

Determinants of Employee Engagement in the Banking Industry in Kenya; Case of Cooperative Bank

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Abstract

Employee engagement is considered one of the most powerful measures of a company's vigor towards competitive advantage and high performance. Employee engagement involves creating prospects for employees to attach with their managers, colleagues and organizations. The study sought to assess the determinants of employee engagement in the banking industry in Kenya. The determinants covered were performance management system, personal development and growth opportunities, and workplace recreation and remuneration. The study adopted a descripto-explanatory research design, covering a sample of 214 respondents drawn from a target population of 496 employees of Cooperative Bank of Kenya. The data collected through a self-administered questionnaire was analyzed using descriptive and inferential statistics. The study achieved a response rate of 50%. Correlation tests revealed a strong positive correlation between organizational performance management, personal development and growth opportunities, workplace recreation, and remuneration package and employee engagement with coefficients of 0.733, 0.596, 0.720 and 0.780 respectively at a 0.01 significance level. Regression analysis revealed that an increase in workplace recreation, personal development and growth, performance management, and remuneration package by one unit would increase employee engagement by 0.090, 219, 0.386 and 0.389 units respectively. All the variables covered had positive influence on employee engagement. However, remuneration was the highest contributor of employee engagement with workplace recreation having the least influence. The study recommends that bank managers should give special attention to programmes and activities that promote employee engagement which has a positive linkage to performance. Such programmes should include two-way communication system, ensure that employees have necessary resources they need to do their jobs, give employees appropriate training to increase their knowledge and skills, establish reward systems in which outstanding job performance is rewarded through various financial and non-financial incentives, build a distinctive corporate culture that encourages hard work and keeps success stories alive, develop a strong performance management system which holds managers and employees accountable, place attention on top-performing employees to reduce their turnover.

Keywords: Employee engagement, remuneration, workplace recreation, personal development and growth, performance

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Background to the Study

Employee engagement is the key focus of both business entrepreneurs and academic researchers and is a blistering issue of modern business environment. Baumruk (2004) contends that every organization wants to gain competitive advantage and employee engagement is the best tool for achieving it. In fact, employee engagement is considered to be the most powerful factor to measure a company's vigor and orientation towards superior performance. Employee engagement involves creating prospect for human resources to attach with their managers, colleagues and organization. Engagement is a perception that places continuous improvement, change and flexibility at the empathy of what it means.

Managers want to improve employee engagement on grounds that it leads to superior performance, reduces staff turnover and improves the well-being of employees (Macey & Schneider, 2008; Hakanen *et al.*, 2008). Engaged employees value, enjoy and have pride in their work and are more willing to help each other and the organization succeed. LePine, Erez, & Johnson (2002) argue that engaged employees take additional responsibility, invest more effort in their jobs, share information with other employees and remain with the organization than employees who are less engaged. Studies by Bloom and Michael (2002) indicate that although the primary focus of engagement efforts has mostly been on team-building programs and nonfinancial rewards, egalitarian pay structures have been found to be related to employee cooperation, involvement, satisfaction and commitment; all of which have been used as proxies for employee engagement. A study by Konard, (2006) established that high-involvement work practices; techniques used by the management to efficiently involve their employees in their works and receive high performance among employees can contribute in effective employee engagement.

Whereas banks in Kenya lay a lot of emphasis on provision of quality service to customers, the challenge is to create motivated and engaged employees who can facilitate that endeavor. Employees are critical to achievement of their goals and therefore, managers must consider employee engagement as it is related to service quality and work performance. In order to create an environment for employee satisfaction and engagement, it is vitally important to know which factors most affect employee engagement (Heartfield, 2012). Organizations must spend time, money, and energy on programmes, processes, and factors that will have a positive impact on employee engagement.

Problem Statement

In recent years, employees comfort on the job has been recognized as an important factor for measuring their productivity. Employee engagement affects the quality of service in banks with a consequent effect on customer satisfaction and ultimate performance. Therefore, many firms strive to create high engagement amongst their employees. Engaged employees demonstrate attributes such as loyalty, trust and commitment to the organization. When employees are satisfied and engaged with their work, they are more creative and innovative and offer advances that allow companies to evolve positively over time with changes in market conditions.

It means organizations that desire to improve their performance must be concerned about internal issues related to employee engagement and view their employees as customers too. Despite employee engagement being an important ingredient to employee productivity, there is limited empirical research that has been conducted on the subject matter in relation to commercial banks in Kenya. In order to create an environment for employee engagement, it is vitally important to be aware of the determinant factors. The study sought to assess the determinants of employee engagement in commercial banks in Kenya; using Co-operative Bank as case for the study.

Purpose of the Study

The purpose of the study was to assess the determinants of employee engagement in the banking industry in Kenya using Co-operative Bank as a case.

Specifically, the study sought to determine the influence of performance management system, personal development and growth opportunities, workplace recreation and remuneration on employee engagement.

Methodology

The study adopted a descripto-explanatory research design, which facilitated detailed description and analysis of the variables under study; describing and presenting their characteristics and explaining their relationships without manipulation as supported by Saunders *et al.* (2009).

The design also allowed inductive and deductive reasoning to arrive at generalizations. The study covered a stratified sample of 214 employees selected from a population of 496 employees of Cooperative Bank of Kenya. Data was collected through a self-administered semi-structured questionnaire. To ensure validity and reliability of data, the questionnaire was pilot-tested before its administration. Pilot testing aided in determining the strengths and weaknesses of the questionnaires; question format, wording and order, meaning, task difficulty and, respondent interest and attention. The study used an undeclared pre-test, where the respondents were not informed that it is a pre-test in order to enable seriousness and objectivity in filling the questionnaires. All the issues raised through the pre-test were corrected before final administration. The pre-test data was subjected into reliability testing using Cronbach Alpha, resulting in a reliability coefficient of 0.7990 which is above 0.7; the minimum recommended by Santos and Reynolds (1999). Data collected was analyzed using both descriptive and inferential statistics. Correlation and regression analysis were conducted to determine variable relationships. The research hypotheses were tested using Pearson's Moment of Correlation. The study also conducted ANOVA test to determine whether the model, as postulated in the study works while regression analysis was conducted to determine the extent to which the model explained the variable relationships.

Results and Analysis

The study achieved a response rate of 50%, with 68% being male and 32% female.

Performance Management and Employee Engagement

Performance management is the current buzzword and is the need in the current times of cut throat competition and the organizational battle for leadership. The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization. Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. The first objective was to determine the influence of performance management system on employee engagement.

According to the results, majority of the respondents disputed the statement that they were involved in setting work targets against which their performance is measured (mean response 2.330). However, they indicated that they were aware of the bank's performance measurement system (3.25); had faith with the appraisal system being applied at the bank (3.500) and also confirmed that they worked on agreed targets with specific timelines. The respondents further, acknowledged that their work responsibilities were always in line with their job description.

Regarding feedback, the respondents indicated that they got regular and clear feedback from their supervisors about how well they were performing in their job (2.92). The bank used an objective performance evaluation system that was acceptable to all staff (3.43). The respondents also pointed out that the feedback they received from their supervisors had been critical in improving their performance (2.98). As regards exercise of fairness, the supervisors were transparent and objective in judging employees' performance. The standard deviations were small and ranged from 0.438 to 1.163 implying that the responses were not dispersed from the mean. The study tested a hypothesis which stated that *"there is no significant relationship between performance management system and employee engagement in Co-operative Bank of Kenya"*. According to the findings, there was a strong and positive correlation between performance management system and employee engagement with a correlation coefficient of 0.733, thus the hypothesis was rejected.

Table 2: Correlation analysis between Performance Management and Employee Engagement

		Performance management	Employee engagement
Performance management	Pearson Correlation	1	.733(**)
	Significance(2-tailed)	.	.000
	N	106	106
Employee engagement	Pearson Correlation	.733(**)	1
	Significance(2-tailed)	.000	.
	N	106	106

** Correlation at 0.01(2-tailed):

The findings are consistent with those of previous studies which have found a positive relationship between employee engagement and organizational performance outcomes; employee retention, productivity, profitability, customer loyalty and safety. Researches also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. Employee engagement is found to be higher in double-digit growth companies. Research also indicates that engagement is positively related to customer satisfaction (Coffman, 2000; Ellis & Sorensen, 2007; Hewitt Associates, 2004; Heintzman and Marson, 2005; Coffman & Gonzalez-Molina, 2002).

The Influence of Personal Development and Growth on Employee Engagement

Many employees are looking for continual learning, challenging assignments, and opportunities to make a difference in their services to customers. The second objective sought to establish how personal development and growth opportunities affect employee engagement. According to the study findings, majority of the respondents indicated that the bank had an explicit staff training policy with a mean score of 3 out of 4. However, they disputed the opinion that staff who missed their performance targets were provided with tailor-made training programmes (2.311).

They also stated that the bank provided training opportunities for its staff (3.264) and that the training programmes they attended were relevant to their jobs (3.264). Employees were assured of training whenever need arose (3.349) and their professional growth needs were always considered when training programmes were developed (3.009). The respondents were clear that they would continue working in the bank because of its staff training programme (3.330).

Regarding opportunities for development growth, the respondents confirmed that the bank had a staff development policy (3.028), it supported career development aspirations of individual employees (2.887) and communicated available development opportunities to staff regularly (3.189). However, the provision of time-off to employees pursuing courses on their own received low rating (2.396).

The bank provided financial assistance to employees pursuing higher courses (3.141) and supervisors supported individual employee development plans (2.991), though they did not provide flexible work schedules (2.330).

Consequently, employees who attained higher qualifications were assigned higher responsibilities in the bank (2.434) and all employees had an opportunity for professional growth in the bank (3.236). The bank had very clear promotion rules and requirements (3.010), and that promotion was depended on employee's work performance (3.010), based on a clear performance evaluation system for promotion (3.028). Every employee in the bank had an opportunity to get promoted (3.236) and the process was fair (3.235). Employees considered assurances on their promotion to the next level as being critical to their continued service in the bank (2.802). The study tested a hypothesis which stated that "*personal development and growth opportunities do not have any relationship with employee engagement*" revealing a positive correlation with a coefficient of 0.596. Thus the hypothesis was rejected.

Table 3: Correlation analysis between Personal Development and Employee Engagement

		Personal development	Employee engagement
Personal development and growth	Pearson Correlation	1	.596(**)
	Significance(2-tailed)	.	.000
	N	106	106
Employee engagement	Pearson Correlation	.596(**)	1
	Significance(2-tailed)	.000	.
	N	106	106

** Correlation at 0.01(2-tail

Workplace Recreation on Employee Engagement

Beyond salary, psychological and social fulfillment can determine which employees are motivated to stay, perform, and contribute to organization success. Companies that nail employee engagement understand that motivating high performance and aligning talent with business strategy requires getting to the heart of what matters to employees. When employees do not feel motivated to participate in the workplace, productivity drops and absenteeism rises. Their lack of enthusiasm has a big impact on your bottom line. The study sought to establish the effect of workplace recreation on employee engagement.

According to the study findings, the bank values and invests in workplace recreation for its employees (2.575).

The recreation facilities were found to be gender-sensitive (2.802) and therefore, employees felt strongly engaged to the bank due to workplace recreation. According to the findings of the study the recreation facilities provide include swimming (2.5377), staff parties (3.1887), walking/running (3.2358), team building (2.9906), singing (3.2358), aerobics (2.8396), sporting activities (3.0094) and Christian fellowships (3.0660).

The study tested a hypothesis which stated that "*workplace recreation does not significantly influence employee engagement*". The hypothesis was tested using Pearson's Product Moment Correlation at a 0.01 significance level. According to the results (Table 4) there was a positive correlation between workplace recreation and employee engagement with a correlation coefficient of 0.720. The p-value is 0.000 and thus, less than the alpha of 0.01 hence establishing a high significant relationship between variables. Thus the hypothesis was rejected. The bank's investments in recreation is supported by the American Council on Exercise (2000) which contends that creating some leisure time in the course of the day allows employees to recharge themselves psychologically and emotionally and this can lead to improved job performance.

Table 4: Correlation analysis between Workplace Recreation and Employee Engagement

		Employee engagement	workplace recreation
Employee engagement	Pearson Correlation	1	.720 (**)
	Significance(2-tailed)	.	.000
	N	106	106
Workplace recreation	Pearson Correlation	.720 (**)	1
	Significance(2-tailed)	.000	.
	N	106	106

** Correlation at 0.01(2-tailed)

Remuneration and Employee Engagement

To attract the best employees, companies must research the market in their area as well as their industry to ensure that their total rewards package (salaries and benefits) is in line with their talent strategy. The fourth objective of the study sought to determine the influence of remuneration package on employee engagement.

The results indicate that bank's basic salary was reasonable as noted by majority of the respondents (3.0283) and they were being remunerated adequately for their efforts (2.9623), and that the pay and benefits were commensurate with my skills and experience (3.0283). Pearson Product Moment Correlation test was run to establish whether remuneration package had a significant effect on employee engagement in commercial banks in Kenya. As shown in Table 4.12, there was a strong positive correlation between remuneration package and employee engagement with a coefficient of 0.780. Thus a hypothesis which stated that "*there is no significant relationship between remuneration package and employee engagement*" was rejected. The hypothesis was tested at a 0.01 significance level. The p-value was 0.00 and thus, less than the alpha of 0.01 hence establishing a high significant relationship between variables. The results agree with those of a study by Mokaya *et al.* (2013), which established a strong and positive correlation between remuneration and job satisfaction in the hotel industry in Kenya

Table 5: Correlation analysis between Remuneration Package and Employee Engagement

		Remuneration Package	Employee engagement
Remuneration Package	Pearson Correlation	1	.780(**)
	Significance(2-tailed)	.	.000
	N	106	106
Employee engagement	Pearson Correlation	.780(**)	1
	Significance(2-tailed)	.000	.
	N	106	106

** Correlation at 0.01(2-tailed):

Level of Employee Engagement

Highly engaged employees are crucial to a company's success. Engaged employees have a strong client focus, radiate optimism, achieve or exceed their objectives, have lower absenteeism and suffer fewer injuries. The study also sought to establish the level of employee engagement in Cooperative Bank of Kenya. The respondents were given a set of statements regarding the employee engagement and asked to indicate the extent to which they agreed with each one of them in a scale of 1- 4, where 1 meant strongly disagree and 4 strongly agree.

According to the study findings, employees felt a sense of trust with the bank (2.9623) and were extremely loyal to the bank (3.1887). The respondents registered their absolute commitment in working for the bank (2.7642) and felt a strong emotional bond to the bank (3.0566). They were absolutely to the success of the bank (2.7453). Further, the respondents enjoyed working in the bank (2.7453), were not planning to look for another job in the near future (2.8962).

Regression Analysis

Regression analysis was conducted to determine how each variable affected the dependent variable. The regression model hypothesized that performance management, personal development and growth, workplace recreation, remuneration package were accountable for changes in employee engagement.

As shown in Table 6, workplace recreation, personal development and growth, performance management, remuneration package accounts for 85% (R Square, 0.847) of the variation in employee engagement.

The results also indicate that the estimation of employee engagement using the model can only be wrong by 0.226% (Std. Error of the Estimate, 0.22655).

Table 6: Model Summary

Model	R	R Squar	Adjusted R Square	Std. Error of the Estimate
1	.920(a)	.847	.841	0.22655

a). Predictors: (constant) workplace recreation, Personal development and growth, Performance Management , Remuneration Package

To determine how each independent variable affects the dependent variable, regression analysis was run and the results are as presented in Table 7. The regression analysis results indicate that an increase in, performance management, workplace recreation, personal development and growth, remuneration package by one unit would increase employee engagement by 0.148, 0.288, 0.344 and 0.406 units respectively. The beta coefficients are positive (the sign indicates the nature of the relationship). This means that the independent variable and the dependent variable move together in the same directions meaning than an increase in the independent variables leads to an increase in the dependent variables.

All the significant levels are below 0.05 (the acceptable p-value) which means that all the independent variables have significant and positive influence the dependent variable. The regression model was hence summarized as; $Y = -0.304 + 0.148 X_1 + 0.288X_2 + 0.344X_3 + 0.406X_4$

Table 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Significance
	B	Std. Error	Beta		
(Constant)	-.304	.171		-1.783	.078
Performance Management	.386	.059	.344	6.555	.000
Personal development and growth	.219	.034	.288	6.400	.000
Remuneration Package	.389	.060	.406	6.435	.000
workplace recreation	.090	.042	.148	2.149	.034

a). Dependent Variable: Employee engagement

ANOVA test was also conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The results in Table 8 show an F value of 139.625 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing a significant relationship. The implication is that each independent variable contributes significantly to changes in the dependent variable. This shows that the model works and thus accounts for significantly more variance in the dependent variable than would be expected by chance.

Table 8: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Significance
1	Regression	28.665	4	7.166	139.625	.000(a)
	Residual	5.184	101	.051		
	Total	33.849	105			

- a). Predictors: workplace recreation, Personal development and growth, performance management, remuneration package
 b). Dependent Variable: employee engagement

Conclusions

Based on the study findings, it is palpable that employee engagement in Co-operative bank was high. Employee engagement was greatly influenced by performance management, personal development and growth, workplace recreation, and remuneration package. However, among the determinants, remuneration is the highest contributor of employee engagement with workplace recreation having the least influence. Low engagement and job satisfaction can contribute to multiple organizational problems and have been associated with increased levels of turnover and absenteeism, adding potential costs to the organization in terms of low performance and decreased productivity. It is important for bank management to be aware of the needs and make up of their workforce, as well as the impact of environmental factors, when developing their programmes and policies that have implications on engagement.

Recommendations

Based on the findings, the study recommends that bank managers should enhance two-way communication, ensure that employees have all the resources they need to do their job. To keep employees happy and engaged, and to hold on to top performers, employers should solicit feedback on a regular basis from employees and encourage open lines of communication.

They should also give the employees appropriate training to increase their knowledge and skill, establish reward mechanisms in which good job is rewarded through various financial and non-financial incentives, build a distinctive corporate culture that encourages hard work and keeps success stories alive, develop a strong performance management system which holds managers and employees accountable for the behaviour they bring to the workplace, place focus on top-performing employees to reduce their turnover and maintain or increase business performance.

On the other hand, employees need to take proactive roles to ensure the progress of their career development. Employees should have some responsibility for choosing appropriate training programs to attend to improve their skills and ability at work. Further, managers need to create a transparent working environment, conduct appraisal based on individual participation and team effort and listen to voices of employees and address their needs as well as emphasise co-existence of older and younger generations.

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