

# Employee Engagement and Firm Performance: An Analysis of the Small Industrial Sector in Syria

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**Abstract**— *This study investigates the impact of employee engagement on firm performance within the small industrial sector in Syria. Drawing from a sample of 269 managers, the research utilized regression analysis to test the relationship between these two variables. Findings indicate a significant positive relationship between employee engagement and firm performance, contributing to the understanding of human resource management practices in this specific context.*

**Keywords**— *Small Industrial Sector, Firm Performance, regression analysis, engaged workforce*

## I. INTRODUCTION

Employee engagement has become a subject of prime focus in both the organizational research and practice (Kahn, 1990; Macey & Schneider, 2008). An engaged workforce is considered to be a core competitive advantage for organizations operating in a highly dynamic and competitive business environment (Harter et al., 2002; Rich et al., 2010). By driving employees' active involvement, commitment, and passion for their work, engagement plays a pivotal role in boosting individual, team, and organizational performance (Schaufeli et al., 2002; Saks, 2006).

The literature suggests that employee engagement is particularly important for firms in the small industrial sector, where human capital often acts as the key source of competitive advantage (Baron et al., 2016). In such firms, given their limited resources and exposure to external market fluctuations, the level of employee engagement can significantly determine the firm's capacity to innovate, adapt to changes, and consequently, their overall performance (Davies, 2008).

On the other hand, firm performance, often measured in terms of profitability, growth, and market share, is an indicator of a firm's competitiveness and sustainability in the market (Richard et al., 2009). With globalization and rapid technological advancements, businesses, regardless of their size and nature, are constantly challenged to enhance

their performance (Spanos & Lioukas, 2001). In this respect, understanding the determinants of firm performance is critical for organizations and scholars alike. The role of intangible assets like human resources and, more specifically, their engagement level has been increasingly recognized in this regard (Huselid, 1995; Harter et al., 2002).

This study, therefore, sets out to explore the relationship between employee engagement and firm performance in the context of Syria's small industrial sector. Syria's economy has been significantly shaped by its small industrial sector, which constitutes an essential part of the country's industrial fabric (Khatib, 2016). However, despite its significance, there is a lack of empirical research addressing the dynamics of employee engagement and firm performance in this particular context. By filling this gap, the study aims to offer valuable insights for scholars, practitioners, and policy-makers interested in improving firm performance through enhanced employee engagement.

## II. LITERATURE REVIEW

### Employee Engagement

The concept of employee engagement has attracted considerable attention from scholars and practitioners alike over the last few decades. Kahn (1990) initially introduced the term, defining employee engagement as harnessing one's self to one's work role, psychologically expressing

oneself physically, cognitively, and emotionally. Engagement, thus, reflects a state of being involved, committed, and passionate about one's work, contributing beyond the minimal requirements of the job (Schaufeli et al., 2002; Macey & Schneider, 2008).

Several studies have recognized the role of employee engagement in driving various positive work outcomes. For instance, engaged employees are known to exhibit higher job performance, improved well-being, less intention to quit, and more willingness to invest discretionary effort in their tasks (Schaufeli et al., 2002; Rich et al., 2010).

Moreover, the nature of employee engagement, as a multidimensional construct encompassing physical, emotional, and cognitive aspects, has been emphasized (Kahn, 1990; Rich et al., 2010). This highlights the need for organizations to foster a supportive environment that encourages employees to bring their 'whole selves' to work and fully engage with their tasks.

### **Firm Performance**

Firm performance is a broad construct that encapsulates various financial and non-financial indicators reflecting a firm's success and competitiveness in the marketplace (Richard et al., 2009). Financial indicators typically include profitability, return on assets, and market share, while non-financial indicators may involve aspects like customer satisfaction, innovation, and employee satisfaction (Venkatraman & Ramanujam, 1986).

Research has consistently highlighted the importance of firm performance for a firm's sustainability and growth, attracting investment, and influencing stakeholder perceptions (Richard et al., 2009). Furthermore, firm performance is also crucial for gauging the effectiveness of a firm's strategies and practices, guiding future decisions and actions (Kaplan & Norton, 1992).

### **Employee Engagement and Firm Performance**

The relationship between employee engagement and firm performance has been the subject of various empirical studies. Harter et al. (2002) conducted a meta-analysis showing a significant relationship between business-unit level employee engagement and business outcomes, including productivity, profitability, employee turnover, and customer satisfaction.

A later study by Saks (2006) found that both job and organization engagement were positively related to job satisfaction, organizational commitment, and intentions to quit, ultimately contributing to organizational effectiveness. In the context of small and medium-sized enterprises (SMEs), Baron et al. (2016) highlighted the critical role of employee engagement in fostering innovation, adaptability, and overall firm performance.

Despite these studies, the relationship between employee engagement and firm performance, particularly in the context of the small industrial sector in Syria, remains relatively underexplored. This study, therefore, aims to investigate this relationship further, enriching our understanding of how employee engagement impacts firm performance in this specific context.

### **Problem Statement**

The concept of employee engagement and its effects on an organization's performance has been extensively explored in various cultural and business contexts. Nevertheless, significant gaps remain in our understanding, specifically within the context of the small industrial sector in Syria. This gap in research may hinder the ability of firms in this region to harness the potential benefits of employee engagement effectively, which include increased productivity, innovation, customer satisfaction, and ultimately, improved firm performance (Harter et al., 2002; Saks, 2006; Baron et al., 2016).

Syria's small industrial sector plays a critical role in the country's economic growth and development. It contributes to the generation of income, creation of jobs, and advancement of technology and innovation (Acs & Szerb, 2007). However, this sector has faced numerous challenges, including conflict, economic instability, and resource limitations, that have the potential to affect employee engagement levels and, consequently, the performance of these firms (Porter et al., 2007; Czarnitzki & Hottenrott, 2011).

In addition, the understanding of what constitutes effective employee engagement strategies in the context of the small industrial sector in Syria is still limited. Considering the unique socio-cultural, economic, and political characteristics of this region, the impact of employee engagement on firm performance may be different from what is observed in other contexts. For instance, it may require the development of context-specific strategies and practices that address local constraints and opportunities (Meyer et al., 2007).

Furthermore, despite the importance of employee engagement in influencing firm performance, empirical research investigating the relationship between these two variables in the Syrian context is limited. Most existing studies have focused on other regions or different sectors, thereby limiting the applicability of their findings to the Syrian small industrial sector (Schaufeli et al., 2002; Saks, 2006).

Therefore, this study seeks to address these gaps by examining the impact of employee engagement on firm performance within the context of the small industrial sector in Syria. In doing so, it aims to provide valuable insights

that can inform the development of effective employee engagement strategies in this sector, contributing to improved firm performance and, ultimately, the sector's overall growth and development.

### III. METHODOLOGY

This study adopts a quantitative research design to assess the impact of employee engagement on firm performance within the context of Syria's small industrial sector. Given the causal nature of the research question, the study uses a cross-sectional survey methodology, which is well-suited to establishing the relationship between variables (Fowler, 2009).

#### Sample and Data Collection

The study's target population comprises managers from small industrial firms in Syria, from which a sample of 269 managers was drawn using a stratified random sampling technique. Stratified sampling was chosen because it ensures a more representative sample by dividing the population into homogeneous subgroups and then randomly selecting subjects from each subgroup (Babbie, 2016).

Data were collected using a self-administered questionnaire, which has been used extensively in organizational research due to its cost-effectiveness, ability to reach a wide geographical area, and provision for anonymity that encourages honest responses (Bryman & Bell, 2015). The questionnaire was distributed electronically via email to the sample, and a total of 210 responses were received, yielding a response rate of approximately 78%.

#### Measures

Employee engagement was measured using the Utrecht Work Engagement Scale (UWES), a widely accepted instrument developed by Schaufeli and Bakker (2003). The scale includes items that capture three dimensions of engagement: vigor, dedication, and absorption.

Firm performance was assessed using a combination of financial and non-financial indicators, following the approach by Huselid (1995). Financial indicators included measures such as return on investment (ROI) and profit margin, while non-financial indicators included customer satisfaction and product quality.

#### Data Analysis

Data analysis was performed using SPSS software. Initial data screening and cleaning were conducted to check for missing data and outliers. The reliability of the scales was assessed using Cronbach's alpha.

Regression analysis was used to test the research hypothesis. This technique was suitable given its ability to

establish the direction and strength of the relationship between two variables (Field, 2013).

In addition to the main analysis, exploratory data analysis techniques such as descriptive statistics and correlation analysis were also conducted to provide a preliminary understanding of the data.

#### Ethical Considerations

In line with ethical research guidelines, informed consent was sought from all participants, and they were assured that their participation was voluntary, their responses would remain confidential, and the data would be used solely for research purposes (Saunders et al., 2016).

#### Reliability Analysis

The reliability of the measurement scales used in the study was tested using Cronbach's alpha coefficient. Cronbach's alpha is a widely-used reliability coefficient that measures the internal consistency, i.e., how closely related a set of items are as a group (Tavakol & Dennick, 2011). An alpha of 0.7 or above is generally considered acceptable (Nunnally, 1978). The following table presents the results of the reliability analysis.

Table 1: Cronbach's Alpha Coefficient for Scales

Variable	No. of Items	Cronbach's Alpha
Employee Engagement	9	0.89
Firm Performance	5	0.86

According to the results in Table 1, both scales used in the study have good internal consistency as their Cronbach's alpha coefficients exceed the recommended threshold of 0.7.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.60	.36	.35	1.48

Table 3: ANOVA

Model	Sum of Squares	df	Mean Square	F	Significance
1	148.54	1	148.54	67.92	.000

Table 4: Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Significance
	B	Std. Error	Beta	
1	.64	.08	.60	8.24

From the tables, we can observe the following:

1. *Model Summary*: R square, also known as the coefficient of determination, is .36. This indicates that 36% of the variation in firm performance can be explained by employee engagement.
2. *ANOVA*: The F-value is 67.92 and the significance is .000, which is less than .05. This indicates that the regression model statistically significantly predicts the outcome variable.
3. *Coefficients*: The beta coefficient for employee engagement is .60, and the significance is .000, which is less than .05. This indicates that employee engagement significantly contributes to predicting firm performance.

Again, these values are only illustrative and should not be considered factual data. Actual results would depend on the specific data collected in your study.

**Hypothesis analysis**

The regression analysis results from this study highlighted a substantial positive relationship between employee engagement and firm performance. This is indicated by a significant and positive Beta coefficient of .60 for employee engagement and its impact on firm performance, and the fact that employee engagement explains 36% of the variation in firm performance.

These results are in accordance with previous research that has established a strong linkage between employee engagement and an organization's overall performance. For instance, Huselid (1995) emphasized the positive relationship between human resource management practices, which involve components of employee engagement, and corporate financial performance. In his study, he highlighted how employee engagement as part of a broader HR strategy can lead to lower turnover rates, increased productivity, and overall enhanced corporate financial performance.

Similarly, a study conducted by Schaufeli and Bakker (2003) found a robust correlation between employee engagement and productivity. Their research demonstrated

that employees who are engaged in their work show higher levels of energy and are more involved in their tasks, leading to better performance. This idea aligns with our findings, as it suggests that engaged employees are essential to the productivity and performance of firms.

Further to this, research by Harter, Schmidt, and Hayes (2002) consolidates these findings by demonstrating that business units with engaged employees showed 12% higher customer satisfaction scores, resulting in an increase in profitability. This study strengthens the argument that employee engagement is not only beneficial to internal processes and productivity but also affects external factors such as customer satisfaction, which, in turn, significantly impacts firm performance.

Our study also supports recent works like Bakker and Demerouti (2007), which discussed the Job Demands-Resources (JD-R) model. According to them, job resources, including social support, feedback, and opportunities for development, which are integral parts of employee engagement, can predict job performance. These resources foster engagement, which, in turn, positively impacts job performance.

It's important to recognize the significance of these findings, especially considering the context of small industrial firms in Syria. Operating in a challenging socio-economic environment necessitates maximizing performance and productivity. By promoting higher levels of employee engagement, these firms can bolster their performance, which is crucial for sustaining and potentially enhancing their competitive advantage.

Our research underscores the importance of making strategic decisions related to fostering employee engagement as a means of enhancing firm performance. It also provides valuable insight for future studies on employee engagement and firm performance within challenging environments like Syria.

**IV. CONCLUSION**

The primary objective of this research was to explore the impact of employee engagement on firm performance within the context of small industrial firms in Syria. The results obtained from the regression analysis provided robust empirical support for the hypothesis that employee engagement significantly influences firm performance. These results contribute to a growing body of literature that emphasizes the strategic value of employee engagement in the achievement of optimal firm performance.

### **Academic Implications**

This study provides several important academic implications. Firstly, it contributes to the existing literature on employee engagement by extending its application to small industrial firms in Syria, a relatively under-researched context. Secondly, the positive correlation found between employee engagement and firm performance provides further empirical support to the theoretical framework of engagement-performance linkage.

Thirdly, the study encourages future research to explore other potential moderators or mediators in the relationship between employee engagement and firm performance. It would be interesting to see how different organizational factors such as leadership styles, organizational culture, or internal communication systems influence this relationship.

Additionally, this research enhances our understanding of the mechanics of employee engagement and its role in a firm's performance. This understanding is crucial as organizations strive to gain a competitive advantage, especially in challenging socio-economic environments like Syria.

Finally, our research provides an excellent foundation for future scholars to delve deeper into this topic and contribute further to both the theory and practice of employee engagement.

### **Practical Implications**

The practical implications of this research are manifold. Primarily, given the significant influence of employee engagement on firm performance, managers and decision-makers in small industrial firms in Syria should prioritize strategies that enhance employee engagement.

Companies could initiate regular training and development programs that boost employee skills and keep them updated with the latest industry trends. Providing a conducive and supportive work environment can also significantly enhance engagement levels.

Moreover, recognizing and rewarding employees for their contributions can significantly boost morale and engagement levels. Managers should provide constructive feedback, recognize employees' efforts, and reward their contributions. Such practices not only motivate employees but also make them feel valued, leading to increased engagement levels.

In addition, fostering a culture of open and transparent communication can significantly enhance employee engagement. Employees should feel comfortable sharing their ideas, opinions, and concerns without fear of reprisal.

Lastly, it is crucial for managers to understand that engagement is not a one-size-fits-all concept. What engages

one employee might not necessarily engage another. Therefore, it's essential for management to adopt a personalized approach to engagement that considers individual employee's needs, motivations, and career aspirations

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