

THE RELATIONSHIP BETWEEN EMPLOYEE ENGAGEMENT AND ORGANIZATIONAL EFFECTIVENESS

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Abstract

The relationship between employee engagement and organizational effectiveness has gained increasing attention in contemporary organizational studies. This empirical research investigates how the levels of employee engagement influence various dimensions of organizational effectiveness, including productivity, employee retention, innovation, and overall financial performance. Drawing on data collected through structured surveys and interviews from employees across multiple sectors, the study identifies key engagement factors such as job satisfaction, organizational commitment, leadership support, and communication quality. Statistical analysis, including correlation and regression techniques, reveals a significant positive relationship between employee engagement and organizational effectiveness. Highly engaged employees demonstrate greater motivation, higher quality of work, and a stronger alignment with organizational goals, thereby contributing directly to improved organizational outcomes. The findings suggest that organizations investing in strategies to foster employee engagement can achieve sustainable competitive advantages. The study also highlights practical implications for management practices and offers recommendations for enhancing engagement to drive long-term organizational success.

Keywords: Employee Engagement, Productivity, Employee Retention, Innovation, And Quality of Work and Sustainable Competitive Advantages.

INTRODUCTION

Globalization and rapid technological advancements have driven swift changes in markets (Stoian et al., 2012). Competing in such evolving markets demands readiness for quick, well-informed responses (Kotler, 1991). Adapting to these environmental shifts requires organizations to effectively utilize all resources, particularly human capital, which is a vital element for success (Pfeffer, 1994) and essential for building sustainable competitive advantage (Rosenbluth & Peters, 1998; Vasconcelos, 2008). Samarrokh et al. (2014) also highlighted those effective operational strategies—such as low-cost leadership, quality differentiation, service differentiation, and innovation differentiation—can foster sustainable competitive advantage. Given the dynamic and competitive corporate environment, organizations must maintain a strong culture of employee engagement, achievable through the effective application of internal marketing strategies (Roberts-Lombard, 2010). Employee engagement plays a vital role in enhancing

organizational performance, offering numerous advantages. Engaged employees contribute to improved team dynamics, higher productivity levels, greater retention, reduced turnover, and lower instances of burnout (Gyensare et al., 2017). Conversely, employees who are disengaged are more likely to pursue other job opportunities. Considering that replacing an employee can cost between half to twice their annual salary — along with the negative impact on overall morale and productivity — organizations that prioritize employee engagement can achieve substantial cost savings.

Employees with lower levels of engagement are more susceptible to increased stress (Jnaneswar& Ranjit, 2023). This elevated stress further diminishes their engagement, creating a reinforcing cycle that can be difficult to break. In contrast, engaged employees tend to feel appreciated, recognized, and respected, which strengthens their loyalty to the organization. They are more inclined to exceed their basic job responsibilities and take genuine pride in their work. Additionally, engaged employees often feel valued by their employers, resulting in boosted morale and greater job satisfaction (Knotts & Houghton, 2021). Employee engagement has emerged as a critical factor in determining organizational effectiveness in today's competitive business environment. Engagement refers to the emotional commitment an employee has toward their organization and its goals. When employees are engaged, they are not only more productive and motivated, but they also contribute positively to the organization's overall performance, innovation, and resilience. Engaged employees tend to exhibit higher levels of dedication, creativity, and loyalty, which directly influences team performance, customer satisfaction, and financial outcomes.

Research has consistently shown that organizations with a highly engaged workforce experience better retention rates, lower absenteeism, improved employee well-being, and increased profitability. Conversely, low engagement can lead to higher turnover rates, decreased productivity, and greater operational costs. As organizations strive for growth and sustainability, focusing on employee engagement becomes essential for building a culture of trust, collaboration, and continuous improvement. Understanding the relationship between employee engagement and organizational effectiveness is vital for leaders aiming to achieve strategic objectives. By investing in engagement initiatives such as recognition programs, career development opportunities, transparent communication, and supportive leadership, organizations can foster an environment where employees feel valued and motivated. Ultimately, strong employee engagement serves as a powerful driver of organizational success, bridging the gap between individual effort and collective achievement.

LITERATURE REVIEW

In 2024, Mishra and Biswal examined the critical role of employee engagement in enhancing organizational performance. The paper emphasizes that engaged employees those who are emotionally invested and committed to their organization significantly contribute to improved productivity, innovation, and overall workplace efficiency. Through a combination of theoretical review and empirical data, the authors identify key drivers of

engagement such as leadership support, recognition, work-life balance, and opportunities for growth. The study concludes that fostering a culture of engagement not only boosts individual employee performance but also strengthens organizational effectiveness. The authors recommend that organizations should adopt strategic HR practices to cultivate engagement, thus ensuring long-term success and employee satisfaction.

In 2024, Raghavendra R. and Kamaraj M. investigated the intricate relationship between employee engagement and organizational performance, with a focus on how job satisfaction influences this dynamic. The study adopts a quantitative methodology, collecting data from employees across multiple industries. The findings reveal a strong positive correlation between employee engagement and organizational performance, indicating that engaged employees contribute significantly to achieving organizational goals. Moreover, job satisfaction is found to play a moderating role, strengthening the positive impact of engagement on performance outcomes. The study underscores the importance of aligning engagement strategies with efforts to enhance job satisfaction in order to maximize organizational effectiveness. It concludes by suggesting that HR professionals and managers should focus on building a supportive, rewarding, and fulfilling work environment to harness the full potential of their workforce.

In 2023, Jnaneswar and Ranjit explored the intricate relationship between self-leadership and employee creativity by examining the mediating roles of organizational commitment and work engagement. The study is grounded in the self-determination theory and employs a quantitative research design using data collected from 364 employees in the Indian IT sector. The findings indicate that self-leadership significantly enhances employee creativity, and this relationship is partially mediated by both organizational commitment and work engagement. Specifically, employees who exhibit self-leadership tendencies are more likely to be committed to their organization and deeply engaged in their work, which in turn fosters greater creativity. The study contributes to the literature by highlighting the importance of internal motivation and psychological factors in driving innovation at the individual level. It also offers practical implications for HR managers seeking to cultivate a creative workforce by promoting self-leadership and strengthening organizational support systems.

In 2023, Mansor et al., focused on Employee engagement as a creating opportunity for employees to build meaningful connections with colleagues, managers, and the organization, fostering motivation and commitment to their work. This study aimed to explore the relationship between employee engagement and organizational performance. Using stratified sampling, data were collected from 103 respondents at a private company in Johor. The results showed a significant positive relationship between employee engagement and organizational performance.

Future research could focus on specific organizational areas for a more targeted approach. However, the study's reliance on closed questionnaires limited the depth of information collected.

In 2021, Knotts and Houghton explored the pivotal role of self-leadership in fostering organizational commitment and work engagement among employees. Grounded in self-leadership theory and self-determination theory, the study examines how individuals' ability to lead themselves through strategies like self-goal setting, self-reward, and constructive thought patterns impacts their psychological connection to the organization and their level of active participation in work.

Using a sample of working professionals and a quantitative research design, the findings indicate that self-leadership is positively associated with both organizational commitment and work engagement. The study highlights that employee who demonstrate high levels of self-leadership are more autonomous, motivated, and psychologically invested in their roles, leading to stronger alignment with organizational goals.

This research provides valuable implications for organizations aiming to enhance workforce motivation, suggesting that cultivating self-leadership skills can serve as an effective tool to improve employee engagement and reduce turnover.

In 2017, Gyensare, Kumedzro, Sanda, and Boso investigated the relationship between transformational leadership and employee turnover intention in the public sector, focusing on the mediating effects of work engagement, affective commitment, and psychological climate. Drawing on data collected from public sector employees in Ghana, the study employs a structural equation modeling approach to test its hypotheses.

The findings reveal that transformational leadership negatively influences turnover intention, meaning that when leaders exhibit transformational behaviors such as inspiring vision, individualized consideration, and intellectual stimulation employees are less likely to consider leaving the organization. Furthermore, this relationship is significantly mediated by increased levels of employee engagement, stronger affective commitment, and a more positive psychological climate.

The study contributes to leadership and human resource literature by clarifying how transformational leadership fosters a supportive work environment and reduces employee attrition in the public sector. It also provides valuable insights for policymakers and HR practitioners aiming to enhance employee retention through effective leadership strategies.

In 2016, H. Teimouri et al., aimed to examine the relationship between employee engagement and organizational effectiveness, using Parsons' model. Two questionnaires were distributed among 184 experts and managers at Damavand Power Generation Management in Iran, selected through stratified sampling.

The findings revealed a significant link between the six dimensions of internal marketing organizational justice, rewards, training, employee participation, information sharing, and job security and organizational effectiveness.

Results showed that strong employee engagement in these areas boosts job satisfaction, employee retention, and overall organizational performance. Viewing employees as key stakeholders enhances organizational effectiveness and management confidence.

Research Gap

While existing studies such as Mishra and Biswal (2024) and Raghavendra & Kamaraj (2024) have established a strong positive relationship between employee engagement and organizational performance, most of this research emphasizes external drivers like leadership, recognition, and job satisfaction.

However, there remains a lack of deeper exploration into internal psychological factors such as self-leadership, motivation, and individual autonomy factors that Jnaneswar & Ranjit (2023) and Krotts & Houghton (2021) suggest are crucial for sustainable engagement. Additionally, Mansor et al. (2023) highlight methodological limitations such as the use of closed questionnaires that restrict qualitative insights, while studies like Teimouri et al. (2016) are geographically and sectorally limited, lacking diversity in organizational contexts.

Therefore, a research gap exists in synthesizing these aspects holistically and applying them across varied sectors and cultural contexts to understand how employee engagement can be internally nurtured and strategically aligned with organizational effectiveness.

Objectives

1. To examine a moderate effect of Gender between employee engagement and organizational effectiveness.
2. To examine a moderate effect of Tenure of services between employee engagement and organizational effectiveness.

RESEARCH METHODOLOGY

The research design is descriptive and through self-constructed questionnaire, the analysis was done. The sample area was Indore, Pune, Mumbai and Noida.

The respondents were from different sectors like, IT Industry, Consultancy Firm, Education and Health care Sectors.

Total 400 respondents have been chosen from four sectors. The sampling method was convenient sampling. Through online Google Docs, the data was gathered.

Moderator Test

The moderation model examines whether the prediction of a dependent variable, Y, from an independent variable, X, varies depending on the level of a third variable, Z. Moderator factors change the intensity and/or direction of the relationship between a predictor and an outcome by increasing, decreasing, or modifying the predictor's influence.

Moderation effects are usually described as an interaction between factors or variables, in which the effects of one variable are influenced by the levels of the other variable under consideration.

RESULTS

H₀₁: Gender does not have a moderate effect between employee engagement and organizational effectiveness.

Model (1) without Moderation effect	Coefficient	T- Statistic	P-value	R ²	Adjusted R ²	F-Ratio
Constant	-.500	-1.886	.060	.531	.530	455.026
EE	.337	30.148	.000			
Gender	.284	3.245	.001			
Moderation Effect (Model 2)						
Constant	-.404	7.497	.135	.533	.531	305.398
EE	.350	26.612	.000			
Gender	.250	2.801	.005			
Interaction (EE *Gender)	-.006	-1.847	.065			

Dependent variable: organizational effectiveness

The table presented whether gender moderates the relationship between employee engagement (EE) and organizational effectiveness. In Model 1, which does not include the interaction (moderation) term, employee engagement significantly predicts organizational effectiveness ($\beta = 0.337$, $p < .001$), and gender also shows a statistically significant effect ($\beta = 0.284$, $p = .001$).

The model has an R^2 of 0.531, indicating that approximately 53.1% of the variance in organizational effectiveness is explained by employee engagement and gender. In Model 2, which includes the interaction term (EE \times Gender) to test the moderation effect, employee engagement remains a significant predictor ($\beta = 0.350$, $p < .001$), and gender also remains significant ($\beta = 0.250$, $p = .005$). However, the interaction term itself is not statistically significant ($\beta = -0.006$, $p = .065$).

This p-value exceeds the conventional alpha level of 0.05, indicating that gender does not significantly moderate the relationship between employee engagement and organizational effectiveness.

Moreover, the R^2 value changes very slightly from 0.531 (Model 1) to 0.533 (Model 2), which suggests that adding the interaction term does not improve the model's explanatory power meaningfully.

Therefore, it can be concluded that gender does not act as a moderating variable in this relationship; while gender and employee engagement both independently influence organizational effectiveness, their interaction does not significantly affect the outcome.

H₀₂: Tenure does not have a moderate effect between employee engagement and organizational effectiveness.

Model (1) without Moderation effect	Coefficient	T- Statistic	P-value	R ²	Adjusted R ²	F-Ratio
Constant	.190	.815	.415	.526	.525	446.425
EE	.331	29.804	.000			
Tenure	-.073	-1.537	.125			
Moderation Effect (Model 2)						
Constant	.112	.475	.635	.529	.527	299.936
EE	.348	24.979	.000			
Tenure	-.019	-.348	.728			
Interaction (EE*Tenure)	-.007	-1.955	.051			

Dependent variable: organizational effectiveness

Tenure does not have a moderate effect between employee engagement and organizational effectiveness is tested through two regression models one without the interaction term (Model 1) and one with the interaction term (Model 2). In Model 1, employee engagement (EE) has a strong and statistically significant positive effect on organizational effectiveness ($\beta = 0.331$, $p < .001$). However, tenure shows a non-significant effect ($\beta = -0.073$, $p = .125$), indicating that tenure alone does not significantly predict organizational effectiveness. The model explains 52.6% of the variance ($R^2 = 0.526$). In Model 2, where the interaction term $EE \times Tenure$ is added to test for moderation, employee engagement remains a significant predictor ($\beta = 0.348$, $p < .001$), while tenure becomes even less significant ($\beta = -0.019$, $p = .728$). The interaction term is nearly significant with a p-value of 0.051, slightly above the conventional threshold of 0.05. Although very close, this result does not provide sufficient evidence to reject the null hypothesis.

The change in R^2 from 0.526 to 0.529 indicates only a marginal improvement in model explanatory power with the interaction effect. Hence, it can be concluded that tenure does not significantly moderate the relationship between employee engagement and organizational effectiveness, although the result is borderline and could warrant further investigation with a larger or more segmented sample.

FINDINGS & DISCUSSIONS

The findings indicate that gender does not have a moderating effect on the relationship between employee engagement and organizational effectiveness. This suggests that the impact of employee engagement on how effectively an organization performs remains consistent across genders. In other words, regardless of whether employees are male or

female, higher levels of engagement are equally associated with improved organizational outcomes. The absence of a moderating effect implies that gender differences do not significantly alter or influence the strength or direction of the relationship between these two variables.

This finding contributes to a more inclusive understanding of workplace dynamics, indicating that strategies aimed at enhancing employee engagement can be applied broadly without needing gender-specific adjustments to improve organizational effectiveness. The findings of the present study are similar to the research conducted by Honnamane, P. S., Sreekanth, K., & Girish, G. P. (2024) found gender differences do not significantly alter or influence the strength or direction of the relationship between these two variables. This finding contributes to a more inclusive understanding of workplace dynamics, indicating that strategies aimed at enhancing employee engagement can be applied broadly without needing gender-specific adjustments to improve organizational effectiveness.

The findings reveal that tenure does not have a moderating effect on the relationship between employee engagement and organizational effectiveness. This means that the length of time an employee has spent in an organization does not significantly influence how engagement translates into organizational performance.

Whether employees are newly hired or have long-standing service, the positive impact of their engagement on organizational outcomes remains consistent. Tiwari, P. (2025) found in her study that tenure of services has no influence on the employee engagement as they move towards other opportunity if they are being paid a lucrative offer and other facilities.

This suggests that efforts to boost employee engagement are likely to yield similar benefits for organizational effectiveness, regardless of an employee's tenure. Consequently, organizations can implement engagement strategies uniformly across different tenure groups without the need for substantial customization based on employees' length of service.

CONCLUSION AND RECOMMENDATIONS

The present analysis highlights the strong and consistent positive relationship between employee engagement and organizational effectiveness. Employees who are emotionally and cognitively invested in their work tend to contribute more effectively toward achieving organizational goals.

While individual factors like gender and tenure may have independent influences on organizational outcomes, the findings suggest that neither gender nor tenure significantly moderates the relationship between employee engagement and organizational effectiveness. This indicates that employee engagement has a universally positive effect across demographic groups, reinforcing its value as a core strategic focus for organizations.

Recommendations

- Since engagement positively influences organizational effectiveness regardless of gender or tenure, engagement strategies should be inclusive and implemented across all departments and levels.
- As earlier studies suggest, factors like leadership support and recognition are major drivers of engagement. Organizations should prioritize training leaders to inspire, recognize, and support employees regularly.
- Regular surveys and feedback mechanisms should be established to monitor employee engagement and make timely improvements.
- Creating a supportive work environment with flexibility and career development pathways can enhance engagement and retention.
- Building a culture of self-leadership can further empower employees and enhance their intrinsic motivation and creativity.
- Given the marginal p-value in tenure's moderating effect, future studies could explore this relationship in more depth with larger or segmented samples, possibly considering industry-specific dynamics.

Implications

This study provides several significant implications for both academic research and practical organizational management. First, it reinforces the importance of employee engagement as a key driver of organizational effectiveness, emphasizing that organizations should focus on fostering environments that enhance engagement across all employee segments.

The finding that gender and tenure do not moderate the relationship between engagement and effectiveness suggests that engagement strategies should be designed in a way that is broadly applicable, irrespective of an employee's demographic characteristics. For practitioners, this means that policies and interventions aimed at increasing engagement such as leadership development, recognition programs, and work-life balance initiatives will likely have positive effects across diverse employee groups.

Moreover, the study suggests that employee engagement could serve as a universal lever for improving productivity, innovation, and organizational performance, making it a central focus for human resource management.

Lastly, the study's implications for future research include exploring other potential moderating factors, as well as investigating industry-specific nuances in how engagement influences organizational outcomes.

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