1%), followed by "25-34" (34.0%). The age of organisation data indicates that more than half of the organisations have an age of more than 25 years (50.2%).

Descriptive analysis

The descriptive analysis includes mean, standard deviation, skewness and kurtosis values. Mean or average value, a measure of central tendency, is popularly used to indicate the centre of distribution (Malhotra, 2010). In addition, the standard deviation is used to see how the data have deviated from the mean. (Malhotra, 2010). Kurtosis and skewness are generally used to delineate the shape of the distribution (Hair et al., 2019). As the constructs consist of multiple items, a composite or mean score was calculated for each construct by averaging all the items of the respective construct. For example, INFO1, INFO2, INFO3 and INFO4 were summed and divided by 4 to calculate inform construct. Mean value analyses indicate that inspire has the highest mean value (2.9644) followed by inform (2.7101) and instruct (2.7032). On the other hand, incentivise has the lowest mean value (2.5534), followed by the second lowest mean of involve (2.5567).

TABLE 2
DEMOGRAPHIC BREAKDOWN OF RESPONDENTS

Category	Subcategory	Frequency	Percent (%)
Ranking or title	CEO,VP, Director	1	.4
	Business Owner	1	.4
	Senior Management	40	15.8
	General Management	37	14.6
	Manager	141	55.7
	Staff	32	12.6
Function or department	Product development	7	2.8
	Finance	20	7.9
	Logistics/ supply chain	9	3.6
	Pricing	4	1.6
	Operations	80	31.6
	Marketing	27	10.7
	Merchandise management	7	2.8
	Information Technology	23	9.1
	E-channel and digital operations	2	.8
	Human Resources	8	3.2
	Other	60	23.7
Number of employees	<10	41	16.2
	11 - 25	46	18.2
	26 - 50	22	8.7
	51-100	19	7.5
	101 - 200	20	7.9
	>200	102	40.3
Gender	Male	154	60.9
	Female	99	39.1
Age	18-24	2	.8
	25-34	86	34.0
	35-44	114	45.1
	45-54	47	18.6
	55-64	4	1.6
Age of organization	1-5	39	15.4
	6-10	45	17.8
	11-15	24	9.5
	16-20	6	2.4
	21-25	8	3.2
	25+	127	50.2

TABLE 3
DESCRIPTIVE STATISTICS

	Mean	Std. Deviation	Skewness	Kurtosis
INFORM	2.7101	.98457	.495	-.455
INSPIRE	2.9644	.85771	.185	-.147
INTRUCT	2.7032	1.09518	.561	-.583
INVOLVE	2.5567	.96906	.486	-.244
INCENTIVISE	2.5534	1.00130	.488	-.265

Partial least squares structural equation modelling (PLS-SEM)

For validating the constructs and the proposed model, the partial least squares structural equation modelling (PLS-SEM) approach has been utilised. According to Hair et al. (2019), PLS-SEM is often termed variance-based SEM, which analyses the total variance including both measurement and structural model. As far as confirmatory factor analysis (CFA) is concerned, the measurement model involves the identification of each observed variable's contribution to the respective construct along with the reliability and validity of the model. In the next stage, the structural model analysis is performed with a valid and reliable measurement model. The distinguishing features between PLS-SEM and covariance-based SEM (CB-SEM) indicate that prediction and explanation of the relationships are primarily focused by variance-based SEM. On the other hand, confirmation of well-established theory is emphasised by covariance-based SEM (Hair et al., 2019). As the study purpose is to develop and propose a research model, variance-based SEM is more suitable.

Scale reliability and validity

The following table contains a summary of measurement model analysis. It includes factor loadings, composite reliability (CR), average variance extracted (AVE) and Cronbach's alpha values. According to Hair et al. (2019), "Cronbach's alpha, the measure of reliability that ranges from 0 to 1, with values of .60 to .70 deemed the lower limit of acceptability." As illustrated in the following table, all the values ranging from 0.884 to 0.709 fall within the acceptable limit. It also suggests that the constructs used in the research are reliable for further analyses. A minimum indicator loading is .708, which represents around 50% of the indicator's variance. The CR and AVE for each construct should be at least 0.70 and 0.50 respectively (Hair et al., 2019). As illustrated in the following table, all the values of factor loadings, CR and AVE fall within the acceptable level.

Assessment of discriminant validity

Discriminant validity is used to determine whether a construct is distinctive from other constructs (Hair et al., 2019). Discriminant validity is achieved by comparing the shared variance within (AVE) and between constructs and the square root of AVE must exceed inter-construct correlations. The following table indicates the discriminant validity of the model as all the square root values of AVE presented diagonally are greater than inter-item correlations presented off the diagonal.

TABLE 4
MEASUREMENT MODEL SUMMARY

	Incentivise practice	Inform practice	Inspire practice	Instruct practice	Involve practice
INCE1	0.817				
INCE2	0.788				
INCE3	0.743				
INCE4	0.821				
INFO1		0.774			
INFO2		0.805			
INFO3		0.844			
INFO4		0.836			
INSP1			0.714		
INSP2			0.738		
INSP3			0.760		
INSP4			0.707		
INST1				0.855	
INST2				0.845	
INST3				0.888	
INST4				0.856	
INVO1					0.821
INVO2					0.852
INVO3					0.884
INVO4					0.857
CR	0.871	0.888	0.82	0.92	0.915
AVE	0.629	0.665	0.533	0.742	0.729
Cronbach's Alpha	0.804	0.832	0.709	0.884	0.876

TABLE 5
RESULTS OF DISCRIMINANT VALIDITY

	Incentivise practice	Inform practice	Inspire practice	Instruct practice	Involve practice
Incentivise practice	0.793*				
Inform practice	0.625	0.815*			
Inspire practice	0.696	0.654	0.730*		
Instruct practice	0.570	0.743	0.535	0.861*	
Involve practice	0.725	0.720	0.712	0.666	0.854*

*All the diagonal elements are the square root of AVE and the off-diagonal elements are correlations among the constructs.

Structural model analysis

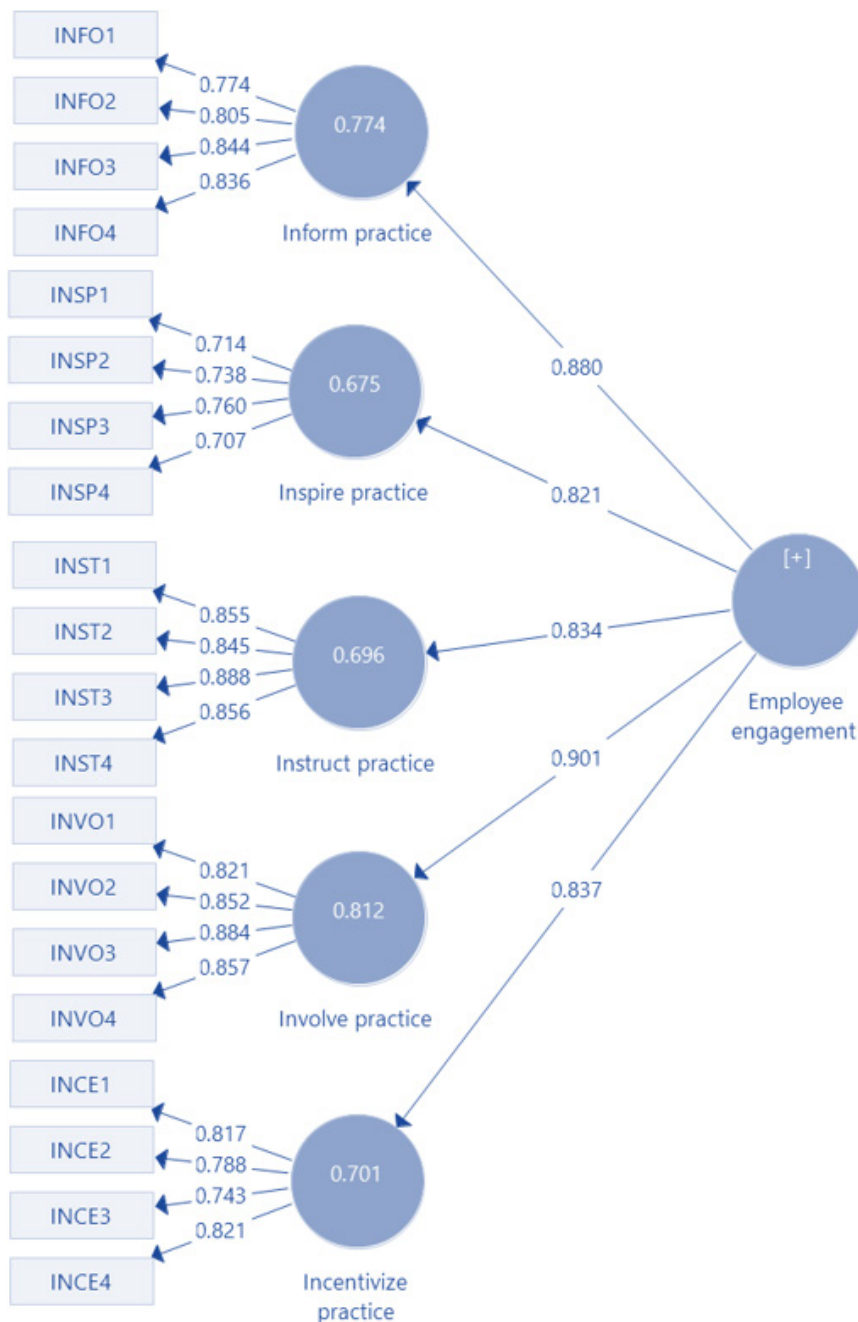


Table 6 shows the paths, path coefficients (β), t values, p values and impact of the path coefficients. The results indicated that all of the employee engagement practices (incentivise practice, inform practice, inspire practice, instruct practice, involve practice) are significantly related to employee engagement construct, which is a higher-order construct created by taking into account all the 20 indicators of the study. According to Hair et al. (2019), "Higher-order models are comprised of a single higher-order construct (HOCs) that represents the overall concept." Therefore, all the proposed hypotheses (H1 to H5) were supported. The largest path coefficient of involve practice ($\beta=0.901$) indicates that when employee engagement score increases by one standard deviation unit, the involve practice score will increase by 0.901 standard deviation units, assuming all other independent constructs remain constant. As shown in the box of the construct in figure 2, the R² value of 0.812 also suggests the strongest predicting power of employee engagement on involve practice. The R² value of 0.812 indicates that around 81.2% variance in involve practice is due to employee engagement.

TABLE 6
STRUCTURAL MODEL ANALYSIS RESULTS

Paths	Path coefficients (β)	T statistics	P values	Result
Employee engagement -> Incentivise practice	0.837	38.063	0.000*	Significant
Employee engagement -> Inform practice	0.880	53.173	0.000*	Significant
Employee engagement -> Inspire practice	0.821	34.720	0.000*	Significant
Employee engagement -> Instruct practice	0.834	32.844	0.000*	Significant
Employee engagement -> Involve practice	0.901	66.425	0.000*	Significant

Note: * $p < 0.05$, based on two-tailed test; $t = 1.96$.

DISCUSSION

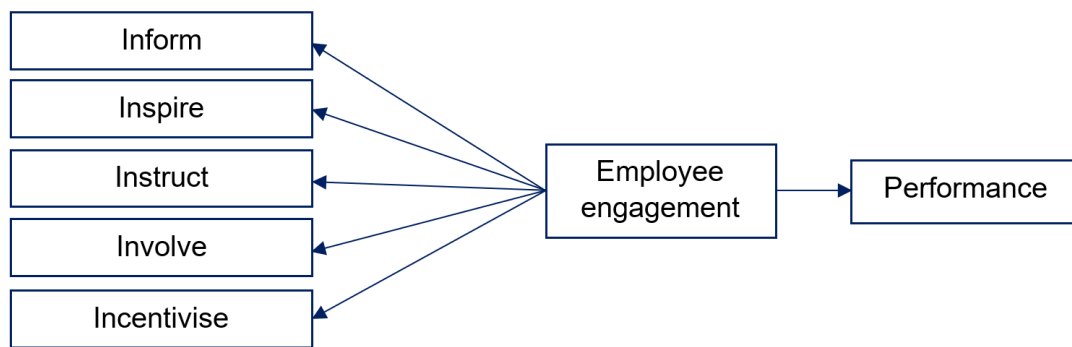
The overall objective of the study was to statistically validate the employee engagement construct and propose a conceptual framework for future study related to the impact of employee engagement on performance. A total of 253 cases were quantitatively analysed using SPSS and SmartPLS software packages. All the constructs used in this study (e.g. inform, inspire, instruct, involve, and incentivise) were found to be reliable and sufficiently valid to develop an overall employee engagement concept. The results of structural equation modelling showed that employee engagement is significantly related to each of the five constructs: inform, inspire, instruct, involve, and incentivise. Further breakdown of the results suggest that employee engagement has the highest relationship with involve practice ($\beta = 0.901$) followed by inform practice ($\beta = 0.880$), incentivise practice ($\beta = 0.837$), instruct practice ($\beta = 0.834$), and inspire practice ($\beta = 0.821$). The mean value analyses showed that inspire practice has the highest mean (2.9644). On the other hand, incentivise practice has the lowest mean score (2.5534). Therefore, the retail organisations should improve their employee engagement practices, especially incentivise practice. Formal incentive programmes, recognising and celebrating employee performance should be introduced to improve in incentivise practice. As the employee engagement programmes are low among the organisations surveyed, more improvement is required in this regard. Past studies also emphasised employee engagement practices that significantly lead to greater organisational and individual performance (Bailey et al., 2017; Saks, 2006).

The results obtained from this study were compared with past studies that are relevant (Lucas & Temkin, 2012; Temkin & Lucas, 2013). The Temkin Group also conducted research on different practices of employee engagement. They found that, overall, organisations lack engaged employees (Lucas & Temkin, 2012). This finding is almost in line with the current study as overall mean values of practices of employee engagement are below 3, which is fairly low. They also have investigated that services industries have the most engaged employees while the retail sector has the fewest (Temkin & Lucas, 2013). This study also suggests similarity as the current study was conducted on the retail industry of South Africa. As the full model is found to be valid and reliable with partial least square structural equation modelling (PLS-SEM) analysis, a new conceptual model has been suggested in the next section for future research based on the Five Is of Employee Engagement suggested by the Temkin Group. It has got implications for human resource managers, marketers and related decision-makers. It also has contributed to past studies related to employee engagements and its antecedent and outcomes (Saks, 2006; Barik & Kochar, 2017).

CONCLUSION AND FURTHER STUDY

The study investigated employee engagement levels and practices in retail organisations in South Africa. The findings reveal that all the sub-elements of employee engagement are significantly related to employee engagement. Overall, the proposed model has validity and reliability and all the hypotheses were supported in statistical analyses. However, the study has some limitations. First, it utilised a non-probability sampling process, which is less generalisable than a probability sampling. Second, the study does not include any consequence variables of employee engagement such as organisational performance. Lucas and Temkin (2012) noted that engaged employees try harder than disengaged employees for organisational success. Research conducted by Saks (2006), Markos and Sridevi (2010), and Gruman & Saks (2011) suggests that employee engagement leads to better work performance. However, no studies were found that have tested the impact of employee engagement including inform, inspire, instruct, involve and incent on performance through structural equation modelling. Therefore, a new model has been proposed for future study.

FIGURE 3
PROPOSED MODEL FOR FURTHER STUDY



The current study investigated the construct validity of the Employee Engagement Survey Questionnaire within the South African context. The study was found to be a good fit for the hypothesised model and confirmed the five-factor model in terms of the underlying dimensionality of the instrument. The findings thus suggest that the Employee Engagement Survey Questionnaire could be used effectively within the South African retail context.

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