ENDORSING EMPLOYEE ENGAGEMENT THROUGH HUMAN CAPITAL APPROACH. AN EMPIRICAL RESEARCH

Hary Febriansyah, University of Innsbruck, Austria
Hary.Febriansyah@uibk.ac.at

ABSTRACT

Giving a special treatment for employees in order to develop competences and engagement are still significant problem in human resources management in the developing countries. To counter those problems, researchers and practices have been implementing human capital and employee engagement approach. This paper elaborates the employee engagement factors. We share 1274 questionnaires as primary data in which respondents are management and operational staffs. Moreover, we use quantitative method in factor analysis, to analyze all the information. The findings are employee engagement can be endorsed by current career intention, equal opportunity and fair treatment, and communication. We are using human capital approach to analyze the findings. Further from this research, we offer a platform to develop strategies in employee engagement.

Keywords: Human capital, employee engagement, current career intention, equal opportunity and fair treatment, and communication

INTRODUCTION

Today, society and business are witnessing unprecedented change in an increasingly global market place; with many companies competing for talent people who are have high performance and high competence in workplace (Berger & Berger 2004). Almost organizations in the world are moving forward into a boundaryless environment, the ability to attract, engage, develop and retain talent will become increasingly important. A boundaryless environment in organizations are referring to free movement of ideas, information, decisions, talent, rewards, and action (Ashkenas et al., 1995). In the new economy, competition is global, capital is abundant, ideas are developed quickly and cheaply, and people are willing to change jobs often (Fishman 1998). The company who cannot provide a good treatment for their employees, will lost their talented people. Employee engagement is becoming a popular term among human resource management and development consultants, internal communications practitioners, and business conference presenters and has gained considerable popularity in the past 20 years yet it remains inconsistently defined and
conceptualized. The term *employee engagement* is seemingly as attractive for organizations as it is for the professional societies and consulting groups who promote it. The outcomes of employee engagement are advocated to be exactly what most organizations are seeking: employees who are more productive in which they can work over the target within working time, profitable in which they spend the financial usage of company efficiently, safer, healthier, less likely to turnover, less likely to be absent, and more willing to engage in discretionary efforts (Buchanan 2004; Fleming&Asplund 2007; Wagner&Harter 2006). Furthermore, claims have been made that engaged employees average higher customer satisfaction ratings and generate increased revenue (Vance 2006; Wagner&Harter 2006). Recent evidence even suggests a direct employee engagement–profit linkage (Ketter 2008). It is not surprising that corporate executives are consistently ranking the development of an engaged workforce as an organizational priority (Ketter 2008). Engaged employees have high levels of energy, are enthusiastic about their work, and they are often fully immersed in their job so that time flies (Macey&Schneider 2008; May et al 2004). In this study, we are trying to elaborate the important factors in term of employee engagement. After exploring the factors, we would like to give a special treatment for increasing their engagement through human capital management and also developing the competencies of employees.

**RESEARCH STUDIES OF EMPLOYEE ENGAGEMENT**

The first term of employee engagement stated by Kahn (1990) in his article “Psychological conditions of personal engagement and disengagement at work”. (Kahn 1990, 700) defined personal engagement as “the simultaneous employment and expression of a person’s ‘preferred self’ in task behaviors that promote connections to work and to others, personal presence, and active full role performances”. Day by day and year by year, many researchers and practitioners have been interested in to explore more deeper about employee engagement in an organization. And the latest knowledge about employee engagement, (Mone&London 2010, 4) state in their book that engagement as a “construct”. They define employee engagement is “a condition of employee who feels involved, committed, passionate, and empowered and demonstrates those feelings in work behavior”. Another term of engagement is an individual’s sense of purpose and focused energy, evident to others in the display of personal initiative, adaptability, effort, and persistence directed toward organizational goals (Macey et.al 2009). Research has shown that the concept of work engagement can be reliably measured (Schaufeli et al 2007), and that it can be discriminated from related concepts like workaholism (Schaufeli et al 2004), job involvement, and
organizational commitment (Hallberg & Schaufeli 2006). Importantly, recent studies have indicated that engagement related positively to customer satisfaction (Salanova et al. 2005), in-role performance (Schaufeli et al. 2008), and financial returns (Xanthopoulou et al. 2008). On the other hand, HR practitioners believe that the engagement challenge has a lot to do with how employee feels about the about work experience and how he or she is treated in the organization (Vazirani 2007). Many employees feel that their working experiences are not recognized by company fairly. Moreover they will really disappointed when the company treats them discriminantly in equality of growth, training and development and performance appraisal. It has a lot to do with emotions which are fundamentally related to drive bottom line success in a company. There will always be people who never give their best efforts no matter how hard HR and line managers try to engage them. “But for the most part employees want to commit to companies because doing so satisfies a powerful and a basic need in connect with and contribute to something significant”. Benthal (2007) in DDI report said that engagement is “to give it their all” and as “the extent to which people enjoy and believe in that they do and feel valued for doing it”. DDI concludes that employee engagement constructed by individual value, focused work, and interpersonal support. DDI’s research concludes that engagement comprises individual value, focused work, and interpersonal support. Each of these three components has subcomponents that further define the meaning of engagement:

- **Individual Value** — Employees feel more engaged when they are able to make a unique contribution, experience empowerment, and have opportunities for personal growth.
- **Focused Work** — Employees feel more engaged when they have clear direction, performance accountability, and an efficient work environment.
- **Interpersonal Support** — Employees feel more engaged when they work in a safe, cooperative environment. “Safe,” in this context, means that employees trust one another and are able to quickly resolve conflicts when they arise.

**RESEARCH STUDIES OF HUMAN CAPITAL MANAGEMENT**

Theodore Schultz, the winner of Nobel Prize for economics in 1979, originated the term of human capital: “Consider all human abilities to be either innate or acquired. Every person is born with a particular set of genes, which determines his innate ability. Attribute of acquired population quality, which are valuable and can be augmented by appropriate investment, will be treaded as human capital” (Fitz-enz 2000, 12 in Bruehlman 2005, 11). Human capital is potentially influenced by the organized infrastructure and physical attributes of the
organization in which it resides. Human capital can be different things to different people and companies (Bruehlman 2005, 11). Salomon (1991) uses human capital to refer to the skills, knowledge, and abilities of human beings. Human capital theory states that “human capital is the knowledge and skills (physical and intellectual) that an individual possesses that make that individual productive workers” (Besanko et al 1996, 641). More and more organizations are announcing plans to manage their intellectual capital strategically and see the cultivation and investments in human capital as an opportunity to increase their market position (Bontis 1996). It is necessary to note here that the management of human capital is distinctive from managing physical assets and that an entirely different skill set is required. In organization area, the expression of human capital management is defined as “an approach to people management that threats it as a high-level strategic issue and seeks systematically to analyse, test and evaluate how people policies and practices create value” (Stiles & Kulvisaechana 2003, 3). Human capital management has attracted an increasing interest over the last ten years, and taken seriously more higher than conventional human resources management level (Whitaker & Wilson, 2007). According to Ward (2009), one of generation in human capital management (HCM) concerned to system integration in business needs through recruiting, learning, performance, and succession planning.

**RESEARCH METHOD**

Measurement of employee engagement can have many applications within an organization. Employee feel engaged when they find personal meaning, high motivation in their work, receive positive interpersonal support and operate in an efficient work environment (Bernthal 2007). The company in this research is one of Indonesia mining company. We choose it because this company was willing to be a pioneer of employee engagement research in cooperation between academician and practical. This company has more than 2400 employees and its has several branches in all of Indonesia based on type of natural resources. This country, Indonesia, is very huge in coverage area and number of people, has more than 250 cultures, languages and characteristics. And Indonesia is still have a problem in human capital development and lack of research on employee engagement. We argue that our result that could be a representative from all of parts in this company and nation. We believe in that our result could give a positive contribution on employee engagement in academics and practices area. The population of this research is all of employee, based on simple random sampling. This method was used to make an equal opportunity for all employee in measurement (Hair 2007). In order to obtain the data, we deliver 1274 questionnaires for management and
operational staffs from September 2009 – February 2010 in all of branches Indonesia. We develop the questionairres following by dimensions of individual value, interpersonal support and focused work (Bernthal 2007). The attitude measurement is useful for collecting, measuring, and analyzing employee opinions. All statements are scored on six-point scale ranging from one (strongly disagree) to six (strongly agree).

**Tabel 1. Blue print of employee engagement measurement (Bernthal 2007)**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Definition</th>
<th>Sub Dimensions</th>
<th>Indicators</th>
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</table>
| Individual Value (34 items) | Able to make a unique contribution, experience empowerment, and have opportunities for personal growth | 1. Personal meaning  
2. Motivation in their Work | • Feeling valued and involved  
• Pay and benefits  
• Training, development, and career  
• Current career intention  
• Equal opportunities and fair treatment |
| Interpersonal Support (14 items) | Work in a safe, cooperative environment | 1. Trust one another  
2. Able to quickly resolve conflicts when they arise | • Co-operation  
• Colleagues  
• Family friendliness |
| Focused work (14 items) | They have clear direction, performance accountability, and efficient work environment | 1. Understand where to focus their efforts  
2. Receive feedback to ensure that they are on track and being held accountable for their progress (they need to know that low performance is not acceptable and there are consequences for poor performance)  
3. Work in efficient environment (efficient in time, resources, and budget) | • Communication  
• Immediate management  
• Performance & appraisal  
• High involvement  
• Organizational commitment |

**RESEARCH FINDINGS AND ANALYSIS**

As main data, we shared 1274 questionnaires. Nevertheless, the valid data and could be continued were 799 data. The percentage of response from respondents is more than 70 percent. This number is excellent and unconditionally accepted in this research. Analyzing the data, we are implementing reliability test for all point in questionnaires. Reliability test refers to the consistency of a measure (Hair 2007). It shows with “Alpha Cronbach Value”. The value is 0.987. This number is extremely high and shows that questionnaire is reliable. Checking unclear or bias statements by validity test and using factor analysis to construct group based on latent variables. Factor analysis is used mostly for data reduction purpose is to get a small set of variables (preferably uncorrelated) from large set of variables (most of which are correlated to each other) (Reyna 2010). The below table displays the result number
of factor analysis that effect to respondent's perspective. In the index column, general employee in every unit want to send their belief that they can be engaged by company with these factors. The number in the highest index shows that these factors are more powerful than the number in the lowest index.

<table>
<thead>
<tr>
<th>UNIT</th>
<th>HIGHEST INDEX</th>
<th>LOWEST INDEX</th>
</tr>
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<tbody>
<tr>
<td>Nickel</td>
<td>Current Career Intention (2.43)</td>
<td>Feeling valued &amp; involved (1.30)</td>
</tr>
<tr>
<td>Baucsite</td>
<td>Current Career Intention (2.84)</td>
<td>Feeling valued &amp; involved (1.28)</td>
</tr>
<tr>
<td>Gold</td>
<td>Current Career Intention (2.42)</td>
<td>Feeling valued &amp; involved (1.31)</td>
</tr>
<tr>
<td>Geomin</td>
<td>Current Career Intention (3.92)</td>
<td>Equal Opportunities &amp; Fair Treatment (1.23)</td>
</tr>
<tr>
<td>Logam Mulia</td>
<td>Communication (2.55)</td>
<td>Feeling valued &amp; involved (1.28)</td>
</tr>
<tr>
<td>Main Office</td>
<td>Equal Opportunities &amp; Fair Treatment (4.92)</td>
<td>Immediate Management (1.51)</td>
</tr>
<tr>
<td>Cilacap</td>
<td>Current Career Intention (2.15)</td>
<td>Training, development, career (1.00)</td>
</tr>
</tbody>
</table>

From the table above, we are concerning to current career intention, equal opportunity and fair treatment and the communication. The respondents are trying to deliver their opinion that they can be engaged if company aware and willing to consider the variables. Current career intention in that term, we code as an employee development. It is similar to the process of develop employee skill, knowledge and experience. Avoid to monotone job description by giving job rotation to other capacity as long as not too far from their skill. Organizations invest in their employees on organization-specific skills and knowledge to improve performance for the benefit of future productivity enhancement (Dobbs et.al 2008). To retain potential and talent employees, equal opportunity and fair treatment are extremely serious and need to pay particular attention from company. Company has to make a transparent way in promotion and career path for all employee without gap or discriminant between gender and culture issue. Performance management can be used as a measurement tool in fair treatment. Without performance and recognition direction, “employees will be loss as to the nature and level of work effort required”, (John Shields 2010, 23.). Last but not least, clear, consistent and honest communication is a serious issue from management for employee engagement (Lockwood 2007). Lack of communication or poorly communicated information can lead to distrust, dissatisfaction, and unwanted turnover.

**RESEARCH CONCLUSION**

It is believed that most engaged employees perceive themselves to be more competitive than dis-engaged counterparts (Gebauer & Cherkas 2006). For those employees that are retained within the company, providing training and development, career mentors, and opportunities
for advancement are not only a short-term reward but an necessary long-term investment. Help these “survivors” to take that possibility can emerge from the ashes (Griffin & Clarke 2009). Employees stay with their organizations when they believe it is in their self-interest, but they exert discretionary effort when they believe in the value of their job, their team, or their organization (Morgan 2004). To implement strategic decisions, organizations need to know not only who is running the fastest and who is running the slowest but also what separates them and why. This is not to say that looking at employee engagement at the organizational level is unnecessary; certainly, it can give the current temperature reading of an entire organization (Shuck & Wollard 2009). However, it is in the level of the individual business unit and the individual employee where the most insight can be gleaned for the HRD practitioner. Engagement is a personal decision chosen by the employee for his or her own reasons (Harter et al. 2002; Wagner & Harter 2006); those reasons need to be better understood from the perspective of individual, unit, and team.

Implications for theoretical
This paper has uncovered new knowledge by simultaneously exploring early and contemporary conceptualizations of engagement theory. This survey has revealed new insights regarding the overlapping, often-disjointed approach practitioners and scholars have, often separately, taken to studying and conceptualizing the employee engagement theory. According to the literature, employee engagement has often been looked at from the organizational level (Maslach et al. 2001); however, it is clear that employee engagement is an individual-level construct. The method of looking at engagement levels across an organization distorts the nature of the concept. Although disjointed, the literature brought forth critical perspectives to consider, indicative of each author’s unique frame of reference. This historical review gives a solid foundation to a concept that has the potential to influence HRD ideas for the foreseeable future. Finally, from this study could give a new colour in the employee engagement research in developing country area.

Implications for practical
Employee engagement is a growing force in the practitioner community (Ketter 2008). It will assist HRD professionals in the future by gleaning new insights into the theoretical constructs surrounding employee engagement, and building on a diverse and growing literature base. This method is similar to averaging the rate of speed in a sprinting race and reporting the idea that everyone in the race ran at the same pace; it does not take into account the individuals
who are running, their differences, and the individual variables that affect their process or outcomes. Little can be learned about the best runner or the runner who placed last through an analysis of average speed. In order to improve the employee engagement level, management should prevent some root problems which cause the employee to leave the organization. Management should take real action to increase employee’s satisfaction so that these perceived alternatives for job do not force the employee to leave. Management should also improve the performance management based on fairness and equality for all employees so that the implication of procedural and distributive justice makes employees satisfied with the performance evaluation system. Management should take some serious steps to ensure that employee’s work-life balance is not disturbed and after doing the daily work at job, employees are left with sufficient time for their personal life. Management should really consider to employee career path and future. If management takes these considerations into account, high rate of employee engagement can be increased to a very satisfy level.

REFERENCES


