

EFFECT OF EMPLOYEE ENGAGEMENT OVER PERFORMANCE OF SMALL-SCALE INDUSTRIES A QUANTITATIVE APPROACH

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Abstract

The backbone of India's economy is its small and medium-sized enterprises (SMEs), which encounter numerous obstacles on the road to long-term viability. There may be several factors as to why small-scale industries fail due to lack of insufficient capital, competition, technology, human resources, natural disasters, and globalization. If small firms want to stay in business and compete, they need to focus on improving employee performance by making them more invested in their work and hence more productive. There is a dearth of data from small-scale enterprises that explains the features of performance management systems that engage workers. However, it is unclear that how small-scale industries will fare in the long run. Management of small-scale industries' overall performance and employee engagement were two separate concepts that this study aimed to merge. Similar to how neither concept is often thought of in conjunction with the other, researchers and practitioners are presently interested in both. The purpose of this research was to determine how significant the two concepts are for small scale industries. The basis of this study was a correlational analysis. Data was collected and analysed from 413 small-scale industry employees in the cities of Western Uttar Pradesh through survey research. In general, the study's results imply that small industries with performance management integrated into their business processes see higher levels of employee engagement. The results indicated that small business productivity and organizational success are aided by overall performance management and overall staff engagement.\

Keywords : Employee Engagement, Performance, Small-Scale Industries, Quantitative, Fishbone analysis

1.Introduction

Employee are the backbone of any company and as their major part of the day is spend in the organisation, this led to the rise of importance of HRM department which has to measure their performance. In order to measure employee's performance, the employers have to apply several methods of engaging them such as communication, reward and recognition (Ababneh, 2021), in such activities which can have positive effect over the financial health of the organisation. Employee engagement can be studied as willingness of employees to stay with the organisation and the factors effecting employees (Sun & Bunchapattanasakda, 2019). Individual factors has direct relationship with total output of the organisation (Andrew & Sofian, 2012), in the research done in the technological sector by (Ye et al., 2024) concluded that at the digitally transformation work environment businesses and employees must be ready to transform and adopt to new knowledge skills set,(Heman et al., 2024) explored the relationship between the working conditions, leadership and internal communication.

1.1 Small Scale Industries

Small-scale industries had been playing a crucial role in the Indian economic sector as a major employment provider of skills as well as unskilled labour. These industries helps on poverty alleviation of lower income group population, better utilization of natural resources, providing

recognition to the local handicrafts, utilization and safeguarding of domestic technology (*Significance and Role of Small Scale Industries – Entrepreneurship Development & Project Management*, n.d.). The small-sector industries has characteristics of small management, personal touch between management and employees which help them in easily and fast conflict resolution. Small-scale industries are defined as per (GOI, 2020) any manufacturing unit or service provider which has an investment in machinery and plant or equipment less than Rs.10 crore and Annual Turnover of not more than Rs. 50 crores.

2 Theoretical Framework : Factors Effecting Employee engagement

2.1 Communication

Every organisation strives to earn its place in this throat cut competitive world where the employees churning ratio is increasing day by day (Economic Times, 2023). Communication plays a mediating role in the employee engagement in organisation studied by (Arif et al., 2023) confirmed that internal communication plays a positive role over employee engagement. The importance of communication was emphasised by (Santoso et al., 2023) during crisis times of Covid-19.

2.2 Reward and Recognition

Employees put there extra efforts when they are recognised at their workplace and timely given rewards for their contribution as (Sadilla & Wahyuningtyas, 2023), rewards could be both monetary or non-monetary benefits. While recognising employees in the organisational set up boost their morale, in front of their colleagues also it fills a sense of worthiness among the employee which is substantial.

2.3 Career Development Opportunities

The importance of opportunities available at workplace gives employees a reason to work towards the organisational goals. As study conducted (Wickramaratne, 2021) & (Jha, 2020) and by shows that employees find themselves more committed and satisfied in such organisation where policymakers give it importance and the employee retention rate is also higher in such organisations (Sovannara et al., 2023). Post pandemic studies (Singh, 2022) revealed the importance continuous training at each level when, organisation lost their highly experienced employees during covid pandemic.

2.4 Work-Life Balance

In the present working culture where job demands, long duration of office hours, increased travel time due to high traffic (Greenhaus & Powell, 2006) studied that work and family both are on the same boat and they should row in the same direction. It is very important to show concern towards the inter linkage of the employee engagement and work life (Greenhaus & Powell, 2006) because both of them ultimately leads to employee satisfaction which results into revenue generation for the organisation. Individuals' life is (Iqbal et al., 2017) divided into two prolonged parts after he transforms into adult such life at job and life at home and it is imperative for him to maintain a work life balance for him and also for the organisation.

2.5 Leadership and Management

Leadership lays down the foundation of the organisation over which management tries to build its organisation. These two should be in synchronisation, a leader who can motivate his subordinate towards the organisations' goal and mission, along with achievement of employees personal goals such as timely rewards, recognitions becomes an effective leader. (Gary, 2009) emphasised that different leadership styles have different impact on employee work and behaviour at work place which may be direct or indirect. Management should try to understand which type of leadership will

work in different situations and in different types of organisations as per the need of market and competition.

2.6 Involvement and Participation

The opportunity of being getting involved and participate in the day to day setting has an impact on the employee engagement (Thavakumar & Evangeline, 2016) this concept helps organisations to retain their valued employees. The organisation should try to overcome the problem of lack of participation from the workforce in assembly line productions and also in the service industry as it is imperative for the business. A non-participating employee who does not gets involved may result into a non performing asset and his productivity also gets decreased.

2.7 Fishbone Analysis and Employee Engagement

The fishbone analysis (Kadapa Dist, 2023) been instrumental to un earth the discerning components which play key role in employee engagement and their overall performance by encompassing factors which are the cause and have effect upon them while performing their organisational duties.

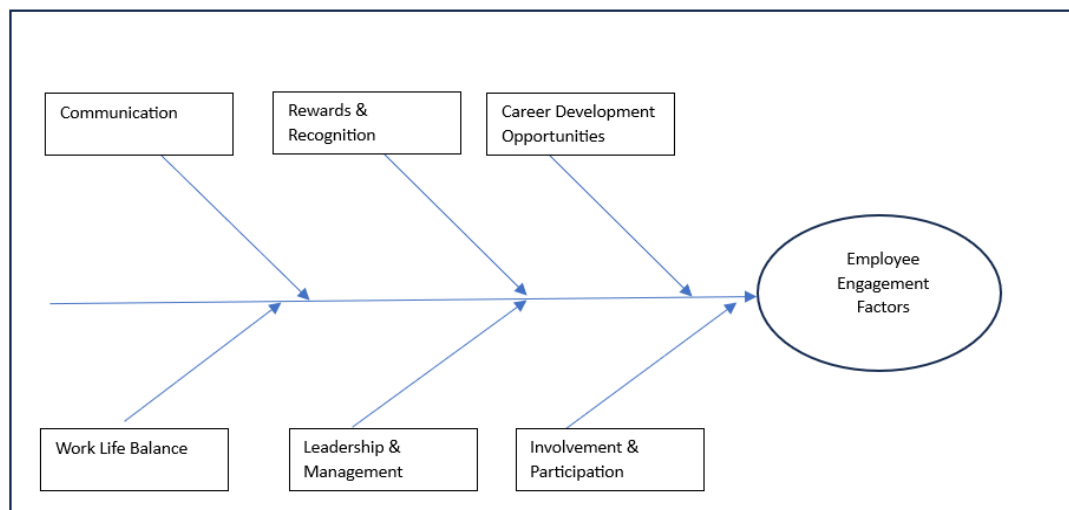


Figure 1. Conceptual framework

3. Methodology

The study aims to explore the impact of employee engagement over the performance of employees in small scale industries. Employee's role is most significant in such organisations as they are mostly dependent upon labour force for their complete process of production and sales.

The study is based upon the exploring the relationship between factors of employee engagement and performance of organisation.

3.1 Research Design

The study is based upon quantitative approach which utilises employee engagement and factors of employee engagement as independent variables (IV) and overall organisational performance as dependent variables (DV).

3.2 Data Collection method

The primary data was collected with help of self-structured questionnaire comprising of demographic information, factors affecting employee engagement which were Communication, Recognition and rewards, Career Development Opportunities, Work-Life Balance, Leadership and Management Involvement and Participation.

3.3 Sampling Method

The research is conducted by utilising stratified random sampling for ensuring representations from all the different small-scale industries approached for testing hypothesis.

3.4 Sample population and size

The researchers targeted small scale industries located at different cities of Western Uttar Pradesh namely Saharanpur, Agra, Hapur and Meerut, which was comprised of fabrication, footwear, bakery, pickle, plastics, handicrafts and restaurants. The target was to collect data from a group of 500 but due to the incomplete survey forms the final sample size was reduced to 413.

3.5 Reliability of the tool

The overall reliability of the self-designed questionnaire which was developed by the researchers was done using the Cronbach alpha (α) and it was found to be 0.98. However for the reliability for Employee engagement factors was for Communication (.776), Rewards & Recognition (0.786) career development opportunities (0.984), Work life balance (0.915), Leadership & Management (0.99), Involvement & Participation (0.87). The Cronbach alpha result shows that good reliability has been achieved as according to (Iqbal et al., 2017) Cronbach alpha's reliability of coefficient ranges between 0-1 but the more it is closer towards 1 the more it shows stronger reliability.

Table 1 Reliability Test

Factors	Items	Cron Bach Alpha α	Overall Engagement Cronbach Alpha α	Employee Factors
Communication	Com1	0.776	0.98	
	Com2			
	Com3			
	Com4			
	Com5			
Reward & Recognition	Recognition1	0.786		
	Recognition2			
	Recognition3			
	Recognition4			
Career Development Opportunities	CDO1	0.984		
	CDO2			
	CDO3			
	CDO4			
Work Life Balance	WLB1	0.915		
	WLB2			
	WLB3			
	WLB4			
Leadership & Management	LM1	0.99		
	LM2			
	LM3			
	LM4			
	IP1	0.877		
	IP2			

Involvement & Participation	IP3		
	IP4		
Performance Indicators	PI1	0.854	
	PI2		
	PI3		

3.6 Statistical Method and analysis

The hypothesis of the study was tested with the help of the correlation and regression analysis for finding out the relationship and impact of the employee engagement factors and performance of small-scale industries.

The questionnaire was divided into two sections, where section A was comprised of demographic variables like industry type, employee's role and company's size as per the number of employees working in it and experience of employees. The section B was comprised of factors of employee engagement and performance indicators.

4. Results & Discussion

Table 2 Demography Matrix

Characteristics		No. of Units	No of employees (N)	%
Type of Small-Scale industries	Fabrication	7	65	15.7
	Footwear	7	65	15.7
	Handicraft	8	49	11.9
	Restaurants	8	61	14.8
	Plastics	6	59	14.3
	Pickels	7	59	14.3
	Bakery	7	55	13.3
	Total	50	413	100.0
Company Size (no. of employees)	Less than 10 employees		298	72.2
	11-50 employees		115	27.8
	Total		413	100.0
Designation	Shoe Designers		3	.7
	Sewers/Stitchers		12	2.9
	Cutters		5	1.2
	Quality Control Inspectors		28	6.8
	Production Managers		31	7.5
	Sales Associates		81	19.6
	Artisans		8	1.9
	Craft Designers		8	1.9
	Packagers		53	12.8
	Chefs/Cooks		10	2.4
	Waitstaff/Servers		12	2.9
	Bartenders		5	1.2
	Host		5	1.2

Kitchen Staff	13	3.1
Restaurant Managers	16	3.9
Machine Operators	16	3.9
Maintenance Technicians	5	1.2
Mold Designers	8	1.9
Food Technologists	13	3.1
Flavour Technicians	8	1.9
Bakers	12	2.9
Pastry Chefs	6	1.5
Welders	10	2.4
Machine Operators	12	2.9
Fabrication Technicians	14	3.4
Assemblers	19	4.6
Total	413	100.0

Table 2 shows that the data was collected from the seven different types of industries comprising of Fabrication and Footwear 65 (15.7%) for both, Plastic manufacturing units and Pickles also both 59 (14.3%), Restaurants 61(14.8%) Bakery 55 (13.3%) and Handicraft industries 49 (11.9 %). The company size was divided into 298 (72.2%) which had employees less than 10 and 115 (27.8%) which had employees ranging between 11-50 employees.

The responses were collected from 7 units of Fabrication, Footwear, Pickels and Bakry each while 8 units of Handicraft and Restaurants and for Plastics manufacturing it was from 6 units. The respondents ranged from a different roles as such majority of the respondents , were from quality control inspectors, packagers, production managers total 193 (46.73%) this is due to the availability of these roles across all the small scale industry.

4.1 Hypothesis Testing

H₁ There is a significant impact of employee engagement upon employee's individual performance in small-scale industries

The analysis reveals that employee engagement has a significant impact upon individual employee's performance in small- scale industries ($R=0.824$, $t=29.512$, $R^2 = .674$ when $p < .000$). Therefore, the data confirms the hypothesis that employee engagement is having 67.4% impact on individual employee's performance in small-scale industries thus the hypothesis is accepted.

H₂ There is a significant relationship between employee engagement and team's performance in small-scale industries.

The analysis reveals that employee engagement has a significant impact upon team's performance in small- scale industries ($R=0.773$, $t=24.681$, $R^2 = .597$ when $p < .000$). Therefore, the data confirms the hypothesis that employee engagement is having 59.7 % impact on individual employee's performance in small-scale industries, thus the hypothesis is accepted.

H₃ There is a significant relationship between employee engagement and overall organizational performance in small-scale industries.

The analysis reveals that employee engagement has a significant impact upon overall employee's performance in small- scale industries ($R=0.851$, $t=32.787$, $R^2 = .723$ when $p < .000$). Therefore, the data confirms the hypothesis that overall employee engagement is having 72.3% impact on 1 employee's performance in small-scale industries hence the hypothesis is accepted.

Table 3 Hypotheses

	t	p value	R	R ²
Individual \longrightarrow Performance Employee engagement factors	29.512	.000	.824	.674
Team \longrightarrow Performance Employee engagement factors	24.681	.000	.773	.597
Overall \longrightarrow Performance Employee engagement factors	32.787	.000	.851	.723

H₄ : Among the factors of employee engagement, Work Life balance have the most significant impact on organizational performance in small-scale industries

H₄ proposed that among several factors affecting employee engagement (EE), recognition and reward have the most significant impact on organisational performance. The model summary result revealed that there is strong positive association between EE factors such as Communication, Rewards and Recognition, Career development opportunities, Work life balance, Leadership and Management, Involvement and Participation and organisational performance when ($R=.846$, R Square= .746 $SE = .828$). The Anova test revealed that there is a association between employee engagement factors and overall performance ($df=6$, $MS=117.003$, $F=170.525$, $p < .000$)

Table 4 ANOVA

	df	Mean Square	F	Sig.
Regression	6	117.003	170.525	.000

Table 5. Employee engagement factors

Coefficients				
Employee engagement factors		β	t	p value
	Communication	.288	8.242	.000
	Rewards and recognition	.121	1.135	.257
	Career development opportunity	-.799	-3.793	.000
	Work life balance	.762	3.452	.001
	Leadership and management	.275	3.065	.002
	Involvement and participation	.423	5.359	.000

The standardized coefficient β discloses the results about the factors which are associated with the overall performance of the employees in small scale industries (SSIs). The results revealed that out of six factors Communication, Leadership & Management has moderate positive impact ($\beta=0.288$, $t=8.242$ when $p < .000$), ($\beta=0.275$, $t=3.065$ when $p < .002$), Work Life Balance has more strong positive impact with ($\beta=0.762$, $t=3.452$ when $p < .001$) as compare to Involvement and Participation factor with ($\beta=0.423$, $t=5.359$ when $p < .000$), whereas Career Development opportunities has negative influence with ($\beta= -0.79$, $t=-3.793$ when $p < .000$), the results revealed that Rewards and recognition has least influence over performance with ($\beta=0.121$, $t=1.135$ when $p < .000$). It can be summarised that out of the six factors of employee engagement Work Life Balance has the most significant and positive impact on organizational performance in small-scale industries because in such units number of employees are small as compare to large units which creates a bond among

them, the advantage of flexible working hours, and lastly evenly distributed work load, all this led to have an impact over employees' performance. Therefore, the hypothesis is accepted.

5. Discussion and research implication

5.1 Discussion

The researcher investigated about the relationship between employee engagement factors and employee's performance in small scale industries, because in such industries generally the business is labour oriented where majority of the production related activities are labour oriented. In comparison with large scale industries which are highly dependent upon technology. The results confirms that employee engagement factors are directly related with individual employee's performance in small scale industries. The findings of the study also parallely finds support from (Kurniawati & Raharja, 2023) who confirmed that employee performance is the fruit of his achievement at workplace. The results shows that employee engagement factors and team performance in small scale industries has strong correlation with each other. It is very important for the successful operation of the organisation such as fabrication, footwear, bakery etc can only meet their goals when the team performs together. The results of the study also finds support from the previous study conducted by (Uddin et al., 2019) where individual employee engagement is relevant for team performance.

The present study shows that employee engagement factors has impact upon overall employee performance in small scale industries, as the employee are the backbone of the pickle and plastics manufacturing units, restaurants if they are not satisfied then they tend to leave the organisation which is also studied by the (Sugandha, 2022) in which role of job embeddedness and engagement was examined it was reported that they play a crucial role.

The study revealed that Work Life Balance factor has the most significant positive impact over organisational performance of small-scale industries. In the study conducted by (Dinh, 2020), where mediation of employee engagement and work life balance (Aritonang et al., 2022) emphasised the relationship of employee engagement and work life balance.

5.2 Research implications

The study results have practical and theoretical affirmation. The findings of the study are in alignment with the conceptual framework which has relationship and association between employee engagement factors and small-scale employees' performance. There have been several studies which has been conducted across the globe and in different types of organisations like educational institutions, large scale industries but it was very scarce in the small-scale industries sector. The paper revealed that in small- sector industries work life balance is the major factor which has significant impact over employee's performance this could be due to the positive organisational support from the unit as the number of employees are limited in such organisations therefore employee get personal touch from the management, flexible working hours etc. By utilising and analysing the conceptual framework in developing and under developed countries the employee's performance can be explored in different setting which will help them to resolve various issues such as fatigue, boredom, high churning rate of employees etc.

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