ShodhPrabandhan: Journal of Management Studies
October-December 2026 3(3)
https://shodhprabandhan.com

Original Article

EMPLOYEE ENGAGEMENT PREDICTS ORGANIZATIONAL PERFORMANCE: AN EVIDENCE FROM A SOUTH INDIAN ENGINEERING COMPANY

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ABSTRACT

Employee engagement has emerged as a critical determinant of organizational success in the contemporary competitive business environment. This study examines the relationship between employee engagement and organizational performance at an engineering company from South India a small-to-medium-sized enterprise (SME) in India's engineering sector. Using a descriptive research design, the data directly collected from 151 sample respondent employees through structured questionnaire. The study explored the findings and results by applying standard statistical techniques to analyze the collected data. The study explored a strong positive association between engagement and performance and employee engagement significantly predicts organizational performance, explaining 77% of its variance. The findings confirm that higher engagement levels lead to improved productivity, efficiency, and organizational commitment. The study contributes empirical evidence from an engineering SME context — an underexplored segment in engagement literature — and provides actionable HR recommendations for practitioners.

Keywords: Employee Engagement, Organizational Performance, Engineering SME, Human Resource Management, South India

INTRODUCTION

In the contemporary global business environment, organizations operate within highly competitive, dynamic, and rapidly evolving landscapes. Technological advancements, globalization, and shifting workforce expectations compel organizations to rethink their strategies for achieving long-term success. Among organizational resources, human capital has emerged as the most critical asset — uniquely capable of innovation, value creation, and adaptability. Employee engagement has attracted growing scholarly and managerial attention as a strategic lever for organizational effectiveness. Introduced by Kahn (1990), the concept describes the harnessing of employees' physical, cognitive, and emotional selves to their work roles. Engaged employees demonstrate discretionary effort beyond their formal responsibilities, actively contributing to organizational goals. Despite an expanding body of literature, most empirical research on employee engagement focuses on large corporations, multinational enterprises, or Western organizational contexts. Engineering-sector Small Medium Enterprise Units in developing economies — including India — remain substantially underexplored. Such organizations exhibit distinct operational characteristics: production-intensive workflows, technical skill dependencies, strict quality requirements, and resource constraints that may moderate engagement dynamics differently. This study addresses this gap by examining the role of employee engagement as a predictor of organizational performance at an engineering SME in South India.

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Received: 16 September 2026; **Revised:** 20 October 2026; **Accepted:** 27 October 2026; **Published:** 04 November 2026
DOI: 10.29121/ShodhPrabandhan.v3.i3.2026.157
Page Number: 97-102
Journal Title: ShodhPrabandhan: Journal of Management Studies
Journal Abbreviation: ShodhPrabandhan J. Manag. Stud.
Online ISSN: 3049-2416, **Print ISSN:** 3108-1975
Publisher: Granthaalayah Publications and Printers, India
Conflict of Interests: The authors declare that they have no competing interests.
Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.
Authors' Contributions: Each author made an equal contribution to the conception and design of the study. All authors have reviewed and approved the final version of the manuscript for publication.
Transparency: The authors affirm that this manuscript presents an honest, accurate, and transparent account of the study. All essential aspects have been included, and any deviations from the original study plan have been clearly explained. The writing process strictly adhered to established ethical standards.
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LITERATURE REVIEW

1) **Theoretical Foundations** - Employee engagement was first conceptualized by Kahn (1990), who defined it as the simultaneous employment and expression of a person's preferred self in task behaviors. Kahn's model posited three psychological conditions — meaningfulness, safety, and availability — as antecedents of engagement. This foundational framework established engagement as fundamentally distinct from related constructs such as job satisfaction and organizational commitment. Schaufeli et al. (2002) operationalized engagement as a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption. Their development of the Utrecht Work Engagement Scale (UWES) provided a psychometrically validated instrument that has been widely adopted in subsequent research. Macey and Schneider (2008) further distinguished trait, state, and behavioral engagement, underscoring its multidimensional nature. The Job Demands-Resources (JD-R) model Bakker and Leiter (Eds.). (2010) provides a complementary theoretical lens, proposing that job resources — including social support, performance feedback, and autonomy — buffer the negative effects of job demands and stimulate engagement. This model is particularly relevant for manufacturing environments where physical demands and operational pressures are prominent.
2) **Antecedents of Employee Engagement** - Empirical research studies have identified a range of organizational and individual antecedents of engagement Leadership quality — particularly transformational and participative leadership styles — have been consistently associated with higher engagement levels Bailey et al. (2017). Transparent communication channels, recognition and reward systems, career development opportunities, and work-environment quality are also established drivers Anitha (2014), Saks (2006). Markos and Sridevi (2010) synthesized evidence from multiple studies to conclude that organizational culture, manager behavior, and equitable compensation systems are pivotal in determining engagement. Albrecht et al. (2015) demonstrated that human resource management practices — including training and development, performance appraisal, and employee voice — serve as significant enablers of sustained engagement.
3) **Employee engagement and organizational performance** - The linkage between employee engagement and organizational performance is well-documented. Saks (2006) established that engagement significantly predicts job performance, organizational citizenship behavior, and reduced turnover intention. Anitha (2014) found that the determinants of engagement collectively explain substantial variance in employee performance in the Indian context. Motyka (2018) conducted a systematic literature review across 34 studies and confirmed a consistently positive engagement-performance relationship across sectors and geographies. Agarwal and Bhargava (2019) reported that engagement positively influences productivity, innovation, customer satisfaction, and financial performance. More recently, Kurniawati and Raharja (2023) conducted a systematic review affirming that engagement remains a robust predictor of organizational outcomes across diverse industrial contexts. However, their analysis also noted the paucity of studies focused on the sampled study unit of engineering works.

OBJECTIVES OF THE STUDY

1) To study and analyze employee engagement as a predictor of organizational performance
2) To measure and explore the level of employee engagement among employees in the organization
3) To analyze and explore the relationship between engagement and employee performance explaining the organization performance
4) To evaluate and suggest the managerial implications for improving the employee engagement level supporting to organizational performance

RESEARCH METHODOLOGY

1) **Data collection** - The study adopted descriptive research design includes the field study by applying survey method for data collection. The data collection was done among the employees who are working in one of the reputed engineering companies 'Sree Sakthi Engineering' - Coimbatore, South India – a medium level enterprise focusing the production of machines, compressor, pipes, fittings and valves. The study adopted a structured questionnaire for data collection. It comprises demographic information - gender, age, educational qualification, years of experience and department, closed ended 22 questions framed using Likert-scale for measuring employee engagement dimensions - motivation, emotional attachment, organizational pride, work environment, resource availability, communication, workload manageability, work-life balance, leadership support, feedback, recognition, trust, and compensation and measuring the perceived organizational performance indicators - initiative, adaptability, teamwork, and productivity. The standard statistical analysis methods and techniques with the usage of SPSS software were applied to test the relationship of employee engagement with organization performance, to test the differences in engagement of employees who are working in different departments.

2) **Data collection procedure –** The questionnaire was manually distributed as well as electronic forms among all the 151 employees who are working in production and related units, HR and Finance sections and logistics and distribution sections. It received all the responses with the responses rate of 100% that were taken into account for analysis as a complete census data aiming accuracy, consistency and reliability.

3) **Reliability of the instrument -** The reliability and internal consistency of the questionnaire was tested and analyzed using Cronbach's Alpha value. The overall scale yielded an alpha value of 0.966 for 15 items, classified as excellent ($\alpha > 0.90$) by Nunnally and Bernstein (1994). All corrected item-total correlations exceeded the recommended threshold of 0.30, confirming that all items contribute meaningfully to the scale.

4) **Demographic profile of respondents -** The demographic profile shows most of the respondents are female employees (59%) who are mostly fall in 20 yrs to 35 yrs of age group (83%), having undergraduate to post graduate qualification (86%), having sufficient amount of 0-3 yrs of work experience (62%), working in production, dispatch, sales, distribution departments and HR section, who were evidenced as engaged employees and contribution to the organization performance.

Table 1

Table 1 Demographic Profile of Respondents

Variable	Category	Percentage (%)
Gender	Female	58.9
	Male	41.1
Age Group	Below 25 years	49.7
	25–35 years	32.5
	Above 35 years	17.8
Education	Undergraduate	46.4
	Postgraduate	38.4
	Diploma / Others	15.2
Experience	Less than 1 year	37.1
	1–3 years	34.4
	More than 3 years	28.5
Department	Production	30.5
	HR	20.5
	Finance	8.6
	Others	40.4

Source: primary data / compiled from SPSS output

RESULTS AND DISCUSSION

1) Relationship of employee engagement with organizational performance

The study assumed the strong positive significant relationship of employee engagement with organization performance. The study resulted the same. It has taken into account of engagement variables like motivation, emotional attachment, organizational pride, work environment, resource availability, communication, workload manageability, work-life balance, leadership support, feedback, recognition, trust, and compensation and performance variables like perceived organizational performance indicators - initiative, adaptability, teamwork, and productivity. Finally it evidenced the relationship.

H1: There is no significant relationship between employee engagement and organizational performance

Table 2

Table 2 Pearson Correlation Matrix

Variables	M	SD	Engagement Score	Performance Score	N
Engagement Score	2.886	1.002	1	0.875	151
Performance Score	2.858	1.162	0.875	1	151

Correlation is significant at the 0.01 level (2-tailed)

Source: Primary Data / Compiled from SPSS Output

The results of correlation analysis evidenced the strong positive statistical significant correlation between employee engagement and performance ($r = .875$, $p < .01$, $N = 151$). This shows a change in engagement levels that creates a relative change in organization performance level. This indicates that employees reporting higher engagement levels also exhibit markedly higher organizational performance.

2) Employee engagement predicts the organizational performance

By the engagement level of employees may predict the performance of organization. The engagement components motivation, attachment with work, leadership support, communication, and feedback may significantly predict the organizational performance components initiative, adoptability, teamwork and productivity.

H2: Employee engagement does not significantly predict the organizational performance.

Table 3

Table 3 Regression Model Summary

Model	R	R Square	Adj. R Square	SE of Estimate
Engagement and Performance	0.875	0.766	0.764	0.5644

Source: Primary Data / Compiled from SPSS output

Simple linear regression evidenced the predictive relationship of employee engagement with organizational performance. The model summary indicates that engagement of employees explains 76.6% of the variance in organizational performance ($R = .875$, $R^2 = .766$, Adjusted $R^2 = .764$, $SE = 0.5644$) by the statistically significant evidence ($F(1, 149) = 487.111$, $p < .001$) and by the un-standardized coefficient $B = 1.015$ indicates that for every one-unit increase in engagement level increases the performance of organization by 1.015 units. The standardized coefficient $\beta = .875$ affirms the strong predictive power of engagement. The regression equation is: Performance Score = −0.071 + 1.015 × (Engagement Score). The significant level of p value <.05 rejected the null and accepted the alternative that employee engagement significantly predicts the organizational performance.

3) Difference in organization performance across departments

The study assumed the difference among the employees working in various departments in organization performance. The ANOVA evidenced the significant difference among the employees by rejecting the null and accepting the alternative ($F(3, 147) = 3.568$, $p = .016$). This finding indicates that at least one departmental pair differs significantly in performance, suggesting that department-specific engagement practices may moderate the engagement-performance relationship.

H3: Performance of employees will be not be significantly different among employees working across departments

Table 4

Table 4 Difference in Performance Level Across Departments

Source	SS	df	MS	F	P
Between Groups	13.753	3	4.584	3.568	0.016
Within Groups	188.854	147	1.285	—	—
Total	202.607	150	—	—	—

Groups: Finance, HR, Others, Production | $p < .05$

Source: Primary Data / Compiled from SPSS Output

The findings of this study provide robust empirical support for the proposition that employee engagement is a significant predictor of organizational performance within an engineering organization context. The Pearson correlation coefficient ($r = .875$) represents a strong positive association — consistent with evidence from Anitha (2014), Motyka (2018), and Kurniawati and Raharja (2023) — and extends this established relationship to the underrepresented domain of engineering enterprises.

The regression model's explanatory power ($R^2 = .766$) is noteworthy: employee engagement alone accounts for over three-quarters of the variance in organizational performance. This surpasses estimates from several prior studies conducted in service-sector or large-organization contexts, suggesting that in production-intensive environments, where individual effort, precision, and commitment directly determine output quality, the engagement-performance nexus may be particularly pronounced.

The ANOVA result ($F(3, 147) = 3.568$, $p = .016$) indicating significant performance differences across departments has important managerial implications. It suggests that engagement interventions should not adopt a uniform approach; rather, department-specific engagement drivers and HR strategies may be needed. Production departments, for instance, may prioritize safety,

autonomy, and workload management, while HR and Finance departments may respond more strongly to recognition, feedback, and career development.

The predominantly young, female workforce with limited experience — reflected in the demographic profile — aligns with broader trends in manufacturing sector and points to the importance of early-career engagement initiatives, inclusive leadership, and structured onboarding programs. The moderate mean scores on engagement and performance items (2.77–3.00) indicate room for improvement and suggest that while basic engagement conditions exist, transformative engagement strategies remain to be fully implemented. These findings align with the JD-R model Bakker and Leiter (2010), confirming that organizational resources — including managerial support, recognition, and development opportunities — are pivotal in sustaining engagement and, through it, organizational performance. The practical relevance of the study is reinforced by its organization-specific focus, enabling direct application of the recommendations to the study setting.

Managerial implications: Based on the findings, organizations are recommended to a) implement structured engagement diagnostics b) conducting regular employee surveys c) investing in transparent communication channels d) managing training in supportive leadership e) developing equitable recognition and reward systems linked to performance f) establishing clear career progression pathways to retain skilled employees and g) designing department-specific engagement programs that address unit-level drivers.

Limitations: This study has several limitations. The single-organization, cross-sectional design limits generalizability. Self-reported data may introduce common method bias. The study focused on a limited number of engagement antecedents and did not account for organizational culture, leadership style, or macroeconomic factors as potential moderators or mediators. Future research should adopt longitudinal designs to track engagement-performance dynamics over time; employ Structural Equation Modeling (SEM) to examine direct, indirect, and mediated relationships; extend the scope to comparative cross-industry or cross-regional studies; and incorporate objective performance metrics alongside self-reported data to reduce measurement bias.

CONCLUSION

This study provides compelling empirical evidence that employee engagement is a strong and significant predictor of organizational performance in an engineering manufacturing sector context. Using a multi-method statistical approach, the study confirms that higher engagement is associated with substantially improved performance outcomes. The study contributes to the literature by extending the engagement-performance empirical base to manufacturing unit, applying a comprehensive statistical framework rarely employed in similar small-scale organizational research, and identifying statistically significant performance heterogeneity across departments, with implications for targeted HR interventions.

ACKNOWLEDGMENTS

None.

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