

INNOVATION THROUGH EMPLOYEE ENGAGEMENT

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Abstract

Research indicates that there is a direct cause and effect relationship between employee engagement and organizational innovation. This study, relying mainly on secondary data sources and supplemented by interviews, identified that employee engagement leads to innovative behavior where employees collaborate with other employees, make suggestions to improve the organization and work to improve the organization's standing in the external environment. It is found that engagement and innovation reinforces each other – engaged staff are more likely to be innovative and an innovative organization is more likely to motivate and engage its employees. It is concluded that in the face of unprecedented economic, social, demographic and environmental challenges, organizations need to direct their efforts at mobilizing the creative potential of all its human capital - employees and customers to contribute big new ideas and help organizations to drive forward. Practitioners and academics interested in the relationship between engagement and innovation should find this paper of interest.

Keywords: Innovative Behavior, Employee Engagement, Service Organizations

1. Introduction

In the face of unprecedented economic, social, demographic and environmental challenges, organizations are embracing creativity and innovation to succeed and thrive. Innovation is critical in achieving competitive advantages (Noefer et al., 2009). Without innovation, organizations fail to create the conditions for sustainable growth. Thus, it is highly valued and imperative for organizations to prioritize innovation for their long-term success (Anderson Potocnik, and Zhou, 2014). Organizations cannot be accidentally or occasionally innovative. They need a range of initiatives required for innovative working at all levels across the organization that contribute to organizational effectiveness (Janssen, 2003). Van de Ven's (1986) observation of Schumpeter's (1942) emphasis on the importance of innovation for the business firm and society as a whole is still seldomly disputed.

On the other hand, many psychologists and management researchers identified innovation as an inherent aspect of human activity. They opine that innovation is about relationships, not about products. The labeling of innovation as innovation of products is not appropriate as it misses out a whole stream of people. Chen and Sawhney (2010) are of the opinion that Innovation comes in many forms, some of which may have little to do with technology or research and development (R&D). The human resources within an organization are the single most important ingredient in the innovation success formula. The foundation of innovation is ideas and it is employees who "develop, carry, react to, and modify ideas" (Van de Ven, 1986). Woodman, Sawyer and Griffin (1993) rightly argued that organizational innovation is dependent on the creativity of the group, which in turn is dependent on individual creativity. Innovations reflect the creative efforts of employees. Thus, it is the employees who build, promote and breathe life into an innovative culture. The innovative potential of an organisation resides in the knowledge, skills and abilities of its employees. (Patterson, Kerrin& Gatto, 2009). Innovation is not the enterprise of a single entrepreneur; instead, it is a network building effort that centers on the creation, adoption, and

sustained implementation of a set of ideas among people who, through transactions, become sufficiently committed to these ideas to transform them into "good currency" (Van de Ven, 1986.) In fact, organizations are now directing their efforts at mobilizing the creative potential of not only its employees, but of all its human capital - employees, customers and partners to contribute big new ideas and help drive the organization forward (Bessant, 2003). According to a recent survey by Gallup (2015), in U.S. based research consultancy organizations, employees are most likely to contribute to innovations. Thus, organizations seeking to be innovative now understand that employee characteristics and behaviors trigger and enhance innovation. Deeper insights from Gallup research have revealed that there is a close relationship between employee engagement and innovation. Engagement is a core resource in promoting innovative working. Without engagement, any attempt at innovation is anemic. If organizations could multiply greater engagement by greater insight into behaviors, it can make a significant difference to their innovation projects. Engagement and innovation reinforces each other – engaged staff are more likely to be innovative and an innovative organization is more likely to motivate and engage its employees. "Employee engagement is the sine qua non of innovation" (Birkinshaw J, 1997).

In spite of such prominence, understanding of employee innovative behavior through employee engagement in organizations remains relatively underdeveloped. Triggered by aforementioned impetuous environment, this research paper attempts to examine the link between employee engagement and innovation in organizations. It investigates the effect of engagement in enabling or inhibiting innovative capability and behaviour in employees. It explores the key factors that have the greatest impact on innovation and employee engagement.

2. Literature Review

Innovation

Even after decades of academic interest, innovation is still a hot topic. It is derived from the Latin word '*innovare*' which means to make something new in a complex construct. It is studied from multiple perspectives at different levels of analysis by scholars from a variety of academic disciplines (Damanpour & Schneider, 2009). Researchers have generally defined 'innovation' as the development (generation) and/or use (adoption) of new ideas or behaviors (Amabile, 1988; Walker 2008). West and Farr (1990) defines innovation as the intentional introduction and application within a role, group or organization of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, the organization or wider society. Unsworth (2003) describes innovation as the process of engaging in behaviors designed to generate and implement new ideas, processes, products and services. However, behavioral thinkers define Innovation as a mindset – which is influenced by beliefs, values, and behavior. It is the process of engaging in behaviors designed to generate and implement new ideas, processes, products and services, regardless of the ultimate success of these new phenomena. Many of the dimensions in well-known models of the innovation process are tied to the behaviors, actions and personalities of the individuals, or actors, engaged in the initial, creative steps (invention) as well as the latter steps of exploitation. Innovation is a cognitive process that involves the thoughts, associated feelings and ways of thinking of the innovator that are expressed in their innovative behavior.

Employee innovative behavior is a popular concept that is widely discussed in literature. It is defined as behavior from an employee toward recognition of a problem, generation of ideas, mobilization of support and realization of the ideas related to the initial problem (Janssen, 2000; Janssen, 2005; Scott & Bruce, 1994). It is engagement in innovative behaviors which

includes behaviors related to the innovation process, i.e. idea generation, idea promotion and idea realization, with the aim of producing innovations (Kanter, 1988, Scott & Bruce, 1994, Ramamoorthy, Flood, Slattery & Sardesai, 2005). Employee innovativeness is argued to cover a broader range of behaviors than creativity. (Anderson et al., 2004).

Employee Engagement

Employee engagement is, arguably, the most critical metric for organizations in the twenty first century. Interest in the study and application of employee engagement is experiencing unprecedented popularity in the human resource development (HRD) field (Chalofsky, 2010). Kahn (1990) is widely credited with the first application and use of the engagement theory to the workplace (Harter et al., 2002; Rich et al., 2010). Kahn (1990) defined 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.” Engagement is as a positive work-related state of mind that is characterized by vigor, dedication, and absorption (Bakker and Demerouti, 2009). It is winning over the minds (rational commitment) and the hearts (emotional commitment) of employees in ways that lead to extraordinary effort.” Employee engagement is a global construct and is studied in the relationship of employee commitment, performance and association with organization (Ferguson, 2009). A detailed study of literature on engagement reveals that there are different dimensions of engagement construct such as cognitive (Shuck and Herd, 2012) or psychological (Ghafooret al., 2011) engagement which involves meaningfulness, safety and availability as predictors (Saks, 2006); emotional engagement which involves belief, willingness and investment (Shuck and Herd, 2012) and behavioral engagement (Ram and Prabhakar, 2011) which involves discretionary effort (Shuck and Herd, 2012). Engaged employees exhibit emotional job attachment, unreserved commitment, increased productivity, high job passion, and in most cases they go extra miles (Perrin, 2003; Abraham, 2012). Although each definition represents unique perspectives, the disjointed approach to defining employee engagement has posed misinterpretation (Shuck and Wollard, 2010). However, from a general view, employee engagement is defined as a distinct and unique construct that consists of cognitive, emotional, and behavioral components that are associated with individual role performance (Shuck, Rocco and Albornoz, 2011).

Linking Engagement and Innovation

There are substantial previous empirical studies and published literatures on the correlation between engagement and Innovation. Engagement experts state that engagement is a key to innovation and competitiveness.

Katz, D., & Kahn, R. (1978) has identified that apart from joining and staying in the organization and having a dependable behavior, employee engagement leads to innovative behavior where employee goes beyond individual roles to collaborate with colleagues, make suggestions to improve the organization, and work to improve the organization's standing in the external environment. According to Gichohi, Paul Maku (2014), employee engagement assumes a critical precursor role to creativity and innovation at the workplace. They opine that the Social Exchange Theory (SET) provides theoretical foundation of engagement and creative behavior of employees. According to SET, when employees are given values by empowerment and training, the employees feel a sense of consideration and they repay the organization by showing engaged behavior. This engaged behavior of employees motivates them to perform more than their duties and results into creativity and innovation in the organization. Moreover, engaged employees are source of creative performance and attracts more talented people to the organization while disengaged employees are a liability to an organization.

Slatten & Mehmetoglu (2011) put forward, through their research in the hospitality industry, that employee engagement has a positive relationship with the Innovative Behavior of employees in roles dealing directly with customers. According to Abraham (2012); Echols (2005) and Right Management (2009), employee engagement results in innovation, along with better customer service, productivity, low staff turnover, dedicated workforce, great sense of work commitment, willingness to put extra time in the job, and pride in their work. Employee engagement is one of the key antecedents of creativity and innovation (Langelaan, Bakker, Van Doornen, and Schaufeli, 2006). The findings of their research work which focused on big two personality factors— neuroticism and extraversion revealed that heightened connection between employees and their work triggers creativity and innovation.

Sundaray (2011) noted that engaged employees are enthusiastic about their work and will often be fully immersed in their job resulting in creativity and innovation. Unsworth (2003) used inductive methods to investigate factors affecting engagement in the innovation process. Analyzing the Amabile's (1996) componential theory of creativity, he argued that engagement and innovation are both intentional acts and are linked to tasks. McEwen (2011) reemphasized in his research that creativity and innovation as an outcome of engaged employees. Organizations that devote their attention to human capital can verify the implementation of employee engagement through the positive results obtained with the generation of innovative behavior, allowing a prediction of employee turnover intention, employee productivity, financial performance, customer satisfaction and so forth (Richman, 2006).

According to Vazirani (2007), "Engaged Employees" are builders, they want to know the desired expectation for their role so that they can meet and exceed them. They perform at consistently high levels, they want to use their talent and strengths at work every day, they work with passion and they drive innovation and move their organization forward. The Gallup Organization, potentially the most widely recognized name associated with employee engagement indicates that there is a direct cause and effect relationship between employee engagement and organizational innovation. Every employee has an inborn capacity for creativity and innovation and engaged employees are far more likely to suggest or develop creative ways to improve management or business processes. (Gallup, 2015). Right Management (2009) have also linked employee engagement to creativity and innovation apart from numerous organizational outcomes such as productivity and performance gains, improved customer satisfaction, customer loyalty and sales, personal initiative on the job and willingness to go the extra mile.

It is noted that a significant body of research is found on innovation and employee engagement. Consultants overwhelmingly agreed that engaged employees drive innovation. Engaged employees are empowered to seek ways to innovate, whether that means improving the customer experience, boosting profitability, building the brand, improving marketing, improving quality, or simply being more creative. However, there is little systematic understanding of how engagement can drive innovation in organizations. This subject is still not a well-studied in academic research field in particular, though many of the studies have been carried out by management consultancies and research houses.

3. Research methodology

The research took place over four months from June to September 2015. The research was conducted in two phases. In the first phase, a systematic and extensive literature review was conducted drawing upon engagement and innovation literatures, with a specific emphasis on the characteristics, behaviors and drivers. The literature review was guided by “research topics.” As the focus of review was academic in nature, scholarly works including seminal publications, frameworks, and models that formed the academic understanding of innovation and employee engagement published in both national and international journals were considered. Proquest and Jstor databases were searched. The literature was analyzed and synthesized using open coding and constant comparative methods. These methods are commonly used to discover meaning in existing data without restrictions, promoting the discovery of distinct characteristics within identified data streams (Merriam, 2001). This provided necessary input for designing the interview guides for empirical study.

In the second phase, qualitative research strategy was adopted. Primary Data was gathered in the form of semi-structured interviews with employees drawn from five leading innovation companies in India. Sampling was devised to provide representation from various sources (e.g. Managers, HR directors and CEOs). Nine interviews were conducted with HR managers as part of pilot study. Following the pilot, the interview questions were further refined for use in the main study. Forty five interviews were conducted in English on face-to-face format, each of which took approximately an hour, to obtain a broad range of information and discuss participants’ meanings and beliefs surrounding innovation and employee engagement. The semi-structured interview method was used to ensure participants could share information regarding their experience on employee engagement and subsequent impacts on creativity and innovation at the work place. Interview questions covered individual variables (behaviors and skills) for engagement and innovative working; working practices; organizational resources for engagement and innovative working; and organizational culture for engagement and innovative working. An interview guide was used to help the interviewer focus on the research topic while providing flexibility and openness. All of the interviews were anonymised so that neither the respondent nor their organization could be identified. Numeration (i.e. the frequency in which a theme appears across the interview transcripts) was the criterion that was used to pull together the final set of themes, since numeration is one way of indicating their relative importance (Smith, Flowers & Larkin, 2009). Consequently, the various themes that emerged are presented and discussed in the results.

4. Results and Discussion

The results amplify the antecedent role of employee engagement on innovative behavior. Majority (94%) of respondents stated that there is a close and positive relationship between employee engagement and innovation. They strongly believe that engaged employees perform at a higher level and bring passion and interest to their job, which often leads to innovation in the workplace. These observations are consistent with findings of Gallup's study (2015) that highly engaged employees feel they have a real stake in the organization and hence strive to efficiently create new products, services and processes. Whittington and Galpin (2010) also noted in their study that employee engagement results to extra-role behaviors and this precipitates creativity and innovation at the work place. However, respondents felt that a variety of behaviors can undermine both engagement and innovation. All the respondents feel that the engagement construct and innovation construct overlap with engagement being a broader concept that drives innovative behavior. Sixty three percent (63%) of the respondents felt that innovation itself is a form of engagement.

Ninety nine percent (99%) of interview respondents were of the opinion that organizational culture play a crucial role in enhancing employee engagement and employees' motivation to innovate. This reconfirms findings of Van der Panne et al. (2003) and Miron et al. (2004) who in their study concluded that organizational culture is undisputedly considered crucial to an organization's ability to innovate. Engagement is strongly related to a constructive culture and negatively related to both aggressive and passive cultures. As Lockwood (2007) rightly puts it, Organizational culture sets the tone for engagement.

Ninety percent (90%) of the respondents believe that managers play an important role, sometimes a moderating one. The interview results confirm that manager's practical support is a necessity for effective engagement and innovative working of employees. Respondents felt that managers can unleash specific capabilities by allowing individual expression which best suites to foster employee engagement and innovativeness. Moreover, through their behaviors, managers can enhance employees' intrinsic motivation which in turn leads to engagement and innovative behaviors. This validates the findings of the study by Janssen & Van Yperen (2004) which reveal how individual innovative behavior can be transformed, altered or improved by factors specific to the workplace such as relationship with their supervisors, among others. It is also true for engagement. Cleland et al, (2008) observed that employee's feel most engaged when they have a good relationship with their manager.

Seventy two percent (72%) of respondents strongly believe that there is need for an explicit strategy on both engagement and innovation. They feel that organizations should have a clear focus on engagement which is an important factor in influencing innovativeness among employees in organizations. This, they feel, will have an organization wide impact. Managers were also of the opinion that organizations need to focus on customer engagement as well along with employee engagement to have sustainable innovation orientation. Having strategy incorporating views of various external stakeholders along with internal stakeholders can contribute to organizations development. They believe that external stakeholders engagement mainly customer engagement can lead to their participation in terms of providing essential knowledge that can be managed internally and in turn be converted into new ideas for innovation.

Respondents felt team work plays a very important role in engagement. They held the view that collaboration in teams, which are nested in organizations, often leads to higher engagement among employees. Further, they emphasized on the need of interdisciplinary teams that are more likely to produce innovative solutions than homogenous teams. They opine that diversity is the key and organizations should strive to put together a team that is gender neutral, takes advantage of generational opportunities, and should include an array of personality types.

Eighty one percentage (81%) of respondents felt that organizations should provide the context for employee to get engaged and be innovative. Shalley & Gilson (2004) research concluded that there are four broad categories, i.e. individual, job, team and organizational level that influence innovative behaviour at different levels, sometimes independently, but most often in interaction. This is true with engagement as well which is measured at individual, team or organizational level. The study findings reemphasize these results.

Almost all the respondents felt that organic structures are more conducive to open, effective organizational and interdepartmental communication and learning that is crucial for creating a climate and culture that encourages both engagement and innovation within the organization. Apart from organizational culture, the level of employee engagement and the nature of

innovation in an organization can be enhanced or hampered by external factors which include organization policies on employees; social life and other related factors. They consider intrinsic motivation as the driver of engagement and innovative behavior. Research (Amabile, 1999& Jung, 2001) has repeatedly highlighted the importance of intrinsic motivation in creative work

One area that 63% of the respondents differ is the link of financial rewards to engagement and innovation. They stated that while financial rewards may motivate employees to be innovative, the same may not be true with engagement. They feel that financial reward policies and practices are not positively associated with employee engagement. They contend that the way to engage people is to reward them, but not with money, with autonomy. Going further, the respondents believe that psychological empowerment and safety are not only relevant in enhancing employee engagement, but are also significant in encouraging innovative thinking amongst employees.

Conclusion

Innovation makes a big difference for organizations in today's uber-competitive and ever-changing context of business. The best way for them to sustain is embed innovation into their culture, by focusing on employee engagement. The study looks at the interplay between employee engagement and innovation and confirms that employee engagement positively impacts the employee innovativeness. It explores and discusses the role and capacity of organization in providing facilities and support to the employees which engages them and in turn cultivates their innovative behavior. It further concludes that good innovation and engagement practices are inextricably linked. Employee engagement practices are, in the purest form, innovation exercises. Hence, to engage employees and to benefit from it, organization must invest in engagement practices. They may need to go little further to align people to its strategic direction and vision in order to drive and sustain growth.

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