

Employee Engagement in achieving organizational goals and Theory of Constraints: An Insight through the Banking Sector

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Abstract: *Establishing an engaged workforce has been the focus of growing interest as research in positive organisational phenomena has expanded. This research delineates principal factors of Theory of Constraints (TOC) in the service oriented industry; specially, the banking sector of Bangladesh whereas, employee engagement acts as a key indicator in attaining organizational objectives both in the long-run and short-run. It was identified that though in the TOC, major concentration aims at putting substantial throughput to the constraints, but minimizing the operating expenses played equal key role to pass over the corporate poison. Distinctive characteristics of the organizational environment have been taken into account both in a generic way and through in depth studying. Attitudes toward change and management decision on efficient rearrangement of the workforce acted as a precursor on identifying this issue and the ideology to sustain in the business market with appropriate standards.*

Keywords: *Banking sector, employee, engagement, organizational objectives, Theory of Constraints.*

I. Introduction

Some indispensable sectors directly contribute to the smooth movement of the wheels of an economic growth and development whereas, the service sector accounts for the major portion of it. In this sector, the banks are the most significant player in strengthening the soundness of an economy. In Bangladesh, there are 56 scheduled Banks being operated under full control and supervision of Bangladesh Bank, the Central Bank of Bangladesh. They have been performing with soundness in terms of employment generation, profitability and operations during the past few decades. They provide multilayered services to the economy namely, deposit banking, loans and advances, export, import, foreign exchange transactions, foreign remittances and local financial services to the people. Though Banks represent the nerve centre of the payment system, the vessel endowed with the ability of money creation and allocation of financial resources, but there has been some noticeable declination in their performance in the recent years. A number of distinctive issues are to be considered behind this. For instance, lagging behind in the technological advancements, financial imbalance like downtrend in borrowings and surplus deposits, efficiency in the banking operation and regulation. In the field of operation, the policy making and strategy formation from the top level of the institution to the performance of the line level employees are closely co-related to the overall performance and outcome. The noble factor among them is the employee engagement to attain the organizational goals which has a close relation with the concept of theory of constraints.

1.1 Research Purpose

To ensure employee engagement for the maximum level of outcome in the organization.

1.2 Problem Definition

To identify the limiting factors of employee engagement, its relation with the TOC and the feasible scopes of improving their performances by active engagement.

1.3 Research Scope

This research tries to find out the scope of enhancing performances of the employees by studying several banks of Bangladesh.

1.4 Research Method

Qualitative research has been conducted in this study to identify the issue and find out possible alternates to solve it. It has been done in general terms without mentioning any particular name of organizations to avoid corporate policy infringement.

II. Theory of Constraints

The Theory of Constraints (TOC) is the most recognized method for optimization and continuous improvement by the industry in recent years. Dr. Eliyahu Goldratt introduced the concept of Theory of Constraints (TOC) via his bestselling 1984 novel, "The Goal". Since then, TOC has continued to evolve and develop, and today it is a major issue in the field of management best practices. In general, every process has a bottleneck and focusing improvement efforts on that constraint is the fastest and most effective path to improved profitability. The Theory of Constraints is a methodology for identifying the most important limiting factor (i.e. constraint) that stands in the way of achieving a goal and then systematically improving that constraint until it is no longer the limiting factor. The core concept of the Theory of Constraints is that every process has a single constraint and that total process throughput can only be improved when the constraint is improved. A very important corollary to this is that spending time optimizing non-constraints will not provide significant benefits; only improvements to the constraint will further the goal (achieving more profit). Thus, TOC seeks to provide precise and sustained focus on improving the current constraint until it no longer limits throughput, at which point the focus moves to the next constraint. The underlying power of TOC flows from its ability to generate a tremendously strong focus towards a single goal (profit) and to removing the principal impediment (the constraint) to achieving more of that goal.

2.1 Steps in Theory of Constraints

The Theory of Constraints provides a specific methodology for identifying and eliminating constraints, referred to as the Five Focusing Steps. As shown in the following diagram, it is a cyclical process.

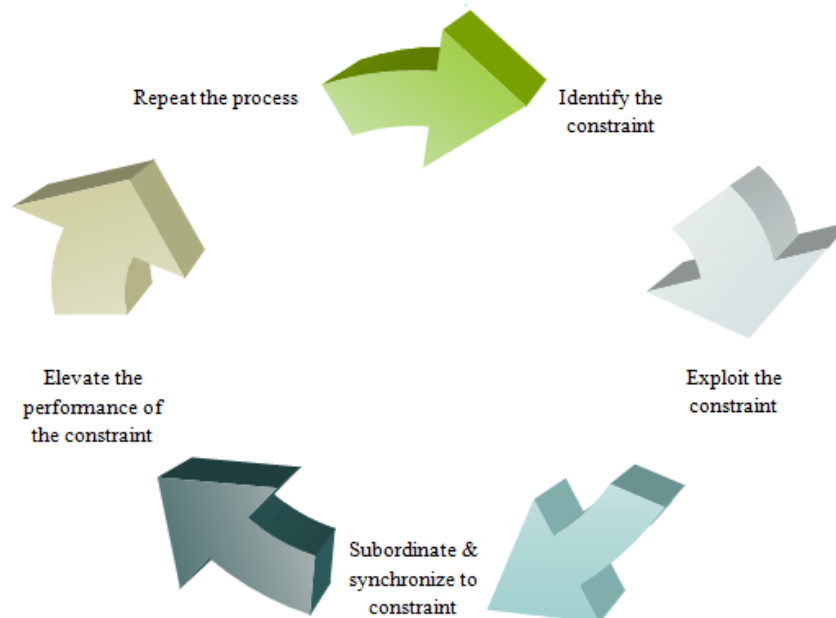


Fig: The Theory of Constraints uses a process known as the Five Focusing Steps to identify and eliminate constraints (i.e. bottlenecks).

Step-1: Identify the constraint

At first, the constraint must be identified that limits the process output from achieving its best level.

Step-2: Exploit the constraint

Rapid improvements must be made to improve the throughput with the existing resources.

Step-3: Subordinate & synchronize to constraint

Review all other activities in the process to ensure that they are aligned with and truly support the needs of the constraint.

Step-4: Elevate the performance of the constraint

If the constraint still has not moved, alternative actions must be taken into account to eliminate it from being the constraint. In some cases, capital investment may solve the issue.

Step-5: Repeat the process

The Five Focusing Steps are a continuous process. As such, after resolving a particular constraint, the next constraint should immediately be addressed and the cycle should be repeated accordingly.

III. What Is Employee Engagement

There is no precise generally accepted definition for the term employee engagement. According to Perrin's Global Workforce Study (2003), it means "employees' willingness and ability to help their company succeed, largely by providing discretionary effort on a sustainable basis." Based on the study, many factors both emotional and rational relating to work and the overall work experience, affect the engagement. Gallup organization defines employee engagement as the involvement with and enthusiasm for work. Gallup as cited by Dernovsek (2008) likens employee engagement to a positive employees' emotional attachment and employees' commitment. Robinson et al. (2004) defines employee engagement as a positive attitude held by the employee towards the organization and its value. An employee who is positively engaged, has satisfactory level of knowledge about the business context, and works with co-workers to speed up the performance for the sake of the corporation.

IV. Banks In Service Sector And Employee Engagement

Services include intangible products such as accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation. The definition of the term was introduced by Zeithaml and Bitner which mentions services as events, processes and performances. Banks play a key role in the service sector of Bangladesh and their performance widely depends on the execution of duties of the employees. Studies have shown that engaged employees treat their jobs and responsibilities as more meaningful and fulfilling. With the positive acknowledgement and rewards for strong engagement being mutually shared between employer and employee, it is undoubtedly true that majority organizations are interested in uplifting the involvement level of their workforce. It includes creating possible prospect for human resources to connect with their supervisors and peers in the organization. It is the perception of continuous improvement, change and flexibility to adopt changes. Managers try to improve them to establish superior performance, reduce staff turnover, improve the well - being of employees and treat this as competitive advantage in the highly competitive industry of banks. Engaged employees have the will to help each other and the organization for attaining success and they value, enjoy and have pride in performing their responsibilities through investing more effort.

4.1. Determinants of Employee Engagement

For the last 2 (two) years, I have been observing several employees in the different banks and have found the followings as the determinants of employee engagement:

- 1) Attendance in the workplace – Those who are more engaged in the working environment, have the maximum percentage of office attendance.
- 2) Helping attitude- They have friendly attitude with peers and tend to help each others in times of need.
- 3) Level of job completion rate- They not only complete their assigned works within the stipulated time, but also outperform in some cases.
- 4) Relation with the members of the organization- They have very sound relation with the members of the organization, for instance, the superior, peers and juniors.
- 5) Positive attitude- Employees have positive attitude toward changes in management practices and are eager to work with diversified responsibilities.

4.2. Factors affecting employee engagement

According to the research conducted by Ruyle, Eichinger & De Meuse (2009), several factors have been identified that affect the employee engagement.

- 1) Strategic Alignment – The activities of the employees should cop up with the strategy of the organization. If it is not coincided with the business goals, it may hinder to get the maximum possible outcome from within the organization.
- 2) Trust in Senior Leadership – The dynamism and competency of the senior leaders widely affect the subordinates' performance as they act as a role model for them. As such, the employees should have trust in them and follow their instructions if they are of required leadership qualities.
- 3) Immediate Manager Working Relationship – To reduce employee turnover and enhance the performance of the employees, the supervisors must impose substantial qualities and maintain transparent relationship with them so that they can share their views and ideas and actively perform for completion of the tasks laid upon them.
- 4) Peer Culture – Working environment plays an indispensable role to drive the performance of the organizational members. Sound peer relationship facilitates to engage in a more productive way and their performance becomes self driven to attaining their objectives.
- 5) Personal Influence – Sometimes employees may think of doing things in a different way, which could be better. They feel that though, their ideas may become successful or not, but innovation in doing things

should be recognized. If they are not appreciated about their new ideas, it may create a barrier in attaining their full efforts.

- 6) Nature of my Career – The career paths of the employees should be led in a significant way, which is meaningful, inspiring and have number of opportunities for achieving their goals. Otherwise, it may demotivate them from performing their jobs and responsibilities.
- 7) Career Support – Supporting the employees to uplift their careers by providing substantial opportunities with key responsibilities can enable to enhance their output.
- 8) Nature of the Job – The employees should conduct their responsibilities that require certain experiences, skills and challenges and are of good fit for them so that they can find their jobs free from monotony.
- 9) Development Opportunities – Learning through adequate training may not be sufficient in all cases if they do not involve proper application of the new skills under the watchful eye as well as learning opportunities from those other than the formal learning programmes.
- 10) Employee Recognition – Employees who are working with utmost sincerity should be rewarded in a timely manner for their timely contributions and incremental improvements. Or so, they may not feel the inner drive to work with their full effort.
- 11) Pay Fairness – Fair remuneration policy should be practiced which is market competitive and the members of the organization must be equally compensated and financial rewards should also be provided if possible according to the organization type for outstanding performances. Companies must study the market place as well as their industry for keeping in line with their talent management.

V. The Toc And Employee Engagement

Though TOC was primarily applied for the industrial organizations, but in the service sector it has become widespread. Applying the steps of the TOC in the banking sector can have a remarkable outcome. The steps are:

Step-1: Identify the constraint

As the human resources are not fully engaged, organizational goal is hard to achieve. Improvement of personnel management can make an alteration.

Step-2: Exploit the constraint

Training programs must be organized so that the employees may become well aware of what they are selling and the ways in which it can coincide with the top management planning. To boost up the performances, the organization must reward them by acknowledging their success and to speed up the wheel of the overall organization, the employees' pay scale should be market competitive to avoid turnover and retain the existing ones leading to reduce operating expenses.

Step-3: Subordinate & synchronize to constraint

Monitoring the output of the workforce has no alternative as the workers standing in the line level of the organization play an active role in obtaining management demands. Fair judgement must be ensured so that none of the employees are out of the box and appropriate standard should be followed for assessing performances. Several performance indicators such as, personal qualities (i.e. educational qualification, leadership quality, ability to work under pressure etc.) and individual target achievement should quantify their aggregate score. Moreover, socialization may lead to find out the organizational gaps and assist in developing committed workers. If required, experts from outside the organization can also be hired. It will sustainably establish that the process is aligned with the top level management's strategy and plans for both short-term and long-term.

Step-4: Elevate the performance of the constraint

If the bank still faces difficulties in the advancement, capital investment may limit the problem. For instance, rapid campaigns and advertisements can help attract new customer segment and hiring low cost employees who are enthusiastic and skilled enough, can lift up the performance.

Step-5: Repeat the process

If the problem is solved, then, the next constraint should be taken care of as it is a cyclic process.

VI. Key Findings & Recommendations

After studying employee behaviours of the employees in different banks, some notable outcomes have been found.

- 1) Employee engagement is the result of two-way relationship between employer and employee pointing out that there are things to be done by both sides.
- 2) It is about passion and commitment, the willingness to invest oneself and expand discretionary effort to make the employer successful.
- 3) Maximum level of job satisfaction and job contribution equates for the alignment of full engagement.

- 4) Lack of consistency in the management style due to the attitudes of the individual managers' leads to perceptions of unfairness and low level of advocacy carry the risk of creating a downward spiral of employee resentment and disengagement. For instance, setting an achievable target for the employees can make their work easier. But if it is way far from the possible outcome to be attained, then, it can create a negative impression about the management practice.
- 5) Long hour culture at corporate level as some of the managers feel that long hour stay ensures greater output creates imbalance in professional life as well as personal life.
- 6) Leadership development should be taken into consideration for the junior managers who are willing to involve through dynamic initiatives.
- 7) As banks are large organizations, teamwork and collaboration act as crucial ingredient for employee engagement.
- 8) Rather than new talent acquisition, management should focus on employee retention.
- 9) Managers' concern should be facilitating the employees with all the resources they need such as, physical or material, financial and information resources to do their jobs with efficiency.
- 10) Training is a must for the employees, but the right kind of training should be arranged for the needed employees to set the puzzles in the right form and proper feedback system should be practiced.

VII. Conclusion

The views have been quite transparent that employee engagement clearly reflects the two-way exchange of effort between employees and employers though the definition itself is still on infancy. Nurturing the self-esteem of the employees by making them feel valued by the management and giving opportunities to grow are the driving forces to attain engagement. Nevertheless, pay scale and benefits are not of the most concentration to them as the organizations are of strong financial growth. If the study was conducted on banks that are standing on the striving rows, then, financial benefits could act as a vital barrier in this context. Productivity with profitability and growth with customer satisfaction, higher employee retention and reduced turnover can only be stringed when employees are engaged in the desirable pace as it acts as a precursor for such fact. On the contrary, organizations that have disengaged employees strive from required effort and bleed talent, earn less committed ones with increased absenteeism and have less customer orientation, productivity, and net profit margins. It is the duty of the Managers should to maintain two-way communication, provide unavoidable resources to do the job, give appropriate training to increase their knowledge and skill, plant reward mechanisms vide financial and non-financial incentives and formulate a distinctive corporate culture encouraging hard work and keeping success stories alive that has increased business performance.

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