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## Understanding Employee Engagement Using Norms of Reciprocity

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### **Abstract**

*The present study aims to investigate how social exchange and especially norms of reciprocity and its three dimensions (equivalence of exchange, immediacy of exchange and interest of parties in each other) are related to and influence employee engagement. Data were collected from 210 employees working at different levels from two corporations in Bhutan. Respondents were selected based on random sampling and include both male and female. A self-report questionnaire was used to measure all the variables of interests of the study. Regression analyses were carried out to analyze the obtained data. Results revealed that social exchange and especially norms of reciprocity significantly and positively explain variance in employee engagement. Out of the three dimensions of norms of reciprocity was found to be the most important factors. The implication of the research for the management of the organizations is that management should be sensitive towards the norms of reciprocity and especially it should try to provide inducement of employee's contribution as soon as possible if organization wants to have engaged workforce which is an important factor in employee's productivity and organizational performance.*

**Key Words:** *Employee engagement, Social exchange, Norms of reciprocity, Equivalence of exchange, Immediacy of exchange, Interest.*

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## **Introduction**

In a dynamic and fast changing business environment, engaged employees help in creating a competitive advantage for the organization (Center for Human Resource Strategy, 2009) and is considered to be a critical factor for high performing work organization (Accenture Institute for High Performance, 2011). Employees use their talent, strengths, dedication and commitment effectively at work to deliver high levels of performance. Engaged employees are absorbed intellectually and emotionally in their work and vigorously invest their best efforts to achieve organizational goals (United States Merit System Protection Board, 2009). The concept of employee engagement is catching considerable interest and attention of practitioners and researchers because of its business relevance. Meta-analytic work has shown that engaged workforce has significant impact on a number of organizational outcomes including performance, productivity, profitability, loyalty and organizational success (Harter, Schmidt & Hayes, 2002; Lockwood, 2007; Simon et al. 2009). Because of its importance and relevant organizational outcomes, employee engagement has assumed considerable significance for organizations across the globe in present time.

Social exchange theory has become one of the major approaches for understanding employees' relationships with their employing organization (Shore & Tetrick, 1994; Rousseau, 1995; (McLean Parks & smith, 1998; Cropanzano & Mitchell, 2005). The underlying social exchange theory is the norm of reciprocity by which obligations on the part of one party to the exchange create reciprocal obligations for the other party (Gouldner, 1960; Blau, 1964). Social exchange and norms of reciprocity have been explored with respect to organizational commitment (e.g. Rhoades & Eisenberger, 2002). Drawing from this finding it is proposed that social exchange theory will also explain employee engagement. But probably no study has been undertaken to examine the relation of reciprocity to employee engagement. Research on engagement is in a stage of relative infancy and much more needs to be done in order to understand its antecedents, process mechanisms, and outcomes (VanRooy, Whitman, Hart & Caleo, 2011). Moreover, very few empirical studies have been undertaken to verify the various aspects of the concept. On the subject of employee engagement, empirical studies by social scientists are few and far between (Mohapatra & Sharma, 2010). The purpose of the present study is to explore the





assumed relationship between the variables.

## **Concepts And Literature Review**

### **Social Exchange Theory and Reciprocity**

Social exchange theory (Gouldner, 1960; Blau, 1964; Sahlins, 1972) has been proposed to explain some important organizationally relevant constructs such as organizational commitment, psychological contract etc. The theory posits that parties in a relationship exchange resources based on reciprocity. A central element of social exchange theory (SET) is the “norm of reciprocity”. The reciprocity norm is a social rule that maintains, among other things, that people should return favors and other acts of kindness (Gouldner, 1960). According to the reciprocity norm, if one party fulfills its obligations then it becomes obligatory on the other party in relationship to fulfill their part of obligations (Blau, 1964; Gouldner, 1960) and in this way strong and healthy relationships between the parties develop and continue. Two reasons have been given to adhere to the norm of reciprocity. The first reason is what is called 'self-presentation' which refers to the concern what people will think of them if they don't reciprocate any favour done by the other party. The other reason is the internal standard of behaviour (Perugini, Gallucci, Presaghi, & Ercolani, 2003), by which people feel good about themselves when they "do the right thing" and return favors. Blau (1964) introduced two types of exchanges – social and economic exchanges. Social and economic exchanges differ, among other things, in the nature of the inducements being offered by the organization. Economic exchange emphasizes the financial and more tangible aspects of the exchange while social exchange emphasizes the socio-emotional aspects of the exchange relationship and is less tangible (Shore, Tetrick, Lynch & Barksdale, 2006).

Reciprocity in exchange relationship lies in three dimensions – equivalence, immediacy and interest (Sahlins, 1972; Sparrowe & Liden, 1997). The first dimension is *equivalence* of resources exchanged whereby the employee perceives the value of what is exchanged with the organization as equivalent. In the typical employment relationship between employer and employees, the employees contribute to organization's mission and goal, provide time, expertise and efforts and in return organization provides financial compensation and benefits in various forms such as job security, training, good working culture, recognitions, supports etc. These resources exchanged may not have the same





metric and in that sense can't be absolutely, objectively equal; however, they can be considered to be equivalent based on the value attached to these resources by the parties in the exchange relationship.

The second dimension of reciprocity is immediacy of returns. Immediacy of returns reflects the timing between the giving of a resource and the receipt of a resource in return. Low immediacy thus reflects reciprocity at some distant point in the future and can even be an indefinite period, while high immediacy refers to nearly instant reciprocation. Within the employment setting, this might be conceived as the organization promptly recognizing an employee's contribution.

The third dimension of reciprocity Sahlins (1972) described as the interest. Interest captures the nature of involvement of exchange partners in the exchange process and it ranges from complete self-interest, through mutual interest, to altruistic interest in others' welfare.

### **Employee Engagement**

Almost every organization thinks about the engaged workforce, but it is defined in various ways by consulting firms and scholars. According to Robinson, Perryman & Hayday (2004), employee engagement refers to the positive attitude held by the employee toward the organization and its values. Engaged employees are concerned with their organization and they work hard to improve performance within the job for the good of the organization. Gallup Research Group, a consulting firm, defines employee engagement as the individual's involvement and satisfaction with as well as enthusiasm for work (Harter et al. 2002). Another global consulting firm, Towers Perrin, defines it as the extent to which employees put discretionary effort into their work, beyond the required minimum to get the job done, in the form of extra time, brainpower or energy (Towers Perrin, 2009). However looking at the various definitions it can be said that employee engagement refers to employees' positive attitude towards organizational values and goals, passion and enthusiasm to do the job, to work beyond the call of duty and to help the organizations succeed.

### **Reciprocity and Employee Engagement**

Engagement is the result of both employees and employer. The employees bring in capabilities, dedication, willingness etc. and the employer must return employees'





contribution by providing inducement which includes both financial and non-financial return allowing employees to work at their potential level. Various factors influence employee engagement in an organization. Employee engagement is something that is produced by aspects in the workplace (Miles, 2001; Harter et al. 2003), while others assert that it is something that the individual brings to the workplace (Harter et al., 2002). Thus it can be inferred that engagement is the result of exchange between the two parties. According to Eisenberger, Huntington, Hutchison, and Sowa (1986) social exchange and norms of reciprocity affect the behavior of employees. Saks (2006) also revealed that obligation to the organization enhances employee engagement. According to Saks (2006) if organizations offer supports and resources to their employees in different forms, employee feel obliged to become cognitively, emotionally, and physically engaged in their work role. Similarly Piening, Baluch, and Salge (2013) in their study on employees of public hospitals in England found that when organizations provide a range of human resource systems, including constructive performance appraisal, development programs, opportunities to contribute ideas, and mentoring. Based on Sahlins (1972), Sparrow & Liden (1997), it would be expected that equivalence, immediacy of return, and interest in the organization would constitute the basis for a reciprocal relationship with one's employing organization. Drawing on social exchange theory and the underlying norm of reciprocity, it can be argued that equivalence, immediacy, and interest in the organization are positively related to employee engagement, an important aspect of employment relationship. If the value of the resources exchanged are equivalent, then one would expect higher levels of engagement, and to the extent the individual employee does not see that the resources received from the organization are comparable in value to the resources given to the organization, the opposite will be expected with respect to the employee engagement. Similarly, the more readily the organization reciprocates an employee's contributions, the more will the employee be engaged, whereas the longer the interval between the employee's contributions and reciprocation from the organization, the lower is the employee engagement likely to happen. Lastly, an employee's interest in the organization would be expected to be positively related to employee engagement. Thus it is conjectured that:

*H1: Norms of reciprocity will positively and significantly predict employee engagement*

*H2: Equivalence of exchange, immediacy of exchange and interest in organization are positively and significantly related to and predict employee engagement.*





## **Methodology**

### **Sample and Procedure**

The present study is cross-sectional and is based on primary research method. The study was conducted on employees of financial and insurance organizations of the kingdom of Bhutan. Self-report measures of norms of reciprocity and employee engagement were used to collect the data. A total of 210 employees, taken randomly, completed the questionnaire. Respondents include both male and female in the ratio of approximately 57 percent and 43 percent respectively. Respondents ranged between 25 and 55 years in age, with average for the sample being 35 years approximately. Approximately 54 percent of respondents are graduates and post graduate in qualification and the remaining are below graduate level. Data were collected from respondents during working hours and the questionnaire was completed in the presence of the researcher. All the necessary information regarding the study objective and ways to respond to the questionnaire were shared with all respondents. Respondents were assured of confidentiality of their responses and were told that their responses shall be used for the research purpose only. Regression analysis was carried out to test research hypotheses.

**Dimensions of Reciprocity** - The scale is taken from the work of Wu et al., (2006) which is based on the work of Sahlins (1972) of reciprocity. The scale is slightly modified to suit the present context. Thus the scale measures three dimensions of reciprocity - equivalence, immediacy and interest. Responses were taken on 5-point scale anchoring (1) strongly disagree to (5) strongly agree. Psychometric properties of the scale revealed that reliability is 0.73 (alpha) of equivalence, 0.68 (alpha) of immediacy and 0.75 (alpha) of interest in organization.

**Employee Engagement** - In the present study employee engagement was measured using 8 – item scale adapted from employee engagement survey developed by Robinson et al (2004). Responses were taken on a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Reliability of the scale was found to be 0.72 (alpha).

### **Results And Analysis**

As the study aims to see the influence of organizational justice and trust on employee engagement, multiple regression analysis was carried out to test the hypotheses. The data



were analyzed using Statistical Package for Social Sciences (SPSS, Version 12).

### Scale Development and Reliability

Before testing the hypotheses of the study, factor analysis using principle component methods with Varimax rotation was conducted to validate the underlying structure of norms of reciprocity. The result of factor analysis supports the Sahlins's (1972) theorizing of the norms of reciprocity. In interpreting the factor, only a loading of 0.4 or greater on the factor were considered. Items which were loaded with the lesser value to .4 were subsequently deleted. Similarly in identifying the factors using the Varimax rotated analysis, Eigen values greater than 1.0 were taken and they accounted for 63.32 percent of the variance for explanatory variables and 61.30 percent of variance for the outcome variable. Reliabilities were calculated for each area of both explanatory and outcome variables to ensure the reliability of the measures used. It can be noticed that values calculated were more than the acceptable alpha limit of 0.6 (Sekaran, 1992). Factor loadings after factor analysis of both explanatory and outcome variables are given in table 1 and table 2.

**Table 1: Factor Loadings and Scale Reliabilities of Explanatory Variables**

Variables	Items	Factor Loading	Reliability
Equivalence	My organization provides rewards that equal my efforts.	.766	.731
	My organization's investments in me match my contributions to the organization.	.738	
	What I give to my organization equals what I get from my organization	.729	
	I am equitably repaid for my participation in my organization	.598	
Immediacy	My organization immediately recognizes what I do for the organization	.708	.689
	My organization is quick to repay me for my contributions	.641	
	I am recognized immediately for what I do for my organization.	.626	
	I rarely get immediate repayment for my efforts.	.603	
	It is often a long time before my efforts are repaid.	.585	





Interest	I really care about my organization	.691	.754
	My organization's successes are my own successes	.607	
	My organization helps me solve personal problems.	.543	
	My organization and I share a common vision and goal.	.534	
Initial Eigen values		5.650	
Cumulative Percentage of Variance Explained		62.329	
KMO Measure of Sampling Adequacy		.723	
Approximate Chi Square		1458.817	
Significance		.000	

**Table 2: Factor Loadings and Scale Reliability of Outcome Variable (Employee Engagement)**

Variables	Items	Factor Loading	Reliability
Employee Engt	I am willing to put in a great deal of effort beyond what is normally expected	.792	.723
	I find that my values and the organization's values are similar	.779	
	I always do more work than is actually required in this organization	.729	
	This organisation really inspires the very best in me in the way of job performance	.696	
	I am personally motivated to help my organization succeed	.651	
	I try to help others in this organization whenever I can.	.634	
	I frequently make suggestions to improve the work of my team/ department/ service	.585	
	I volunteer to do things outside my job that contribute to the organization's objectives/ goals.	.557	
Initial Eigen values		3.995	
Percentage of Variance Explained		61.303	
KMO Measure of Sampling Adequacy		.795	
Approximate Chi Square		493.000	
Significance		.000	

We now turn to the other objective of this article, which is to identify the significant





predictors of employee engagement in the organization under study. The following table presents the summary form the outcome of regression analysis.

<b>Variables Significance</b>	<b>Standardised Coefficients (Beta)</b>	<b>t</b>	<b>value</b>
Equivalence	.349*	2.634	.011
Immediacy	.426**	3.447	.001
Interest	.318*	2.656	.011

R = .525  
 R<sup>2</sup> = .279  
 Adjusted R<sup>2</sup> = .243  
 F = 6.187  
 p = .001

\*\* Significant at the 0.01 level, \*Significant at the 0.05 level

Results presented in Table 3 reveal that norms of reciprocity predict employee engagement positively and significantly. R<sup>2</sup> for employee engagement is found to be 0.279, which indicates that around 28 percent of variance in employee engagement is being explained by norms of reciprocity. F values with 6.18 corroborates this as it is found to be significant (p = .001). Thus, hypothesis 1 of the study, which predicted that the norms of reciprocity will positively and significantly influence employee engagement, was supported. Beta values of all the three dimensions of the norms of reciprocity - equivalence of exchange ( $\beta = .349$ ; p = .011), immediacy of exchange ( $\beta = .426$ ; p = .001) and interest in organization ( $\beta = .318$ ; p = .011) reveal that all the three dimensions of the norms of reciprocity individually are predicting employee engagement significantly and positively. Thus the data presented in table 3 also support the 2<sup>nd</sup> hypothesis of the study, that assumed that all the three dimensions of the reciprocity - equivalence of exchange, immediacy of exchange and interest in organization are positively and significantly related to and predict employee engagement.

### Discussion

The present study was planned to achieve two objectives : (1) to explore how norms of reciprocity predict employee engagement and, (2) how the three dimensions of norms of reciprocity - equivalence of exchange, immediacy of exchange and interest in organization are related to and predict employee engagement.



Findings of the study support the assertion that norms of reciprocity are positive influences and predict employee engagement. If organization or organizational agent provides back its part of obligations against the contribution made by employees to the organization, there results a perception of reciprocation and this probably makes employees to be more attached to and engaged with the organization and work hard to help organization achieve its goal. This shows that engagement in work and / or with organization is dyadic in nature and probably because of this employees return its obligation to the organization with their involvement and engagement for the obligation the organization fulfills with employees. The result supports the norms of reciprocity as an explanatory mechanism for understanding the employment relationship (McLean Parks & smith, 1998; Rousseau, 1995; Shore & Tetrick, 1994). The findings also lead to the conclusion that when employees perceive a lack of or absence of reciprocity by the organization, it is likely to cause employees to withdraw and disengage from their work roles.

Results of the study also address an important issue of the nature or dynamics of the norms of reciprocity. The result supports that all the three dimensions of the norms of reciprocity – equivalence, immediacy and interest - has positive association with and predicts creating engaged work force in organizations. Equivalence of exchange between the parties is important in reciprocity if the organization wants its employees to be engaged in work and / or in organization. If the organization fails to reciprocate in equivalence value, that may affect employee's engagement. Immediacy of exchange is found to be more important in creating engaged work force. Probably employees want quick return of resources for their contribution to the organization. Delay in fulfilling its part of obligations by the organization may demoralize employees and may result in reduced level of dedication to the organization. Interest of parties in each other is also necessary in reciprocity and in engagement as well. It is found in the study that parties' interest in each other does create a bonding. The way in which leaders and managers behave and communicate with employees contributes towards making work meaningful and engaging (Macey & Schneider, 2008). This implies that being cared for by parties helps in engagement.





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## **Conclusions And Implications**

Employee engagement is an important factor in modern times to keep an organization current and relevant. Relationship based on the norms of reciprocity contributes in creating engaged work force. Out of the three dimensions of reciprocation, immediacy of exchange emerged as the most important in creating employee engagement. In order to create engaged work force employees' contribution should be reciprocated as soon as possible by the organization. Delay in providing return may send a wrong message to the employees. The other two dimensions of reciprocity also influence employee engagement. The organization should take care of equality in providing their part of obligations and also should show interest in employees by taking care of their problems. These activities by the organization may send a good message to the employees and this may result in more dedication and involvement in work and organization. Thus the norms of reciprocity should be inducted in the organization's human resource policies and strategies if the organization wants their employees to be engaged.

The present research has both practical and theoretical implications. Insights collected from this research provided strategic approaches required in engaging employees. The organization can use norms of reciprocity in developing and practicing its policies and plans - things which sometimes are ignored intentionally or unintentionally - to bring desired effects on employee engagement. Theoretically, the study will extend contribution and enrich the literature of employee engagement empirically from the perspective of norms of reciprocity.

## **Limitations and Future Research**

The study has several limitations, so findings of this study should be taken with caution. One of the limitations is the small sample size. Further, national / social culture also influences individual's perception of the phenomenon and the study reflects the picture of a specific, small country of Bhutan. All these may affect the ability to generalize the result of the research in a broader perspective and in different cultures. Another limitation is that the study is based on a self-report survey which may be affected by the social desirability, thus affecting the research's outcome. Survey as a method of research is good but it should be complimented with qualitative method of research in order to have a better insight of the issue. Taking all these limitations into account, the author recommends undertaking further research to have more meaningful insight of norms of reciprocity and also its relationship to creating engaged workforce.



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