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Employee Engagement

How does the organization increase engagement? – From the
viewpoint of HR representatives in Finland

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Abstract

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| Title: Employee Engagement – How does the organization increase engagement? – From the viewpoint of HR representatives in Finland | |
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| <p>Abstract:</p> <p>Employee engagement is becoming valuable as the success comes from within the organization when transforming into the digital age and the modern world. It is crucial to take into consideration the level of engagement as competitive advantage and value proposition when talking about a successful and efficient organization. The concept of employee engagement is becoming popular around the world nowadays, and Finland is no exception.</p> <p>The thesis concentrates on investigating the current situation of employee engagement in two Finnish medium and large corporations. The thesis aims to explore the factors that are driving or hindering the development of engagement based on the case organizations. By analyzing what is working and the existing difficulties, this thesis attempts to assist the case companies for better understanding and research in the near future.</p> <p>The author decided to employ a qualitative research method with a deductive reasoning approach in the thesis. The data are obtained from a variety of sources, including interviews and reliable academic literature sources.</p> <p>The research is divided into two main parts: the theoretical framework and empirical findings. The theoretical framework includes information about employee engagement, motivation and influence on the organization. The empirical part comprises an analysis of two case companies and a comparison of them as a summary. The outcome of this thesis is meant to help the case companies better understand the situation, the possible driving and hindering factors at the level of engagement. The driving factors of engagement are classified into achievement, recognition for achievement, work itself, responsibilities and growth or advancement. The hindering factors include supervision, interpersonal relationships, working conditions, salary, status, security and personal life.</p> <p>Engagement influences on each part of the organization and an efficient organization can bring out the best for the engagement level. Engagement is beneficial for the organization concerning productivity, employee retention, and increasing customer loyalty.</p> | |
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List of abbreviations

| | |
|-----|--------------------------------------|
| CEO | Chief Executive Officer |
| HR | Human Resources |
| HRD | Human Resources Development |
| IES | Institution for Employment Studies |
| IKM | Information and Knowledge Management |
| IT | Information Technology |
| KM | Knowledge Management |
| SVP | Senior Vice President |

1 Introduction

This chapter introduces the research topic, aims to identify the motivation and reason for conducting this research, research questions, objectives and limitations as well as provides a clear overview of the structure of the research.

1.1 Motivation of the research

Transforming into the digital age and modern world, it is crucial to talk about competitive advantage and value proposition when talking about a successful and efficient organization. Value proposition nowadays is not only about the products or services themselves, but also comes from within the organization. Or as Mishra and Mishra (2013) put it, leaders and entrepreneurs who build trust within their corporate organizations have greater influence on “a number of attitudes, behaviours, and performance outcomes among employees.” (Mishra & Mishra, 2013, p. 8)

These elements are seen to contribute to the concept of employee engagement. Engagement is given by the employees to the company, which is beneficial for the organization through “commitment and dedication, advocacy, discretionary effort, using talents to the fullest and being supportive of the organization’s goals and values.” (Markwich & Robertson-Smith, 2009, p. 15) As a matter of fact, employee engagement is considered to be one of the influential factors for the success of the organization and the significant drivers of profits and sales. People should be put at the center of the strategy. Robinson, Perryman & Hayday (2004) stated that “the higher the level of employee commitment, the better the business outcome. If employee engagement is indeed beyond commitment, the rewards should be even greater.” (Robinson, Perryman & Hayday, 2004, p. 11)

There have been several studies over the years to examine the source of market value and success in the organization. Sixty-two percent of the market value came from tangible assets and thirty-eight percent from intangible assets in 1982, however, it all changed by 2002, when almost eighty percent came from intangible

assets and twenty percent from tangible ones. (Lev & Daum, 2004, p. 6) Tangible assets contain physical things, such as products, machinery, facilities; whereas intangible assets come from intellectual property and workforce quality. It is important to manufacture good products but more importantly, a good brand and a place to retain talents are among the most crucial aspects. Certainly, all of the elements in tangible assets can contribute to a great performance of the organization, but these can easily be copied and replaced. "The quality of an organization's talent, its passion and commitment is nearly impossible to replicate. Engagement is the fuel that drives the value of intangible assets." (Wellins, Bernthal & Phelps, 2005, p. 3)

According to the report on Trends in Global Employee Engagement published in 2015, the employee engagement rate varies from fifty-seven percent to seventy-one percent depending on the differences in regions and markets, and on the global level the average stands at sixty-two percent. As the economy grows, the employee engagement rate is gradually increasing, however, research has shown that many of the companies are still struggling with finding sufficient facilities to provide growth opportunities for employees and other top engagement driving factors. The employee engagement rate in the European region accounts for fifty-seven percent, in which the statistics in Finland are not particularly mentioned. (Trends, 2015)

In the summer of 2015, Kumar & Pansari (2015) conducted a qualitative research and interviewed more than 200 HR (Human Resources) managers from 52 companies to examine how employee engagement is practiced in their business workplace. Some HR managers realized that the employee engagement rate in their companies was high, however, most of the employees left within two years, became less productive and eventually affected the valuable clients. The companies had been investing considerable amounts of money in training and employee development, but this situation gradually turned into a big problem and challenge. (Kumar & Pansari, 2015, p. 68)

Therefore, this study aims to identify the essential engagement driving factors and challenges which the large and medium companies might face, from the viewpoint of the HR representatives in Finland. Understanding the possible factors can contribute to the efficiency of the organization and also lead to a high level of engagement. Two case companies agree to participate in this study to support the theory and research findings.

1.2 Overall aim of the thesis and research questions

The fundamental purpose of this research is to understand the concept of employee engagement, its importance in building the organization and the impacts on what drives employee engagement from the HR perspective.

The specific objectives of the research can be implemented as:

1. To improve the understanding of the employee engagement influencing the organization from the HR representatives' viewpoint at two Finnish medium and large corporations.
2. To identify the driving factors of employee engagement, the key factors and challenges inside the organization.
3. To raise the awareness concerning the importance of employee engagement in the workplace.
4. To understand the correlation between an efficient organization and a great level of engagement.

In other words, the research aims to answer the overall question: What influences the employee engagement from the viewpoint of HR representatives?

The main question is divided into the following sub-questions:

1. Does employee engagement play an important role in developing the organization?
2. What are the possible factors affecting employee engagement in the workplace?

- 2a. What are the factors that bring positive outcomes to the employee engagement?
- 2b. What are the challenges that might hinder the development of employee engagement?
3. How do managers/leaders utilize and apply the best practices in order to encourage employee engagement?

1.3 Limitations

The research aims to investigate the factors affecting the level of employee engagement in the workplace. Since the concept of employee engagement is vague and has not been closely studied until recently, there is little existing literature on the issues. Hence, the research might face the lack of information about the concept as well as the applicable situation. Furthermore, the research focuses on certain factors which encourage employee engagement, the focus will not be much on motivation and all the possible driving factors concerning motivation.

The interviews in the empirical part are conducted among a small group of the HR representatives and the data are collected from their perspectives. The small size of the group of respondents does not cover for the whole group, i.e. leaders and managers' viewpoints and other HR representatives in the whole country. Moreover, the research focuses on the perspective of the employers only. Therefore the employees' opinions will not be studied directly, but used as a base prior to the interviews. In other words, in order to collect data and conduct interviews with the HR representatives, existing organizations' surveys on employee engagement is utilized to measure the employee engagement and HR practices on the subject.

The research and interviews were carried out in interaction with two large and medium corporations in Finland, hence different perspectives might be found in different companies and countries. The analysis of the results from this research is not applied to all sizes of all companies and all other countries. Separate research

is suggested due to the differences in size, cultures, and lifestyles. Moreover, the concept of employee engagement is not referred to one type of industry.

Besides, the research studies on the current situation and challenges within the companies at the time of the interviews, the possible upcoming issues or unexpected incidents might need further and deeper research. The analysis of this research is based on the interviews with the HR to examine the level of employee engagement. This thesis does not study the employee engagement from the employee's point of view. Furthermore, the research concentrates on the employee engagement with the supporting literature about the motivation theory, hence the motivation theory and its critics are not the main focus of the research.

1.4 Structure of the thesis

Chapter one provides general information on the background, motivations and objectives of the research. The key research question and the sub-questions are presented. The thesis outline and overview are included in the thesis structure part with the theoretical framework.

Chapter two presents a literature review of the research. It generates the basic knowledge of the employee engagement concept, its importance and the potential influencing factors. The factors of employee engagement act as a foundation for the data collection phase.

Chapter three demonstrates the research method overview which is used in the thesis. In this chapter, a clear outline is given of how the data are collected and handled throughout the research, and a detailed picture of the research design method and data collection is provided. A qualitative method and data collected from interviews will be applied.

Chapter four provides an overview of the case objects. The two case companies and six interviewees will take part in the interviews. The two companies' brief

description, statistical report as well as the six interviewees' background will be introduced.

Chapter five provides an interpretation of the results from the analysis, based on the research conveyed at the case company. Finally, Chapter six and seven conclude and summarize the whole research and give some suggestions for future research.

An overview of the structure can be seen in Figure 1.

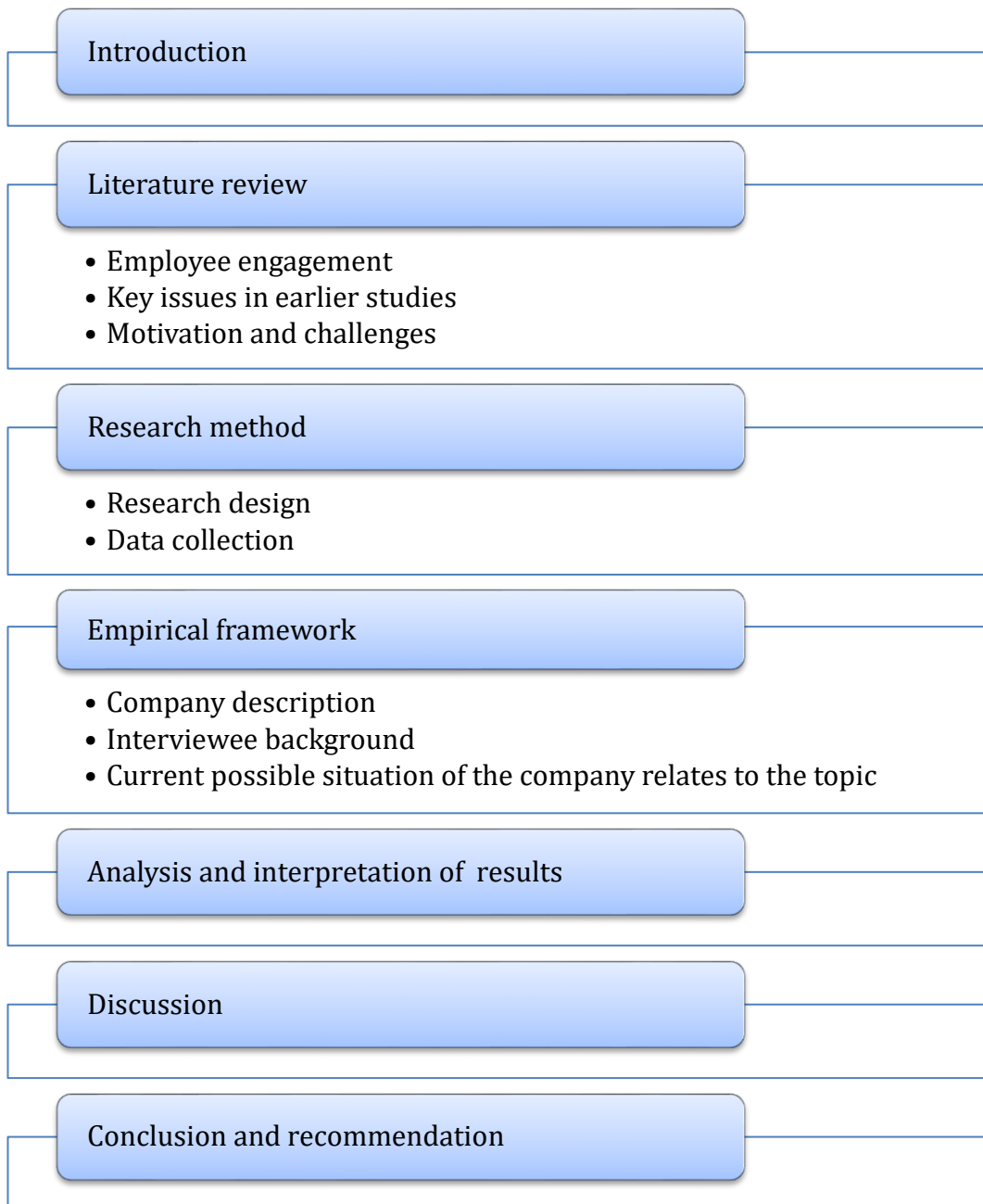


Figure 1. Thesis structure

2 Theoretical framework

In order to understand and construct the research clearly, the basic definitions of the concept need to be studied. The theoretical framework will also be presented in this chapter.

2.1 Employee engagement concept

What is employee engagement concept? On the topic that is becoming popular over the years, there has been significantly little research and academic literature to study about. However, there are a sufficient amount of definitions for this term.

Kahn (1990) defines employee engagement in the relationship between personal engagement and disengagement. He views personal engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”, and personal disengagement as “the uncoupling of selves from work roles; in disengagement, people withdraw and defend themselves physically, cognitively, or emotionally during role performances.” There are three elements which can be seen as the influential aspects of employee engagement: physical, cognitive and emotional aspects. They are influenced based on the basis of the psychological experiences of the self-in-role. (Kahn, 1990, pp. 694-703) In other words, the psychological conditions contribute to one’s behavior in the performance, not only at the workplace but also in the everyday experiences.

Similar to three elements of the engagement above, Wellins, Bernthal and Phelps (2005) also define engagement as “the extent to which people enjoy and believe in what they do and feel valued for doing it” and divide into three aspects: enjoyment, belief and value. Enjoyment means people tend to be more satisfied in what they do if they are in the jobs that match their interest and skills; belief means people feel more engaged if they feel their contribution to the job is meaningful; and value comes from the recognition and reward for their contributions. All in all, the

definition of engagement is related to how people “feel inside”. (Wellins, Bernthal & Phelps, 2005, p. 2)

Referring to the psychological conditions of Kahn mentioned above, the engaged employees involve themselves in the job performance. Engagement is seen to result from a psychological and emotional state, where regardless of time and tasks, found as “being charged with energy and fully dedicated to one’s work”. (Markwich & Robertson-Smith, 2009, p. 10)

Employee engagement is defined by Robinson, Perryman and Hayday (2004) as “a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of the business context, and works with colleagues to improve the performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.” (Markos & Sridevi, 2010, p. 90)

Engagement is not only about the aspect bringing employee to work hard in their jobs, but also the process of how individuals give their best effort to perform. (Saks, 2006, p. 602) Consequently, this process is a two-way relationship, which involves both the employer and the employee. Employees will feel valued, want to stay and contribute to the success of the organization if they feel the employers value them and vice versa, the employers will provide sufficient facilities and excellent working environment when they feel that the employees are truly engaged in the workplace.

2.2 Employee engagement conflicts

There has been a various amount of definition concerning employee engagement for many years.

Several researches show that engagement is related to other constructs in the organizational behavior, however, it is still distinctive from that. (Kular et al.,

2008) The concept of employee engagement has been using interchangeably between the common terms in the organizational behavior: commitment and organizational citizenship behavior (OCB). (Robinson, Perryman & Hayday, 2004) As appearing in many researches and findings, commitment and OCB play an important role towards the business outcomes, and so does engagement. However, engagement and the two organizational behavior terms have their own different characteristics.

Employee commitment is seen to be one of the contributing factors to employee engagement. One of the reasons that many studies mistakenly confuse commitment with engagement is that the engaged employees stay because they like their jobs, however, unengaged employees intend to remain as well. Unengaged employees choose to stay for many reasons, such as money, career opportunities, security, stability, familiarity, comfortable working conditions or even the delay and the resistance in changing jobs. Being unengaged does not bring the lack of commitment but commit in the wrong things, and contribute to the inaccurate engagement rate for the company. (Rice, Marlow & Masarech, 2012) The danger of including unengaged employees in the engagement level can harm the organization, as they do not really want to stay, contribute and work hard for the success of the company.

On the other hand, OCB is seen to be one of the main contributing factors in the engagement. OCB includes several components, which increase the level of commitment to the engagement. The components can be seen for example as helping behavior, organizational loyalty and compliance, initiative, self-development, etc. However, these elements seem to concern with the characteristics and behavior of the individuals rather than the organization itself. (Robinson, Perryman & Hayday, 2004, p. 8)

Many could argue that commitment and OCB is different from the engagement because of the individual differences, which can be seen to influence not only the engagement but also the commitment and OCB in the workplace. In fact, Saks (2006) claims that commitment and OCB is different from employee engagement

because commitment represents a person's attitude and attachment towards their organizations and OCB involves voluntary and informal behaviors in helping others and the organization. Whereas, engagement is neither about an attitude nor behavior. (Saks, 2006) Besides, many researchers have predicted that commitment and OCB are important to the engagement. Commitment can be seen as the positive willingness to work hard for the success of the organization, feel proud to be a part of and become identified with the organization. OCB, on the other hand, is the behavior which employees take initiative to contribute to the organization. These are crucial in shaping the concept of the employee engagement and cannot totally replace engagement. (Markos & Sridevi, 2010, p. 91)

Individual differences have the influence on the employee engagement. Individual differences vary from one person to another, including self-esteem, controlling level, hardiness and self-efficacy. In fact, these variables affect burnout, thus are important for the engagement level. (Saks, 2006, p. 614) Burnout is the opposite of engagement, which results from the too much demanding work. On the other hand, engagement comes from the work which makes the employees feel energetic and inspired. (Langelaan, 2007) However, individual differences also shape personal engagement and disengagement over psychological conditions and eventually shape people's willingness to job involvement or commitment at the workplace. (Kahn, 1990, p. 718)

One other element that might raise the argument in conceptualizing the employee engagement is job involvement. Job involvement is considered to be a cognitive act and might be the result of the employees being deeply engaged in the job. (Markwich & Robertson-Smith, 2009, p. 51) It can be seen as one of the steps to define engagement. Individuals use emotions and behaviors in their day to day task along with cognitive experiences and performances. (Saks, 2006, p. 602) Engagement is also seen as more than job satisfaction, which refers to as "an employee's personal state of involvement, contribution and ownership." (Robinson, Perryman & Hayday, 2004, p. 7)

2.3 The drivers of employee engagement

Employee engagement is influenced by a variety of factors, in which the driving factors help increase the engagement level and hindering factors might challenge the level of engagement.

2.3.1 The dimensions of employee engagement

There is numerous amount of driving factors which influence employee engagement. Typically, there are eight factors which are usually mentioned:

- Trust and integrity: this driver concerns with the attention and care from the employer, regarding the employees' well-being and communicating ability.
 - Nature of the job: this refers to the opportunities to take part in the jobs' routine and decision-making on a certain level.
 - Line-of-Sight between individual performance and company performance: this shows the relationship between the employees' understanding on the company's goals and the awareness of how their contribution impacts on the company's performance.
 - Career growth opportunities: this refers to the path in the employees' career development.
 - Pride about the company: this driver is about the self-esteem in correlation with the company, which is the desire to be a part of the organization and the willingness to develop with the organization.
 - Coworkers/team members: this implies on the level of engagement influenced by the relationship with the employees' colleagues.
 - Employee development: this driver is related to the employees' skills and their desire to develop in their work tasks.
 - Personal relationship with one's manager: this driver concerns with the relationship between the employees and their direct or first line managers.
- (Markwich & Robertson-Smith, 2009, p. 29)

Considering the degree on how important these driving factors influence the employee engagement, Institution for Employment Studies (IES) conducted a survey in 2003. The order of the factors can be seen from Figure 2.



Figure 2. Engagement driving factors (Robinson, 2007a, p. 3)

As can be seen from Figure 2, the highly-demonstrated driving factors on employee engagement involves training, relationship, development and performance more than rational and physical factors. It can be seen that “career development is one of the top drivers of engagement and retention” (Rice, Marlow & Masarech, 2012, p. 183). As a matter of fact, emotional drivers are considered to have four times greater impact on employee engagement than the rational drivers. (Imandin, Bisschoff & Botha, 2014, p. 523) This finding appears to be aligned with the research conducted on the two-factor theory by Frederick Herzberg four decades ago.

2.3.2 Two-factor theory

Employee engagement is not entirely about motivation. The argument whether motivation and satisfaction conceptualize employee engagement is undoubtedly essential. There are several motivation theories concerning involvement and satisfaction, however, the two-factor theory developed by Herzberg is the most applicable regarding the engagement driving factors.

According to Herzberg, there are types of job characteristics which eventually lead to job satisfaction while others contribute to create job dissatisfaction. These characteristics are classified into motivator factors and hygiene factor, which form his Motivator-Hygiene model or two-factor theory. (Dartey-Baah & Amoako, 2011)

Herzberg's findings suggest that "the factors involved in producing job satisfaction (and motivation) are separate and distinct from the factors that lead to job dissatisfaction. The opposite of job satisfaction is not job dissatisfaction but, rather, no job satisfaction; and similarly, the opposite of job dissatisfaction is not job satisfaction, but no job dissatisfaction." (Herzberg, 1987) Under the certain circumstances, the motivator factors lead to satisfaction and the hygiene factors cause dissatisfaction.

Motivator factors are classified into:

- Achievement
- Recognition for achievement
- Work itself
- Responsibilities
- Growth or advancement

Hygiene factors or the dissatisfaction-avoidance factors include:

- Company policy and administration
- Supervision
- Interpersonal relationships
- Working conditions

- Salary
- Status
- Security
- Personal life

(Herzberg, 1966)

Herzberg indicates that among all of the factors developing job satisfaction, eighty-one percent comes from the motivators; whereas sixty-nine percent among all the hygiene factors create job dissatisfaction. Hygiene factors can “at best create no dissatisfaction on the job, and their absence creates dissatisfaction. What makes people happy on the job and motivates them are the job content factors.”

(Herzberg, 1987, p. 15) With this perception, the motivator factors are more important in order to create job satisfaction and increase engagement, while the negative hygiene factors could lead to job dissatisfaction and lower the level of engagement.

“Herzberg stresses that the factors which truly motivate the workers are ‘growth’ factors, or those that give the worker a sense of personal accomplishment through the challenge of the work itself. In other words, motivation is in the content of the job and the internal dynamics that the worker experiences in completing his task. Herzberg maintains that the context or environmental factors (hygiene) which surround the job cause dissatisfaction when they are in unhealthy conditions. These dissatisfiers may be classed as ‘deficit’ needs in that their importance is felt only in their absence.” (Onimole, 2015, p. 203)

2.3.3 Employee engagement challenges

Besides the driving factors that bring the positive influence on employee engagement, there is a variety of hindering factors as well as challenges that draw engagement back. Since engagement is a new concept, there are still many problems in adapting it throughout the organization.

Some factors contribute to the limitation of engagement or even damage the level of engagement, including “job insecurity, unfairness, jobs with no space, highly stressful jobs with very little flexibility or autonomy, poor line management behavior and bullying and working for long periods of time without a break” (Markwich & Robertson-Smith, 2009, p. 39)

Besides, age also plays a role in determining the engagement challenges. The employees with the highest level of engagement are said to be in their 20s, while employees in their 30s-50s experience the lower level. Younger workers are thriving to changes more often than those who are more settled in their way. (Robinson, 2007b) As the length of service increases, the engagement level is found to decline; however, this is independent from the age in engagement challenges. There are many reasons for this decline, for example career frustration, boredom, cynicism, disappointment, etc. (Robinson, Perryman & Hayday, 2004, pp. 26-27)

Other factors which are worth to mention include the lack of security as having accident or injury at work, experiencing harassment or having other development plan. These challenges might have a negative impact not only on the engagement level but also on the organizational performance. (Robinson, 2007b) Poor leadership and management style result in the bad impact on the engagement level as people are assumed to leave their managers when they do not feel valued. The relationship between the employees and the employers is based on the trust to nurture the solid two-way engagement direction. As the challenges exist, the majority of the hindering factors is from the rational hygiene factors.

2.4 HR views on employee engagement

According to the the reseach conducted by IES, there is a variety of opinions of how to define employee engagement from the HR department. These opinions come from the HR representatives working for the companies, in which they have already done or been in the process of promoting employee engagement. Some HR representatives think that engagement is similar to the psychological contract,

which is the two-way relationship between the employer and employee. It is unwritten and led by trust. However, it is quite easy to break if it is not nurtured and developed over time. Other representatives feel that engagement has to align with the need of engaging employees to identify themselves with the organization, believe in the products, services and most importantly, the value. The rest of the HR representatives think that besides being committed to the organization, the engaged employees need to appreciate the business to be aware that every changes and performances they make could be seen as business benefits as well. (Robinson, Perryman & Hayday, 2004, p. 5)

HR can be seen to play a crucial role in connecting this relationship and implementing engagement initiatives. The role of HR is not only to help enhance engagement but also to develop organizational performance. HR should focus on the positive drivers of employee engagement and act at a manager level to “understand the impact managers have on engagement at an individual level”. (Holley, 2008, p. 13) Alongside with the Knowledge Management (KM) perspective to create a knowledge culture, HR’s tasks are exceptionally essential in building and nurturing it.

In order to understand how engagement is beneficial for the organization and what is working and what is not, HR needs to measure the influence of employee engagement. It is important to develop the understanding of their current strategies and the impacts on their employees. (Kumar & Pansari, 2015, p. 70) There are several employee surveys used to measure this level, both developed via in-house resources by the HR departments and produced by the external consultancies and agencies. The employers are able to “explore a variety of factors, including the extent of an employee’s pride in their organization, their willingness to go the extra mile, be selfless and act as a team player, their belief in the organization’s products and services and their belief that the organization enables them to perform at their best.” (Markwich & Robertson-Smith, 2009, p. 44)

2.5 Benefits of employee engagement

As a result, employee has a significant impact on the development of the organization. "Employee engagement is a hard-nosed proposition that not only shows results but can be measured in costs of recruitment and employee output". (Markwich & Robertson-Smith, 2009, p. 16)

There are three types of employees which can make an influence on the organizational business outcome, as can be seen in Figure 3. The optimal scenario for every organization is to increase the number of highly engaged employees and maximize the benefits of employee engagement as much as possible.



Figure 3. Three types of employees (Krueger & Killham, 2006)

The benefits and outcomes of employee engagement can be divided into two themes, or can be known as the two-way direction, i.e. benefits for the organization and benefits for the employee. These benefits are coherently dependent on one another. The characteristics of an engaged employee can be seen in Figure 4.



Figure 4. Characteristics of an engaged employee (Robinson, Perryman & Hayday, 2004, p. 6)

Employee engagement helps organization develop better in the performance field, from the process to the outcome. The actions and performance of the engaged employees can affect the organization in a positive way. They are the one who believe in the organization, keep developing themselves to make things better, identify with the organization, can be relied upon when things get hard and see the organization's importance the same way as they see themselves. In the report about employee engagement in 2010, during the economic challenge times, the organizations with high levels of engagement of sixty-five percent or higher "outperformed the total stock market index and posted total shareholder returns that were twenty-two percent higher than average. On the other hand, the organizations with low engagement (forty-five percent or less) had a total shareholder return that was twenty-eight percent below average". (MacPherson, 2013, p. 3) Consequently, employee engagement therefore not only helps the organization in achieving the best outcomes in business, but also retains the best place to work and increases the employee retention level.

Employee engagement affects productivity and eventually leads to customer loyalty to the company. "Engaged employees work hard, are more loyal and are more likely to go the 'extra mile' for the corporation." (Markwich & Robertson-

Smith, 2009, p. 16) Engaged employees tend to stay in the organization, are willing to satisfy customers, bring customers closer and more loyal to the organization. Levinson (2007) claimed that “in departments where engaged employees sell to engaged customers, customer loyalty, repeat purchases and recommendations to friends are double than of companies with average employee engagement. “ (Markwich & Robertson-Smith, 2009, p. 17)

On the other hand, engagement is good for the employees. In the traditional way of working for many years, employers are supposed to be responsible in creating a working environment, setting up expectations and ensuring that the job itself is attractive and challenging for their employees. Recently, this perception has changed in the way that employees are wondering how they can challenge and develop themselves in the particular environment. Employees want to take part in the process of developing their own value, goal and career development. (MacPherson, 2013, p. 5) Engagement provides with the opportunity to improve the employees’ ability in their work, to invest and develop in themselves with the organization’s value. “The combination of employing and expressing a person’s preferred self-yields behaviors that bring alive the relation of self to role” (Markwich & Robertson-Smith, 2009, p. 21)

As a matter of fact, engaged employees possess three behaviors which eventually help improve organizational performance:

- Say: the employee advocates for the organization to co-workers, helps the organization in acquiring more potential employees and customers, acts as the voice and identifies with the organization.
- Stay: the employee who is engaged is more likely to be a part of the organization, despite opportunities to work and change job to somewhere else and/or truly wants to stay.
- Strive: the employee spends more time, effort and initiative to contribute and thrive for the success of the organization, and views the success as important for the organization as for them.

(Markos & Sridevi, 2010, p. 92)

2.6 Employee engagement and Knowledge Management

Information and Knowledge Management (IKM) becomes popular nowadays. Commonly, “information” and “knowledge” term applied in the IKM concept have been used interchangeably. For certain purposes, knowledge of one person can be information for another and vice versa, which leads to the confusion in understanding. Knowledge can be seen as the result of combining and building the usage of meaningful data and information of an individual from his or her own experiences and perceptions. (Newell & Scarbough, 2009, p. 3) In other words, when transforming data and information into meaningful context, it stays in the head of the individuals as their knowledge and they use them for their own purpose.

There are two types of knowledge: tacit knowledge and explicit knowledge. Tacit knowledge is difficult to express or put into words and texts, in other way, it is believed to be in the head of the knowers. Explicit knowledge, on the other hand, can be performed in concrete forms of words, audio recordings or images. Explicit knowledge can be transferred via products, services and documented process. (Dalkir, 2005, p. 8)

Knowledge Management (KM) covers a variety of grounds and has been identified widely throughout the history. From Bergeron’s perspective, KM is a systematic business optimization designed to create, distill, organize and share information which is essential to the business in a manner that enhances employee performance towards the success of the organization. (Bergeron, 2003, p. 8-9) Fundamentally, KM is the approach used to capture intellectual information and knowledge assets for the purpose of creating competitive advantages for the company and business strategies for the organization to achieve business objectives. KM enables knowledge sharing in the organization, enhances the successful business processes and reduces redundant ones. Hence the objective of KM is to bring people, process and technology together to help achieve the business goals. (Bhojararu, 2005, p. 37-38) In a way, KM can be applied as the tool

which creates the environment for information to be acquired, shared and developed by individuals. Individuals are then encouraged to develop it into their own knowledge and perspective to help the organization.

There are three types of knowledge management approaches which are popular in implementation, i.e. top-down, bottom-up and middle-up-down approach. The top-down approach requires “the implementation of highly formalized processes and formal KM, doubled by an active use of technological tools of information distribution (intranet, extranet, knowledge based systems, workflow, groupware)”. (Vărzaru & Vărzaru, 2013, p. 722) The bottom-up approach creates and disseminates knowledge in an emergent, self-organizing and autonomous way at the operational level. (Hackett, 2000, p. 22) According to Dalkir, “formal, top-down KM systems tend to encapsulate more formal, explicit knowledge, whereas community networks tend to be less formal and more tacit and to have more “work in progress” content” (Dalkir, 2005, p. 134).

Nevertheless, the modern “middle-up-down” approach promotes “innovation and capitalization processes of knowledge, so that tacit knowledge, while owned by the senior players leading operational and synthesis, explicit, and incorporated into organizational achievements” (Vărzaru & Vărzaru, 2013, p. 722)

In the organizational perception, KM practices are defined as “observable organizational activities that are related to KM”. (Mahmoudsalehi, Moradkhannejad & Safari, 2012, p. 519) There are a great amount of activities and elements which the organization implies KM in its business process, however, “KM is not really about managing knowledge, but rather managing and creating a corporate culture that facilitates and encourages the sharing, appropriate utilization, and creation of knowledge that enables a corporate strategic competitive advantage.” (Walczak, 2005, p. 330-331)

The need and implementation of creating a knowledge culture has already been executed in big corporations. Many organizations apply KM as the form of customer relationship management with “large customer and product or service

databases centered on content management that includes sharing, distribution, and utilization of knowledge” (Walczak, 2005, p. 331). Other organizations apply KM in their own business processes and organizational learning. Organizational learning is considered to be the goal of KM as KM helps “embed knowledge into organizational process” and organizational learning is “one of the important ways in which the organization can sustainably improve its utilization of knowledge.” (King, 2009, p. 5)

KM, therefore, is essential in developing an efficient organizational structure and vice versa, a successful organization develops great approach in enhancing KM. The relationship between organizational structure and KM is coherent and codependent, as “organizational structure is an important factor in leveraging technology and more specifically that organizational structures must be flexible to encourage sharing of knowledge and collaboration across traditional organizational boundaries to promote knowledge creation” (Walczak, 2005, p. 331). The more efficient KM practices and successful organization there are, the higher level of employee engaged in the company.

In fact, KM is seen to have a supportive role in determining the level of engagement. Engagement influences the employees’ beliefs, attitudes and behaviors in the workplace, and eventually, makes an impact on the culture of knowledge sharing inside the organization. “KM also provides employees with solutions to the problems they face, in case those same problems have been encountered earlier and effectively addressed, this provides a supportive work environment within the organization. A support work environment with employees’ needs, such as information or knowledge which they need for job aid employees for focused work, is considered to be the key determinant of employee engagement.” (Juan et al., 2016, p. 131)

2.6 Summary

Employee engagement is considered to be a state of mind, in which people feel valued and trusted. They enjoy doing their jobs in correlation with the

organization's objectives, mission and values. While there have been quite a variety of definitions and conflicts between engagement and other driving elements such as job involvement, job satisfaction, commitment, OCB, in fact, these elements are both antecedents and consequences of engagement. "Engagement is two sides of a coin, the knowledge needed to do one's job effectively and the motivation to apply that knowledge" (ArunKumar & Renugadevi, 2013, p. 53). If the employees feel engaged, they will contribute, involve, commit and eventually feel satisfied in their work. On the other hand, when the employees feel satisfied and involved, they can be valued and appreciated inside the organization.

Engagement is influenced by many factors, including physical and emotional drivers. Emotional drivers are considered to have more impact on increasing the level of engagement than rational drivers, as a result, career development and training on the job are emphasized remarkably. According to Herzberg (1966), these two types of factors can be classified as motivator and hygiene factors, which motivators help to improve satisfaction while hygiene factors lead to dissatisfaction and eventually impact on engagement level. Motivator factors are seen to be the driver of engagement whereas hygiene factors are the hindering elements. Both types are interdependent on each other as lacking of one will impact on the other, as for example, good rewards but no career development cannot increase the feeling valued and challenged of the employee.

For an organization, engagement can be seen as the antecedent and consequence of an efficient organization as well. Engagement is built from the foundation of the organization, i.e. the successful organization drives the engagement level up. Conversely, the higher level of engagement that the employees are able to bring to the organization, the more successful the organization becomes. It is important for this relationship to be solid and based on the two-way relationship between the employer and the employee as well. Connecting and nurturing this relationship, the HR's role is therefore crucial. Besides, the role of HR is essential in facilitating the information flow in the organization and integrating "organizational behavior across different parts of the organization so the behavior is coordinated." (Weingarden, 2011, p. 2)

Engagement is therefore related to KM as the information flow is facilitated in the processes. In order to help the employees do their job well, the knowledge, information and resources need to be confusion-free and easily accessible. The more efficient the KM practices in the organization are, the more successful people will be aligned with the organization's strategy. The more engaged people feel with the organization, the more effective that people put their effort in maintaining the best practices of KM. In fact, KM is crucial in each component of the organization, as the information needs to run through via the form of technology in processes and communication as to coordinate the behaviors.

Employee engagement brings many benefits not only to the organization but also to the employee and the customers. Engagement enhances productivity and business outcomes, retains the best place to work, increases employee retention and acquires more loyalty from the customers as well.

Initially, the research starts with the general understanding of employee engagement concept and the driving factor influencing the engagement level. Previous literature and research act as the supporting factors for the research topic.

Two-factor theory, including hygiene and motivator factors, has a significant impact not only on the employee engagement but also on the organization. In fact, the hygiene factors determine the level of engagement based on how the organization operates. On the other hand, the motivator factors determine the level of engagement that the employees want to bring to the company. It can be seen that if the structure is solid, employees feel more valued and engaged to the organization and vice versa, if the employees like to stay and truly contribute to the organization, the company will be closer to success. Nevertheless, in order to retain high level of engagement for both employers and employees, the role of HR department is crucial ensuring to increase the driving factor and minimize the hindering factors.

3 Methods

This chapter aims to define the research methodology used in this research, including the research approach, research method and data collection and analysis.

3.1 Research design

“The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data.” (Kothari, 2004, p. 31)

The research design plays an important role in determining how the research, data collection and analysis are conducted. There are several research design techniques which can be used for different purposes. The most common techniques are known as deductive reasoning and inductive reasoning. Inductive reasoning starts from observations, formulates hypotheses then finalizes to develop some general theories. Deduction, on the other hand, begins with a theory, then narrows it down and collects observations to ultimately test the hypotheses from data and confirm the original theory. (Sachdeva, 2008, p. 24)

Based on the characteristics and features of the two approaches mentioned above, it seems that the deductive reasoning method is more suitable for the purpose of this study. The theory is identified in the beginning of the study and the observations and data collection are used to test and confirm the theory.

In order to understand the scope of the research as well as to develop the objective viewpoints, two companies agreed to participate as the case objects in the interview phase. The theory is generated in the theoretical framework and the interviews were carried out at the two companies to collect data in order to prepare for the analysis phase. The research design model for this thesis can be seen in Figure 5.

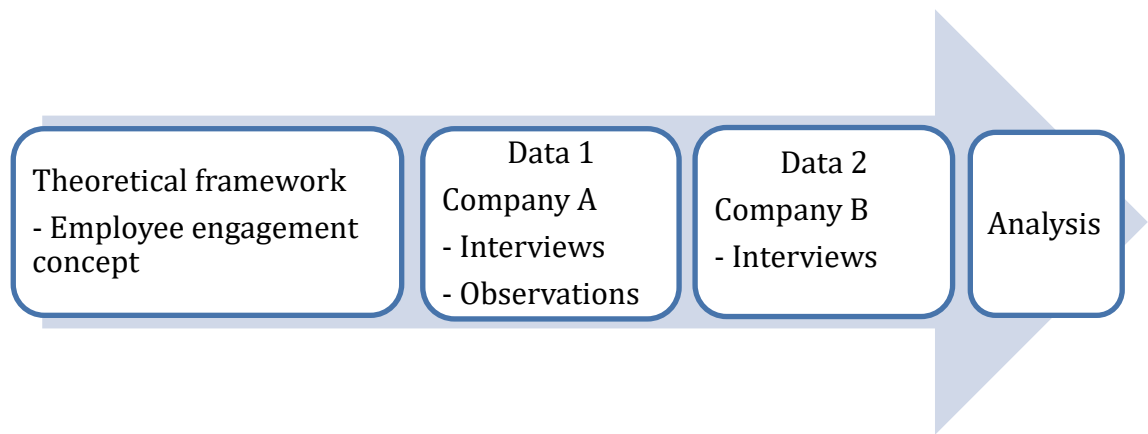


Figure 5. Research design process

3.2 Data collection and analysis

There are two common methods for collecting data which have been used regularly in research papers, i.e. quantitative and qualitative method. Quantitative method mainly focuses on numerical data, i.e. using questionnaires or surveys to generate testing scale on hypotheses. Qualitative method, however, utilizes analysis to generate non-numerical data. (Saunders, Lewis & Thornhill, 2009, p. 151)

In order to answers the research questions: What influences employee engagement from the viewpoint of HR representatives?

and the following sub-questions:

1. Does employee engagement play an important role in developing the organization?
2. What are the possible factors affecting employee engagement in the workplace?
 - 2a. What are the factors that bring positive outcomes to the employee engagement?
 - 2b. What are the challenges that might hinder the development of employee engagement?
3. How do managers/leaders utilize and apply the best practices in order to encourage employee engagement?

The qualitative method is chosen for conducting this thesis. The purpose of qualitative method is not only about non-numerical data analysis, but also includes “documentation of cultural observations, new insights and understandings about individual and social complexity, evaluation of the effectiveness of programs or policies, artistic renderings of human meanings, and/or the critique of existing social orders and the initiation of social justice” (Saldana, 2014, p. 4).

With the deductive reasoning, the importance of employee engagement is constructed in the beginning of the thesis. The qualitative method helps collect data from the interviews and analyze to generate possible findings, which measure the theory and eventually answer the research questions.

Data are gathered and obtained from primary and secondary source. Primary source aims to collect initial materials. The data are generated from surveys, observations, interviews, etc. by the researcher. Secondary source, on the other hand, is the edited version of the primary source, in which secondary data come from someone else’s work rather than the researcher directly executes. (Kothari, 2004, p. 102) For the purpose of this research, both primary data and secondary data are chosen. Primary data come from the author’s own observation at the case companies and by interviews. Secondary data play as a supporting resource and will be utilized based on its relevant to this study.

Observation “is systematically planned and executed, uses proper controls and provides a reliable and valid account of what happened” and “includes the full range of monitoring behavioral and non-behavioral activities and conditions”. (Sachdeva, 2008, p. 180) Observation was done in one case company where the author had the chance to conduct her internship there. The author did not have the chance to make observation at the second case company. The semi-structured interviews were carried out at both case companies.

Semi-structured interviews are conducted among people within the case objects. The semi-structured interview is considered to be the most effective method to collect data in this research, because the research requires explanation. The

interview helps achieve the possibility to get the answers explained thoroughly. The questions are open-ended, which are applicable in semi-structured interview. (Saunders et al., 2009, p. 324) According to the availability in the schedule of the participants, interviews were conducted with individuals and a number of people involved as a focus group. (Saldana, 2014, p. 33) Individual interviews are useful to investigate the participants' stories and viewpoints, however, realizing the advantage of using focus group interviews, the author attempts to conduct both individual and focus group interviews. "Focus groups can be used at the start of a project, for generating ideas about the participants under research, since their interaction can give insight into participants' worldview, the language they use and their values and beliefs about a particular issue or topic, useful in design of the study." (Edwards & Holland, 2013, p. 37)

The interviews took place for approximately one hour and were conducted both face-to-face and via call in the form of individual and group interviews. As mentioned above, the interviews aim to explore the viewpoints of individuals, however, the interaction between several individuals in a group interview might be useful for opinion exchange. The information sheet, consent form and outline of questions were sent to the interviewees three days beforehand. On the day of the interview, the consent form was signed by each of the interviewee and the permission to record was asked. There were six participants in the interviews. The interview questions were divided into themes for better understanding the research questions.

According to the purpose of this research, the interview questions were conducted under these sub-categories:

- Organization and hierarchy: aims to learn about the organization structure, strategy, problem solving, decision making process, key challenges, leadership and how HR as well as leaders creates a successful environment to work well with the employees.
- Business processes: include the way how the company communicates within the organization as well as how the information and knowledge are stored for easily accessible.

- Rewards system: focuses on promotion, recognition system and growth possibilities for the employees.
- Social environment: concerns the communication style and how HR ensures the smooth recruitment process.

The detailed information sheet, consent form, and list of questions of the interviews can be found in the Appendices.

Before analyzing the findings, the interview recordings were edited and cut into small parts using appropriate and supporting software. The recordings were divided according to the questions and discussion phases, then grouped among the six participants. Afterwards, the author listened to the recordings and took note to generate main points which were used in the empirical part.

3.3 Summary of the methodology

Summary of the research method can be seen in Table 1.

| Research approach | Research method | Data collection |
|---------------------|--------------------|--|
| Deductive reasoning | Qualitative method | <ul style="list-style-type: none"> • Primary data obtained from observations and interviews • Interviews are divided into theme: hygiene factors and motivator factors • Secondary data including previous studies, books, journals, etc. |

Table 1. Summary of research methodology

4 Empirical framework

The empirical framework presents the case companies studied in this research and gives an overview of the extracted information and findings.

4.1 Presentation of company A

Company A agreed to act as the case company when the author had been conducting a six-month internship there. Company A provides products and services in the financial process automation and outsourcing field and is a business-to-business organization. Currently, the main operation is in Latvia, Lithuania, Norway, Poland, Sweden, Germany, Slovakia, Finland, Estonia and nearly all areas in Europe, North America and Asia through a network of partners. The headquarter is based in Helsinki, Finland. The details of company A's operation can be seen in Table 2.

| Key figures | Year 2016 |
|---------------------|-------------------|
| Net sales | 240.1 EUR million |
| Corporate customers | >11,000 |
| Employees | 1945 |

Table 2. Company A key figures 2016 (Company A, 2016)

In the fall of 2016, company A utilized an external agency to conduct an engagement questionnaire on the realization of credibility, respect, fairness and trust in the company. These factors contributed to the engagement and commitment of the employees. The questionnaire included several statements concerning engagement and rated on a scale of 1-5, as 1 was fully disagree, 2 was somewhat disagree, 3 was somewhat neutral, 4 was somewhat agree and 5 was fully agree. The result focused on the percentage of responses which somewhat agree or fully agree with the statements, i.e. 4 and 5 on the scale. The result was

analyzed by the agency and sent back with the average number according to the business unit. Eight-four percent of the employees took part in the questionnaire and sixty-five percent of them showed their trust and engagement to the company. (Company A, 2016)

Aiming to achieve more than seventy percent for the coming years, company A decided to take part in the interviews with the author and contribute to more observations in order to identify the driving factors to employee engagement of the organization. Regardless of the existing factors, this thesis aims to investigate the forthcoming and/or unexpected factors or challenges that hinder the possible development. Two interviews are executed with the HR Business Partner, HR Development (HRD) Specialist and Senior Vice President (SVP) of HR inside the company, the details of which can be seen in Table 3.

| Interviewee | Time of working | Interview method |
|---------------------------------------|-----------------|---------------------------------|
| HR Business Partner: Interviewee A | 9 months | Individual face-to-face meeting |
| HRD Specialist: Interviewee B | 1.5 years | Group face-to-face meeting |
| SVP, HR: Interviewee C | 2 years | |

Table 3. Interviewee details in Company A

4.2 Presentation of company B

Company B provides products and services in the energy sector and is owned by the City of Helsinki. Company B operates as both business-to-business and business-to-consumer organization. The details of company B's operation can be seen in Table 4.

| Key figures | Year 2016 |
|-------------|-----------------|
| Net sales | 746 million EUR |

| | |
|-----------|------|
| Employees | 1342 |
|-----------|------|

Table 4. Company B key figure 2016 (Company B, 2016)

According to the Company B Annual Report (2016), the average age of the employees was 46 with an average of 17 years of service. Having started the business in the early 1900s, achieving higher employee engagement level seems like a challenge to the organization. Company B agreed to participate in this research to investigate the driving as well as hindering factors to improve the level of engagement inside the organization.

Two interviews were carried out with the Head of HR, HRD Manager and HR Manager in Customer Services, the details of which can be seen in Table 5.

| Interviewee | Time of working | Interview method |
|--|-----------------|--------------------------|
| Head of HR: Interviewee D | 10 years | Individual Skype meeting |
| HRD Manager: Interviewee E | 10 years | Group Skype meeting |
| HR Manager in Customer Service: Interviewee F | 5 months | |

Table 5. Interviewee details in Company B

5 Analysis and interpretation of results

Based on the previous literature, findings and interviews at the case companies, the results are presented to support the theory and contribute to the outcomes of the thesis. The interview questions are divided into themes concerning work expectations, challenges, creativity, problem solving, decision making, organizational forms and hierarchy, social environment, communication, leadership, processes, recognition system and growth possibilities. All of these aspects influence every part of the organization in order to improve the engagement and contribute as the motivating factors to the success of the organization. The findings and analysis also aim to explore the actions undertaken by the case companies in order to improve the level of engagement inside the organizations.

5.1 Engagement in organization A

As a company focusing on financial process automation and outsourcing, company A provides software as a service products, which is service and customer-driven. For the forecasting period until the year 2020, company A plans to be one of the best financial management service providers in the Nordic area. Company A has an intention to expand to other parts of the world.

1. Organization and hierarchy

Company A plans to move the company towards the automation of procurement, invoicing processes and cash flow management. In order to achieve the strategy, company A emphasizes on the culture and values inside the organization. The values are the guide that they build to work with. As for the action of HR, they have defined and built the values together with their employees, which comply with three main points, i.e. customer-driven, passion and collaboration. HR communicates with the employee and makes sure that the employee and also the leaders live up to these values. In the words of interview A: *“company’s values tell the world what kind of company we are, they are also internally, some kind of a*

guideline for all of us to know how we work together. Our company's values are customer-driven, passion and collaboration... In words, it might be similar to other companies are having but we want to make it alive... by using those words in everyday working with each other".

According to interviewee C, who is the Head of HR of the company, customer-driven means that all the functions of the company are gathered and operated towards customers. Company A constantly meets the expectations of the customers with the key in listening to their needs and delivering the best possible business outcomes. Interviewee C said: *"... we would like to help our customers to digitalize their payment processes, help to make their business functions at ease and we do that by focusing on one customer at a time to really listen to the customer and care about their wants and needs."*

Passion is the motivation and energy that drives people's innovation and inspiration to succeed in their tasks. *"We should always thrive about what we are doing, share our experience to help others do their job well... we should dare to take risk and make the success happen."* Interviewee B added.

Collaboration is considered to be the core of company A's strategy. Collaboration in the company A means that the employees strive for success together. They are active in coming up with ideas and solutions, striving for improvement and sharing the best practices. HR makes sure that responsibilities are among every single one in the company, enables the environment for them to work together and learn from one another. Collaboration in company A is not only within the organization but also with the customers, and it is the foundation of its shared success.

Besides the strategy executed inside the organization, how the decision is made and how the problem is solved are among the contributions to the strategy. Company A focuses on financial automation, which means that the company needs to follow the rules and standards, not only in the local policy of the company but also in the regulations in the countries and the global context that company A operates in. It seems to be complex and difficult to align with the standards and the

company's strategy, however, HR and leaders' job is to communicate and train their employees accordingly. The decisions and solutions are made based on company A's values on the collaboration and passion towards the needs of the customers. Interviewee A said: *"we have different project team who is undertaking the decision making process inside the company. Projects do not need to wait for the CEO's (Chief Executive Officer) approval but rather than the one who takes the ownership and the related team. However, that does not mean that the CEO does not involve but he always knows what project is going on because of the way we share the information, even from when the idea of the project just started to the progress until the finishing phase."*

When initializing a new project or work task, all information, decision and solution are communicated to all part of the company. Each team has a manager and a number of subordinates in the team. In order to maintain the consistent and transparent flow of information and make sure that everyone has the responsibilities and ownership in what they are doing, there is hardly any information that is kept secret to the personnel. This can happen because of the enablement of the company's structure.

Company A was founded in 1984 and until now, the company's objective in creating organizational structure is flat and lean hierarchy. Having the headquarter based in Helsinki and several offices in eight countries, the number of leadership and the span of supervision are kept at the minimal level. This means that the whole group of organization combines international talents from all over the world. With open-minded skillsets and innovative-oriented mindsets, people are encouraged to work hard and find new ways to meet customer's needs and the company's values. The business operation is across borders with more than 100 countries divided among corporate customers, the flat hierarchy helps in the decision making and problem solving process.

The span of supervision is also considered to be one of the remarkable point of the company A's structure. The span of supervision relates to the number of people that the manager has to report to him or her. For company A, the level is kept at

the average of four levels at the maximum. Interviewee A mentioned: “... *that means the head of one department has roughly four levels of subordinate groups to supervise including first line managers and regardless of the numbers of the subordinates*”. Having fewer levels of reporting increases the flexible and flat structure of the organization and encourages the power and willingness of the employees to carry on more responsibilities and delegation. However, there might be times when the supervisors become overload when too much task and support are required. Company A therefore encourages and undertakes cross-team functionality to help each other and be initiative to minimize the supervision and control. With this solution, in the questionnaire conducted in 2016 by the external agency when HR aimed to evaluate the function of the company, sixty-eight percent of the employees found that the job is challenging and exciting enough, not only in their fields but also in finding new ways to help their colleagues in their tasks. Interviewee B said that “*it is pretty amazing to see people are enjoying working together... When I first started working here, I also struggled in the beginning to see and understand how everything worked. My manager was not able to always be around, but others people are willing to help and many advices were really useful and I really appreciated that...*” Simultaneously, interviewee C in the group meeting also added that “*yes and we, sort of, consider that collaboration and cross-team working is the role model here, where everyone takes part in others’ task and help making the success happen the sooner the better. We have people from payment team who are going to meet customers with the sales team and help presenting to make the deal happen...*”

One of the actions supporting the lean and flat hierarchy is the open space environment in company A. According to the author’s observation, the office is designed as open workstations, which means that no one gets to have their own workspace. The workspace is flexible as there is no room or fixed cubical for anyone. This means that the CEO sits in the open space like everyone and enables the flexibility and openness in doing the job or communicating throughout the office. Interviewee C added: “*I started here about two months after the new CEO was appointed to this company. I still remember that he used to sit next to my workstation to easily communicate and get the work done. It is really usual that you*

can just bump into the CEO or any other members of the board in the kitchen, next to the coffee machine or just grab a seat next to you.” The environment helps increasing the collaboration across teams and interacting with supervisors and leaders, which help people to get to know and assist one another. On the other hand, the open space helps the employee to simply grab their supervisors by their arms when they need support from them. This in turn helps solve the problems faster, increases real-time evaluation and develops the flat hierarchy even stronger. *“Many customers and partners call us as an open, not so serious and casual place, and way of working, which makes it fun for them to get to business with us.”* Interviewee A responded.

At the time this research and observation take place, company A is undergoing a change in the organization. The company is splitting into two small companies, half of the company will be transferred to another corporation with more than half of the employees move with it in the beginning of 2018. In order to change accordingly to the reorganization, strategies and values need to revise in order to retain a particular structure and way of working. During four months of the reorganization up until now, the HR representatives together with the CEO and other leaders have organized four conferences announcing the news and the onboarding program. Six three-hour-discussions have been held to involved every employee of the company to participate in the decision making process. The author had the chance to participate and observe the decisions as well.

As a result, all the employees as well as the leaders agree to keep the strategy and values as three main cores: customer-driven, passion and collaboration. Flat and lean hierarchy with the open space environment is the competitive advantages that they still want to keep in order to attract more talents and new employees. As the span of supervision is low, employees are encouraged to take actions, be initiative even without the supervisors and take ownership of what they do. Instead of relying on the permission from the managers alone, they can seek help from other team and help build the strategy together with the company.

The HR department in company A conducts two surveys per year to collect feedback and measure the satisfaction and dissatisfaction levels of the employee in relation to their jobs as well as to the relationship with their supervisors. Once per year, the evaluation of their performances and the relationship with their first line managers is included in the development discussion. The result from the development discussion is for HR and the leadership team to collect feedback and work on the career development plan. The results from two surveys per year are summarized and the summaries are published for all employees in different communicating channels. *“At least in our office in Tallinn, we have never had a strong negative feedback concerning the relationship between the employees and the supervisors, and I am pretty sure that in other offices are the same”* Interviewee B said and interviewee C agreed: *“that is true, in Helsinki is the same and I know that in other offices, we have never received any significant conflicts before.”*

2. Business processes

Processes can be seen to be the most related component between the organization and KM, which is the way the sources of information and knowledge are stored and accessed. Processes in company A handle the management and informal process as well as the business process when new ideas are placed or creativity rises from within. Informal processes can be referred to as self-organizing processes and as a flat and lean hierarchy with open space as company A, it will increase *“the likelihood of face-to-face conversations and information transfer.”* (Galbraith 2014, p. 38)

Informal processes nowadays turn more towards Enterprise 2.0, which includes email, social media and other software programs. Social media tools available for the enterprise are called Yammer for community formation and also wikis and Microsoft Sharepoint for communication and decentralization of work. (Galbraith 2014, p. 38)

Interviewee B, who is the HRD Specialist, claimed that Yammer is becoming popular in facilitating the informal discussions in the workplace. However,

company A has just started using Yammer from the end of 2016, which leads to the infrequent use of Yammer from all employees. According to interviewee B, *“there is roughly one fourth of the company who are active users in Yammer”*. Active users mean that they share the information and initiate the discussion for everyone to be involved in. Another one fourth is slightly active, meaning that they check Yammer but will not participate in the discussions there. The other half is not using at all and generally from the old generation.

In order to solve this problem, HR together with the leadership team encourages other managers to use Yammer as much as possible. Yammer is used inside the team and across teams. They urge their employees to share the best practices in businesses, lessons learnt from the business failures or even entertaining information to get everyone involved. All of the outcomes of all projects are transparent in one source of sharing, which means everyone can learn from the mistakes, develop the best practices and apply to their own task. This enables the real-time interaction with one another, and also enables fairness inside the company. For example, *“an IT (Information Technology) employee can learn about how project management is done, and later on if he or she wants to try on new challenges in different team, he or she is more than welcomed to take on different responsibilities in the project management team, provided that his/her competence is suitable for the tasks”*, interviewee B said.

Management processes are related to the sources of information needed to do the job and how the information flows inside the organization. Company A takes advantage of its intranet for sharing all the business information as well as information storage. All of the knowledge and information which the employee needs are stored in intranet divided into sections and business functions. Besides, a business wiki page dedicated for all teams and can be accessed by everyone. As an automation-oriented company, the HR teams declared that the company handles the information flow quite good. They utilize software programs which can store information according to the needs and characteristics of the information so all employees can use their credentials to log in and access when they need for

their job. Along with the functions of HR team, the administration assistant team also participates in controlling, managing and updating information when needed.

One of the challenges in management processes come from the controlling of software programs to use. As the technology and programs get updates frequently, many of the employees find it challenging and confusing. Sometimes the conditions of the laptop are insufficient for the tasks required, or some employees find the lack of liberation when they cannot use all of the software they need due to the licensing. HR has been collecting feedbacks from this issue, however, due to the information security when everyone can access to all information, the solution of giving everyone freedom cannot be done soon. Interviewee C said: *“we have been receiving some feedback concerning the right to use our technology and the confusion of having a lot of channels to communicate lately. Mainly because of the reorganization we are going through right now and all channels are updating so it is a bit of a hassle, but we of course take into account every opinion and will change accordingly when needed.”*

As part of managing the information flow, company A has launched a training team since the beginning of 2017. The objectives of the training team are to collect all information about products and services into one channel and share the knowledge with all the employees. Collaborating with other team, the training team collects the information, turns it into simple and attractive format such as videos or presentations and encourages the employees to learn and get to know the learning site. The shared information and knowledge are increasing and the transparency on each team’s tasks is provided for better understanding the business and collaboration. Interviewee B and C both agreed that *“the training team is one of the best things that happened to this company lately. Information is in one place and you can learn anytime you want, about our products, services and our way of working when you have time or not sure about something”* and *“I agree... and also they have the design skills so they are able and willing to help other team with the presentations, the visuals... which makes our meetings so much more attractive and interesting. We received a lot of good feedback about the training team and all employees are certainly active participating in the learning path.”*

Business processes take place when new ideas are promoting or encouraging. New ideas are encouraged to develop from all of the employees. Ideas can be discussed via Yammer, inside the office area or proposed straightaway to the leaders or even to the CEO. Ideas can be given trial times to execute provided that they live up with the company's values and cost efficiency. Ideas which might be successful can be implemented into new projects. Ideas which might not be successful can be understood, listened and argued in the most open-minded way as possible. Interviewee A said: *"no idea is the stupid idea... we are really trying to embed that viewpoint in everyone, and even the supervisors have idea to pitch sometimes... it is all useful at some point so you need to speak up..."*

3. Rewards system

As a company with more than 30 years in the business, the majority of the employees are fairly young. Employees are encouraged to rotate inside the organization to change to other teams for new experiences and inspirations. From the HR perspective, most of the employees enjoy taking more responsibilities and challenges as that makes them feel the excitement at their job. Once per year, the HR collaborates with the first line manager to have one-hour development discussion session to evaluate the job, the career paths and offer more opportunities if the employee wants. Promotion and recommendations can be done with the first line manager approval, results in saving the time waiting for the decision from the top leadership team. Interviewee C said: *"we use the management software for all of the HR issues and personal information. Employees can add details about themselves, when you change your address or something... and you can certainly check the current vacancy there. The employees are initiative in finding new challenges at other positions and they are able to do that without any problem."* Interviewee B also added: *"about the development discussion, we have a section for further learning. That means the employees can find courses or topics which they think they will improve their performance and they can learn within the working hours as well. If possible, the company will pay for a small amount for the course."*

It is in fact very important for the employees to develop further and consistently look for new challenges and changes. Interviewee A said that: *“we are a fairly young and dynamic organization. We embrace changes and challenges as our everyday’s task. It is essential for us to provide necessary career training, not only just in the beginning of the job but also throughout the everyday working time.. Many employees like to challenges themselves with new tasks or experience in new position and we try to enable the possibility as much as we can.”*

When someone successfully gets the project done, they can be praised on Yammer or in the HR system. At times, there is a small bell in the kitchen area of the office and praising is possible by ringing the bell. Both interviewees B and C laughed *“we love that in the office, which is kind of a motivating factor. People actually use the bell to celebrate something done to have a small chit chat in the kitchen, and some people even came to me to say that they are motivated to get something good for the bell to ring”* and *“yes, that is correct... I myself feel so special and inspired when the bell rang actually.”*

In the beginning of 2017, the HR team experiments with an award called “The Company A’s Ambassadors”, which happens every six months. The objective of this award is to praise and recognize the employees or the team who live up to the company’s values and do great work. The prize is decided by the HR department and typically a dinner reservation or a team building activities are hand out. In the first half of the year, the training team was awarded as the first ambassador and *“they extremely appreciated that and are motivated afterward so much more”*, interviewee A claimed.

4. Social environment

Due to the flat hierarchy and open workspace, the communication style is considered to be open in company A as the CEO or the Head of HR can be sitting among their employees. HR encourages their employees to communicate to other

teams and if they have new ideas and share it to other people rather than waiting for the approval from their first line manager.

When onboarding new employees, they get help and support not only from their manager but also from the HR department. The induction day is held twice per year, which the CEO and Head of HR give an induction session with the presentation on the company's overview strategy, products and services. The induction session is recorded and shared on Yammer as well as on intranet for the ones who miss it. With the collaboration between the HR team and the training team, new employees are encouraged to learn and get used to the job as fast as possible. Interviewee A said: *"the first line manager is not the only one who is responsible for new employees to be honest. We, from HR team, have that responsibility as well, and of course, various assistances from everybody... We have put together a welcoming package with all the information, company introduction and compulsory test to make sure that the new comers feel prepared to know what to do and to involve them into our culture and values as soon as possible."*

As the social life at work, HR at company A picks a bright color as their color culture. As the interviewee B said: *"it is not just about the vibrant and lively color, it is the common drive to maintain a desirable atmosphere at work... It emphasizes the courage and willingness to change and the passion to change for better..."* HR organizes five to six getaways together after work each year in order to encourage their employees to get to know each other and develop the caring culture between one another. Interviewee C added: *"we are really trying to balance the work-life situation to make everyone feel comfortable and not stress at all. If you are stress, you cannot do your job properly and it will affect the company and everyone else and that is not encouraged here."*

As mentioned above with the two surveys per year to measure the satisfaction and dissatisfaction of the employees towards the organization, interviewee C said: *"... as for the whole organization and the HR team in particular, in general people are happy inside the workplace. People feel more and more engaged with the*

organization, the amount of times people are staying with the company is increasing and of course, the revenue of the company is increasing as well.”

5.2 Engagement in organization B

Company B focuses on the energy sector and provides its products and services for both business-to-business and business-to-consumer fields. Having started the business from early 1900s, company B retains the majority of its business in a traditional way.

1. Organization and hierarchy

According to interviewee D, *“about the strategy and what the most important criteria of the company, the good service level, cost management and reasonable pricing are among the crucial aspects”*. The mission is based on the strategy set by the board, which meets the customers’ needs in an efficient, reliable and economical way.

The strategic goals are determined for a profitable growth, as company B strives to reach the position as one of the leading energy companies in the Nordic region. The mission of company B is to develop based on good security of supply, high quality with reasonable cost and great service. Regardless of the corporate customers or consumers, the aim is to take their needs and communicate for better understanding and services quality. Besides, within the organization, the culture of sharing, collaborating and learning is promoted across the team as well as inside their own employees’ team.

With the values, company B also establishes three common values for the whole organization, i.e. responsibility, courage and trust. Responsibility means not only to the organization and the job itself, but also to the environment as the company B operates in the energy sector. Company B takes more responsibilities on mitigating climate change, keeping sustainable development and focusing on well-being development. Courage refers to the skillsets and the willingness to go ‘extra mile’

to succeed. Company B constantly investigates new ways to meet the customers' needs and promote reliability. The third value of company B is they appreciate the openness and value the mutual trust with one another. New ideas on development are encouraged as they are open to expand and share ideas.

To live up with the strategy and values, the decision-making and problem solving process need to align with it. However, one of the challenges with company B is that it has a few subsidiaries across the country. To be aligned with the same way and method in the process meaning that they have to align with one another between these subsidiaries. Different methods are acceptable provided that the methods are true to the values. Nevertheless, HR and the leaders want to keep the openness and increase flat hierarchy to enable the flexibility between subsidiaries and inside the whole organization. Interviewee D emphasized that *"somehow one of the big challenges that we are facing now is the change. Making changes in the past are very rare and it is a new thing that people are very reluctant to do..."*

Operating in the business for more than a century from the early 1900s, company B started with a traditional hierarchical organization. The span of supervision is narrow, typically one manager has more than five levels of subordinates. With this type of supervision, managers can have more time in managing the task closely and create more growth opportunities as they understand their team colleagues. However, this might affect the communication style, especially between the top and bottom levels. Interviewee E said: *"sometimes it is quite difficult, especially for new employees to open up and talk to the supervisors or even the CEO. Sometimes they told me that they are afraid they might say something stupid and not good for their job, or they do not dare to raise their opinions to the CEO... also in many cases, we have too routine ways of communicating that does not stimulate into new ideas. It usually goes as if you have new ideas, send it to the leaders for measuring then approving. We are changing now as giving new ideas as part of normal work".* Interviewee F added: *"... to me the problem is not even the dare to say or not, it is, well, especially with the old generation, they do not care to make changes, come up with new ideas or take initiative to develop new things..."*

In order to achieve more in terms of the openness in their values, company B has started changing in the spring of 2017. One subsidiary moves to a new premises to get a new office. They implement the open space environment, where no one has their own room and the leaders can sit next to the employees. This in turn benefits in the communication style and increases the development in trying to come up with new ideas. However, this happens in just one subsidiary and HR plans to coordinate with other offices to do the same.

With the plan to develop flatter and leaner hierarchy instead of a hierarchical organization, interviewee D who is the Head of HR says that they will gradually change, but not soon. Most of the people in the leadership position are from the old generation, which they feel that there is a need to have reporting level as much as possible to do the business efficiently. As collecting feedback from the employees, about one fourth of the company, which are younger and in the millennial period, feel like they would prefer to have less reporting and more chances to take initiative in their job. Interviewee D said that *“young generation are very eager to give out new ideas, try on new things and are interested in career path. They want to challenge themselves with new positions and responsibilities as to help the organization succeed faster. The problem is we want all employees feel the need to do the same thing, maybe not changing path every few months but at least participate in implementing new ideas and join the discussion. How to activate those who do not care to develop is our biggest problem...”*

Nevertheless, the openness in company B has been already happening. When being asked how the HR measure if leaders do what they say, it is revealed that direct feedback from those who involved will come to the HR and also the leadership team. HR has short personnel inquiries four times annually and one long deep conversation every second year to collect feedback and measure the satisfaction and dissatisfaction in the employees' job and their supervisors. All of the feedbacks will be stored in the system. Later on, HR makes a report and reading memo to ensure that the results and information from the feedback is accessible to all the employees.

2. Business processes

Similarly to company A, company B turns more towards Enterprise 2.0 with the use of Yammer, SharePoint, etc. According to the conversation with interviewee E and F in the group meeting, the amount of active users in Yammer is relatively small. Young ages are more willing to share and interact with one another over the Internet, however, the old generations are reluctant to check anything else rather than their emails. Interviewee E said: *“with the older people who have been in this company for a long time, they do not have the need to check anything rather than their emails... They are not used to the idea of using Yammer or anything other tools to share anything”*. This might hinder the development of the communication style and open-minded method as nowadays more and more information are shared on Yammer to ensure transparency throughout the organization.

Identifying this problem, the HR department with the leadership team in company B encourages people to use Yammer as they are the pioneers. Every updates and news from the leadership team, they spread it as wide as they can in the organization, through a variety of channels and refer to Yammer as the official discussion panel. The interaction in the Yammer discussion helps everyone to get a big picture of the issue as well as to assist and connect with one another. For the management processes, they utilize their intranet for information storage. However, as the information is developing, the confusion in dealing and how to proceed in KM are increasing. *“One of the problem is how to proceed with knowledge management as we have today too much information and too much time is needed just to find the right information”*, interviewee D said. *“Sometimes people come to me with frustration and ask where should they find this and that, and I have to be honest, it took me quite some times to figure it all out as well...”*

One of the constraining factors for company B is coming up with new ideas, as already mentioned above. As the majority of the employees is from the old generation, they are reluctant to think of new ideas. Many of the employees are doing routine tasks as coming to work then leaving and not likely to take on new chances to develop. Instead, new ideas are coming from the young specialists,

foreign summer workers or even external consulting agencies. This helps in a short time as new mindsets are eager to bring into new ideas, however, in the long time, the ideas are not staying. The summer workers leave after the summer and the external consulting agencies stop after project done unless the contract continues. It is a big challenge to get every existing employee to present new ideas once in a while, however, with the hope of turning the office into open space and flat hierarchy, the situation will be changing in the near future. *“We have very little amount of information which is kept secret from personnel, and that needs to work on to develop a sharing culture inside the organization later one”*, interviewee D said.

3. Rewards system

Rewards system includes the job challenges, recognition and promotion.

Depending on the position of the employees, most of them finds every day's tasks are different and that is what makes them find it interesting. The challenges of the job itself are implied under each task and as HR investigates, about half of the employees feel engaged and valued when the management team is eager to promote the ideas that they have mentioned or to get positive feedback from personnel. Interviewee E mentioned: *“I had some days that were quite eventful. If I remember right, maybe last year, some employees came up to me and said that they felt at their best when the management team was very eager to go on with the ideas that they had mentioned or some got really positive feedback from personnel...”*

Interviewee F added: *“exactly... to me each day is different and new exciting things always come... of course there are some ups and downs, some days someone feel unengaged but other days they say to me that they feel really good because they are trusted to go on with new projects...”*

With the recognition system, as interviewee D said, *“normally the first line manager or immediate superior makes the proposal to recognize someone doing a great job or reward. Group reward is also possible. However, the problem is that typically, the recognition proposal goes to the leadership team then passes down to us to execute... This might cause dissatisfaction due to it takes time to get to the right moment and*

how to divide the equal use of rewarding.” On the other hand, the recognition is considered to be more important than the money. “Of course the money is essential at work, but the work content is more important. Most of the employees feel engaged if they feel trusted with their competencies and if they can be independent in their tasks as well”, interviewee D added.

Promotion path and career development are possible in the company, however, in reality, it is difficult to get inclusive. According to the three people from the HR department, they have company orders and recommendations; nonetheless, young people are interested in career paths but not the older ones. Company B encourages people to try on new position and responsibilities and experiment new ideas as rotating position, but for people who show no interest in doing this, it is hindering all the innovation and inspiration to appear. Interviewee D said *“I remember one time that is really frustrating for me, when we are applying new techniques and encourage people to learn new skills, one guy actually applied to retire a few months sooner because he did not want to learn new things...”*

4. Social environment

The communication style in company B is considered to be rather open in a comfortable atmosphere. However, there is a problem that in many cases, employees are communicating in a routine way, which means that people in one team like to talk with each other rather than cooperate with other people from other team. This hinders the development of the organization as it is hard to stimulate new ideas. Also as mentioned above, another challenge is how to active people who are reluctant to develop.

By the open communication style, the HR departments can learn that sometimes their employees feel unengaged at work. There might be due to the unclear work definition or they might not be able to use their competence skills at their tasks or too much stress at work. The development discussion covers these as the evaluation of the job as the method to help the organization figure out the solutions to help them.

Moreover, not only the HR representatives in the company need to take care of the HR content issues but the superiors need to increase in the coach roles as well. HR acts as the access point where they are giving tools and advices for the supervisors to care about their team colleagues, orient new employees into the work and encourage them to get into the social life of the workplaces. *“New workers have special orientation plan and they are also encouraged to get into social life of workplaces by taking part in projects to get used to the tasks as soon as possible”*, interviewee E said. *“We are trying to involve all summer workers and external agencies to organize events or some relaxing moments to get everyone to know one another and have fun time at the office as well”*, interviewee F added.

5.3 Summary

Based on the findings and comparison between the two objects mentioned above, the organization apparently has an impact on the level of employee engagement and vice versa, the level of engagement influences the way of doing business inside the organizations.

The organizational structure determines the impact on the engagement. The employee can be able to understand where the organization wants to go, how to get there with the help of clearly defined strategies and values. This step helps avoid confusion for the employee. A flat and lean hierarchy increases the flexibility and openness inside the organization, which creates a comfortable environment for working and promoting new ideas. Efficient KM in managing the information flow helps ease the processes and save time in finding the necessary resources. Having clear instructions to the work tasks, recognition and career development path ensures that the enjoyment of work increase. An open communication style and sufficient training enable the trust and mutual understanding between the employer and employee. From the perspective of HR representatives, all of these actions need to be implemented by everyone with the help of HR to connect the relationship.

However, the level of engagement influences the organization in several ways and is influenced not only by the organization itself but also by the level of motivation and participation of the employee. From the comparison between company A and B, it seems that the culture and the people inside the organization determine the level of engagement as well. A young culture, as in company A, might have higher level of engagement than company B. Young people in company A show more interest in changing and cooperating with HR to motivate other people, while the older generation in company B might be reluctant to changes and more settled in their way of working, as the majority of the employees have been working for a longer time. It can be seen from both company A and B that the most important factors which motivate employees are training, development and career and appraisal. Pay and benefits are important, but it is not considered to be the utmost decisive element in determining the level of engagement. These findings largely correspond with those shown in Figure 2 in the theoretical part about the engagement driving factors.

Furthermore, the findings from analyzing the observations and interviews also support the two-factor theory by Herzberg. Analyzing the current situation of both companies, it is revealed that the emotional factors drive the level of engagement, while the rational factors might be the challenge as these factors create dissatisfaction. Emotional drivers such as career development, training, work balances and recognition are emphasized more, and prove to keep working in company A. Rational drivers such as age in personal life, working conditions and supervision might contribute more to the challenges as shown more clearly in company B. It can be seen that the feeling inside determines the level of engagement more than the external and surrounding facilities.

Last but not least, throughout the observations and interviews, it is undoubted that employee engagement can contribute to the success of the organization. Engagement influences the attitudes and beliefs of the employees. Engagement enables the belief in the organization, strive to work actively, care for the organization and collaborate frequently to go extra miles for the organizational

development. This, in fact, aligns well with the characteristics of an engaged employee displayed in Figure 4. Employees in company A are willing to identify with the organization and consistently seek new opportunities to bring success. Employees in company B are reluctant to changes, however, a large number of employees still want to stay and contribute. Differences in individual preferences and external surroundings also need to be taken into account.

6 Discussion

The discussion section gives an understanding of how the results are contributing to previous research and aims to answer the research questions.

6.1 Findings in relation to previous literature

The analysis from the empirical study revealed that the employees express themselves and perform in the workplace on the basis of the psychological experiences. The findings of the thesis are seen to fit the theory of Kahn (1990). There are three elements which can be seen as influential aspects of employee engagement: physical, cognitive and emotional aspects which are influenced based on psychological experiences of individuals. As a matter of fact, the psychological state of mind determines if the employees want to engage or not. In many cases when they feel valued, they develop the engagement attitude towards the organization.

Wellins, Bernthal and Phelps (2005) define engagement as “the extent to which people enjoy and believe in what they do and feel valued for doing it” and it is aligned with the concept defined by Kahn (1990). Engagement is not only about bringing employees to work hard in their jobs, but also about the process of how individuals engage themselves in the performance. (Saks, 2006, p. 602)

Consequently, this process is a two-way relationship, which involves both employer and employee. According to the findings in the empirical part, the way an organization operates influences the way employees feel at work. The smoother and more effective the organization is, the higher level of engagement the employees bring to the company. Furthermore, the higher the level of engagement from the employees is, the stronger the level of commitment and achievement the employees want to help bring the organization to success.

There are many factors which can increase the level of engagement in the organization. The most common factors in driving employee engagement are emotional factors, which includes training, relationship, development and

performance rather than rational and physical factors. This, in fact, validates the study by Rice et al. (2012) and the view that “career development is one of the top drivers of engagement and retention” (Rice, Marlow & Masarech, 2012, p. 183). Besides, based on the theory developed by Herzberg (1966), motivator factors including recognition for achievement and growth possibilities also play an important role in inspiring and encouraging employees to perform better in the workplace, whereas the effective hygiene factors help keeping the employees in the company.

Based on the findings, engaged employees stay because they like their jobs, however, unengaged employees intend to remain as well. Unengaged employees choose to stay for many reasons, such as money, career opportunities, security and stability or familiar and comfortable working conditions or even the delay of and resistance to changing jobs. This can be seen in many cases, where employees are reluctant to changes in order to improve the organization. In fact, they refrain from the changes and insist on keeping the routine. This is in line with the findings from Rice, Marlow & Masarech (2012).

From the findings, there are many challenges that might hinder the level of engagement in the organization and based on the empirical research, age seems to play a role in determining the most challenging factor. Age, therefore, is related to the resistance to change. As the length of service increases, the engagement level is found to decline. There are many reasons for this decline, for example career frustration, boredom, cynicism and disappointment (Robinson, Perryman & Hayday, 2004, pp. 26-27). Some people in the case companies find the changes overwhelming and they have become used to their way of working during such a long time that changes might be feared and found unnecessary.

Employee engagement affects productivity and eventually brings customer loyalty for the company. “Engaged employees work hard, are more loyal and are more likely to go the ‘extra mile’ for the corporation.” (Markwich & Robertson-Smith, 2009, p. 16) Engaged employees in the case companies are willing to stay in the organization, satisfy and bring customers closer and more loyal to the

organization. Indeed, engaged employees are willing to develop new ideas to become more involved in the organization and be inspired to do so on their own, not just because the employers make them.

6.2 Findings in relation to the research questions

The major findings of the thesis are summarized by answering the research sub-questions.

1. Does employee engagement play an important role in developing the organization?

Employee engagement appears in every step of the organization, regardless of the structure, the function or even the business outcomes of the company. In fact, the engagement and the organization have a solid and coherent relationship with each other. Engagement determines the types of employees who are working in the company, whether they are engaged, not engaged or actively unengaged. It is important to take into account the engagement level. It is the milestone which can give the organization overall view of where the company is heading and where it wants to go. Engagement helps develop the productivity and business outcomes, increase employee retention and establish strong connection with the customers' loyalty. However, a successful organization structure impacts on the high level of engagement which eventually contributes to the success of the organization as well.

2. What are the possible factors affecting employee engagement in the workplace?

There are many factors affecting employee engagement in the workplace, which include emotional and rational factors. These factors come from the organizational offerings and the employees themselves in their state of mind. According to (Herzberg, 1966), there are types of job characteristics which eventually lead to job satisfaction, while others contribute to creating job dissatisfaction. These

characteristics are classified into motivator factors and hygiene factors, which form his Motivator-Hygiene model or two-factor theory. (Dartey-Baah & Amoako, 2011) The motivator includes achievement, recognition for achievement, work itself, responsibilities and development opportunities. The hygiene factors are company policy and administration, supervision, interpersonal relationships, working conditions, salary, status, security and personal life.

2a. What are the factors that bring positive outcomes to the employee engagement?

The motivator factors are seen to bring positive outcomes to the employee engagement. As mentioned in the theoretical part as well as emphasized in the analysis part, career development and trainings are among the top contributors to the high level of engagement. The recognition in the achievement and the nature of the work tasks and responsibilities help to involve and engage the employee in the organization. People want to feel valued and challenged to keep the excitement in their jobs going.

2b. What are the challenges that might hinder the development of employee engagement?

Lack of motivator factors leads to lack of satisfaction, which affects the level of engagement as well. However, the challenges which hinder the development of engagement lie in the hygiene factors. Hygiene factors lead to job dissatisfaction and can potentially make people feel unengaged. Factors concerning health and security, conflicts in the relationship with managers and coworkers, low wages and long working hours or periods and bad working conditions all contribute to the dissatisfaction in the workplace. Age is also one of the challenging factors, as people in the older generations are reluctant to changes.

3. How do managers/leaders utilize and apply the best practices in order to encourage employee engagement?

As all parts of the organization are coherently interdependent on one another in order to achieve a successful organization, the leaders need to take into account the factors influencing the structure of the company as well as their employees, the ones who can bring out the best contributing to the business outcomes. In order to live up to the organization's strategy and values, the leaders need to communicate them clearly to their employees and also, they need to live up to them themselves. HR representatives are alleged to be the connection between the leaders and the employees, to evaluate the efficient relationship and provide necessary information and knowledge when needed. Encouraging the motivating actions and enabling the opportunities for career growth and excitement are among the most essential missions.

The main objective of this thesis is to explore the driving and challenging factors in improving employee engagement. In other words, the research aims to answer the big question: What influences employee engagement from the viewpoint of HR representatives?

In conclusion, the structure of the organization has a great impact and influence on the level of engagement inside the company. Depending on the particular structures that the organization implements, it can help improve the level of engagement as, for example, flat hierarchy enables openness and trust, job challenges and career development enable the feeling of value, efficient communication and processes enable ease and comfort in working, etc. In contrast, poor leadership style, hierarchical structure and confusion due to lack of clearly defined strategies and information might lead to a low level of engagement. As a result, highly engaged employees continue to contribute to a successful organization, while unengaged employees are reluctant to make changes and help the organization develop faster.

6.3 Reliability and validity

The theoretical framework is constructed based on scientific research and reliable sources from the literature. Sources are selected based on how they are relevant to

the subject. The results in the empirical part are obtained from the observations and interviews with the case companies from August 2017 to the end of September 2017. The analysis is based on the findings from the interviews with support from literature. Therefore, this research is considered to be reliable.

The interviews with the two case companies include the information linked to the companies' current situation, strategies and the difficulties which the companies face at the time being. The information is used to form a collection of considering factors which influence employee engagement for both companies and it helps the companies to strengthen and develop in the near future. Therefore, the research is relatively valid.

7 Conclusion and recommendation for future research

The objective of this research is to explore the driving and hindering factors influencing employee engagement in medium and large corporations in Finland. In order to achieve this objective, the theoretical and empirical frameworks concentrate on the concept of employee engagement and how the employee engagement enables the successful and efficient organization.

In the theoretical part, the concept of employee engagement is studied with its antecedents, consequences and its influencing factors. To identify the factors, motivation is taken into consideration with the presumption that emotional drivers influence the engagement more than the physical drivers. The motivation and factors appear inside the organization to develop engagement. With the supporting literature and case objects, it can be seen that the feeling inside, or the motivator factors, help increase the level of engagement, whereas the hygiene factors are important in not letting the level of engagement decrease.

Then, in order to test the presumption on the factors, the findings, which are based on the analysis of the discussion in the interviews with the case companies, are seen to help the companies develop further. It is believed that the recommended findings will contribute to gaining more insights into the topic. It is meant to help the company pay more attention to the importance of employee engagement, regardless of the industries or company sizes in Finland.

Based on the findings and observations, the suggested factors are recommended for the companies to take into consideration when planning their strategies. In order to successfully develop, the case companies should evaluate and adjust to be better-fitted with its contemporary situation. The factors and situations are bound to change as the time and industry changes, so one-dimensional research should not be the case.

As mentioned in the thesis limitation section, the research is conducted from the perspective of the HR representatives. Further research and findings are

recommended for solid understanding in relation with the employees' perspective as well. Besides, the engagement level and possible influencing factors might alter due to the difference in individual preferences. Research on existing previous literature is recommended. Furthermore, future research from different perspectives, for instance from the perspective of leaders, managers and employees, is useful for the broad picture in determining the level of engagement of the whole organization.

The factors in this research are studied based on the current situation of the companies for the time being. If the business changes, the companies should take into account the changes in the engagement factors as well. Depending on the industry and range of business, the companies should alter their research and plan accordingly.

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9 Appendices

Appendix 1. Information sheet and email request for interview.

Dear Mr./Mrs.,

My name is Quynh Tran, currently I am in my final stage of my Master's degree in Information and Knowledge Management at Åbo Akademi University. I am conducting my thesis exploring the impact of employee engagement and through the recommendation of my colleague, I am gratefully appreciated as you agree to take part in the research of my study. I believe your inputs for my research as well as information which we are able to explore together can be beneficial for both parties.

To briefly introduce my topic, the objective is to understand the concept of employee engagement, its importance in shaping the organization and the impacts on what drives employee motivation. The target implies on the actions in the organization, managerial positions and HR functions in helping develop employee engagement.

Specificity of research aim:

The research focuses on introducing employee engagement, defining the concept in the organization, identifying the benefits, exploring the challenges and determining the important drivers of employee engagement from the perspective of HR professionals and leaders. Throughout the research, the benefits and importance of employee engagement are the focus to develop more on motivating the employee.

Objectives:

- To gather information on employee engagement under the organizational perspective.
- To develop a theoretical framework of the employee engagement.

- To analyze, evaluate and test the reliability of this theoretical framework.

Themes

- To identify how employee engagement is viewed in the workplace.
- To explore the benefits of employee engagement from the perspective of the managerial position.
- To determine the most important driver of employee engagement as well as raise awareness of the challenges which hinder the engagement.

As agreed upon, all information will remain confidential and your identity will remain anonymous. The interview will be ideally audio-recorded and the information gathered will be transcribed by me as the researcher. Only I will have the access to the transcripts thus your name will not appear on any transcript. All of the data gathered for the research will be adequately and properly disposed of on completion of the study.

With this, I am incredibly honored to reserve an interview with you for about 45-60 minutes for your inputs on the situation.

Should you have any queries in respect of this interview, or the dissertation itself, please do not hesitate to contact me.

Many thanks in advance. I look forward to hearing from you soon.

Yours sincerely,
Quynh Tran.

Appendix 2. Agreement and consent form.

Employee engagement - The impacts in shaping the organization development under Finnish employers' perspective

Consent to take part in research

- I..... voluntarily agree to participate in this research study.
- I understand that even if I agree to participate now, I can withdraw at any time or refuse to answer any question without any consequences of any kind.
- I understand that I can withdraw permission to use data from my interview within two weeks after the interview, in which case the material will be deleted.
- I have had the purpose and nature of the study explained to me in writing and I have had the opportunity to ask questions about the study.
- I understand that participation involves answering the interview questions as well as explaining the answers.
- I understand that I will not benefit directly from participating in this research but the research findings may be used in helping my organization develop further if wanted.
- I agree to my interview being audio-recorded.
- I understand that all information I provide for this study will be treated confidentially.
- I understand that in any report on the results of this research my identity will remain anonymous. This will be done by changing my name and disguising any details of my interview which may reveal my identity or the identity of people I speak about.
- I understand that disguised extracts from my interview may be quoted in research writing drafts, presentation and published papers.

- I understand that if I inform the researcher that myself or someone else is at risk of harm they may have to report this to the relevant authorities - they will discuss this with me first but may be required to report with or without my permission.
- I understand that signed consent forms and original audio recordings will be retained in the researcher's storage until the final university board confirms the results of the research.
- I understand that under freedom of information legalization I am entitled to access the information I have provided at any time while it is in storage as specified above.
- I understand that I am free to contact any of the people involved in the research to seek further clarification and information.

Quynh Tran

Email: quynh.tran.2105@gmail.com

Tel: +358 44 2392145

Signature of research participant

Signature of participant

Date

Signature of researcher

I believe the participant is giving informed consent to participate in this study

Signature of researcher

Date

Adopted the template from (Trinity College Dubble)

Appendix 3. List of interview questions.

A. Background

1. Please tell me about your current role and responsibilities.
 - 1.1 How long have you been working here at the company and in this current team?
 - 1.2 How long do people typically stay in this team?

B. Organization and hierarchy

1. How are expectations set regarding your responsibilities?
2. What aspects or criteria for work are the most emphasized here as important, e.g. quality, innovation, cost management or service standards?
3. Which aspects are the most challenging? Why? How do you respond to these challenges?
4. In your current work environment, what do you find to be interesting or stimulating?
5. How do the tasks that you undertake each day bring out the best in you? Can you give some examples?
6. What are the constraining factors in this organization?
7. What factors most impact on your/your employees' level of engagement at work each day now?
8. How would you describe the HR function?
9. How do you collect/measure feedback or satisfaction/dissatisfaction from the employees?
10. How can you coach managers/leaders to develop good climate and trust?
11. How do you measure if leaders do what they say?
12. What is your company's strategy? In terms of mission, vision and value?
13. How do you make sure that the leaders and their employees live up to the strategy?
14. How do you communicate with leaders/managers and make sure the information flow is accessible to the employees?

15. Can you think of a time when you or someone told you if he/she feels unengaged at work? What was happening? What actions needed to take to improve the situation?
16. If you had unlimited resources, would you change anything at the organization? If yes, what would you change?

C. Business processes

1. Where do new ideas come from? Can you provide some examples?
2. How would you/your supervisors/leaders react to new ideas from you subordinates?
3. What goals or expectations are set in relation to new approaches or services, especially implementing new ideas from the employees? Can you provide an example?
4. What steps do you take to promote new ideas? How do you, or someone as a managerial position, encourage coming up with new ideas or building on other's ideas? Can you give me an example?
5. How is the process in promoting new ideas?
6. How do you handle the information flow inside the organization?
7. In what ways do employees look for fresh and new ways to solve problems/opportunities to develop, learn and grow/seek support from? Can you provide an example?

E. Social environment

1. How would you describe the social environment within your team/the whole organization?
2. How would you describe the communication method in your company?
3. How would you describe the work-life balance/benefits and value towards the employee?
4. Please tell me about a time when you have felt really engaged in your work. What contributed to that? What was happening at this time?
5. Again thinking back over your career, can you think of a time when you felt unengaged in your work? What was happening at this time in your work?

F. Rewards system

1. Are there rewards/incentives for collaborating – within teams or across teams?
2. How do you work with socializing new employees? How does your recruitment process work?
3. How are decisions made about performance, promotion and provision of recognition or rewards/praise in this organization? Do you have any dissatisfactions in this area?
4. Do you have a clear understanding of career and promotion path? How would you make sure that the information is clear and easy to access inside the company?