

# The Impact of Organizational Identification and Employee Engagement on Intellectual Capital Assests: An Empirical Study

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## **Abstract:**

The aim of this research is to assess whether there is an association between Organizational Identification and Employee Engagement among the intellectual capital assets of a selected textile retail outlet. In order to find out the intended research objective, the researchers have selected 87 employees using proportionate stratified random sampling technique and the data were collected through structured questionnaire. The questionnaire consists of demographic variables, Items of Organizational Identification Scale and Items of Employee Engagement Scale. The researchers have used the Non-Parametric tools such as Mann-Whitney Test, Kruskal Wallis test and Spearman's Rho Correlation for the purpose of statistical analysis. Based on the analysis of how the demographic variables and Organizational Identification Factor are associated with Employee Engagement, the researchers have made few recommendations to the textile retail outlet.

**Keywords:** *Intellectual capital, Organizational Identification, and Employee Engagement.*

## **Introduction:**

The increasing competition in the market makes organizations inevitably compete their rivals with unique capabilities. Intellectual capital is the prime resource of any organization which cannot be imitated, copied, adopted, and stolen merely by someone from outside. Though it is easily seen and observed by others, it is the human values which give benefits for organization. This is because of the unique set of Skills, Knowledge and Attitude of its human capital. No individuals can have the same set of these three capabilities. Today, the challenge faced by every organization is the retention of its workforce. Simply retaining best talents is alone not a solution to reinstate the growth lost but, engaging

that human capital at work brings in more values to outperform over the competitors in the market.

Employees with the highest levels of engagement perform 20% better than others and are 87% of them less likely to leave the organization indicate that engagement is linked to organizational performance (Lockwood RN, 2007). Retaining these engaged workforce enables the firm attain sustainable competitive advantage and lifts its reputation which in turn fosters even the loyalty of customers. Therefore Employee Engagement is a potent differentiator. Engaged employees do not just see about their job but they understand how much their daily actions impact their organization's business. They go extra-mile to create value to the business

and it differentiates their organization from their competitors.

Organizational identification refers to how an employee identifies him/her as an associate of the organization and the degree to which he/she feels a sense of cohesion with the organizational value (Schuh et al, 2016). The identity the employees feel, within the group membership, influences them to have a feeling of pride and a sense of belongingness towards their organization. The researchers intended to find out whether Organizational Identification (OID) and Employee Engagement (EE) have significant relationship.

### Aim of the study

The objectives of this study is to check whether Organizational Identification (OID) and Employee Engagement varies based on demographic variables such as Gender, Age, Designation, Experience and Monthly income. It would assess whether there is an association between Organizational Identification (OID) and Employee Engagement (EE) it assist the retail outlet in understanding how Demographic variables and organizational identity plays a role in Employee Engagement.

### Hypotheses

H<sub>01</sub>: There is no significant median difference between Organizational Identification and dimensions of Employee Engagement such as Vigor, Dedication and Absorption with respect to Gender, Age, Designation, Experience and Monthly income

H<sub>02</sub>: There is no significant median difference between Organizational Identification and dimensions of Employee Engagement with respect to Gender, Age, Designation, Experience and Monthly income

H<sub>03</sub>: There is no association between Demographic Variables such as Age, Experience with Organizational Identification

H<sub>04</sub>: There is no association between Organizational Identification and each Dimension of Employee Engagement

H<sub>05</sub>: There is no association between Organizational Identification and Employee Engagement (EE).

### Research Methodology

This research is descriptive in nature. The sample group comprised of Salespersons and Supervisors of an organized textile retail outlet in Tirunelveli. The population size is 288 comprised of 230 Salespersons and 58 Supervisors. 30 percent from each category was selected as representative sample using Proportionate stratified random sampling method. This gives a sample size of 87 including 69 Salespersons and 18 Supervisors. Both primary and secondary sources were used for collecting data. The questionnaire used in this survey is comprised of three sections explaining the Demographic profile of sample respondents, 17 items measuring Employee Engagement and 12 items measuring Organizational Identification. Utrecht Work Engagement 17 item Scale Questionnaire (Vigor - 6 items, Dedication - 5 items and Absorption - 6 items) and Organizational Identification 12 item Scale Questionnaire (Membership - 3 Items, Loyalty – 6 items and Similarity – 3 items) were used. All the items of Engagement scale were anchored in a Seven-point Likert scale ranging from 0 (Never) to 6 (Always) and items of Organizational Identification were anchored in a Seven-point Likert scale ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). Cronbach's Alpha coefficients were calculated for Organizational Identification and Employee Engagement. The Reliability test results, revealed the alpha values for the research constructs of Factors under study, are given in the table.

**Table 1: Reliability Statistics**

Factors	Constructs	No. of Items	Cronbach's Alpha	Reliability
Organizational Identification (IV)	Membership	3	.65	Moderate
	Loyalty	6	.70	High
	Similarity	3	.63	Moderate

Employee Engagement (DV)	Vigor	.70	6	High
	Dedication	.65	5	Moderate
	Absorption	.74	6	High

From the Reliability Statistics, it is understood that the questionnaire used in this survey, to measure Organizational Identification the level of employee engagement, is statistically reliable. Research

hypotheses were tested using statistical tools such as Percentage Analysis, Mann-Whitney Test, Kruskal Wallis Test and Spearman's Rho Correlation in SPSS 20.0.

### Analysis

**Table 2: Constructs of Organizational Identification Scale**

	N	Mean	Std. Deviation
<b>Membership</b>	87	5.9770	1.20699
<b>Loyalty</b>	87	5.4598	1.20211
<b>Similarity</b>	87	5.9234	.82547

Among the three constructs of Organizational Identification, Membership and Similarity have the mean scores of 5.97 & 5.92 and Loyalty has scored least mean value of 5.45.

### Mann-Whitney Test

### Organizational Identification versus Gender

The table below explains whether the constructs of Organizational Identification vary with respect to Gender.

**Table 3: Ranks**

	Gender	N	Mean Rank	Sum of Ranks	Z Value	Asymp. Sig. (2-tailed)
<b>Membership</b>	Female	38	<b>46.22</b>	1756.50	-.737	.461
	Male	49	42.28	2071.50		
	Total	87				
<b>Loyalty</b>	Female	38	<b>48.47</b>	1842.00	-1.458	.145
	Male	49	40.53	1986.00		
	Total	87				
<b>Similarity</b>	Female	38	<b>51.50</b>	1957.00	-2.477	<b>.013</b>
	Male	49	38.18	1871.00		
	Total	87				

The Mean ranks of Mann Whitney Test show that Female has more membership (46.22), Loyalty (48.47) and Similarity (51.50) than the Male. However, the significance p-values show that Membership (p-value = .461) and Loyalty (p-value = .145) do not differ significantly with respect to Gender except Similarity (p-value = .013).

### Organizational Identification and Employee Engagement versus Gender, Designation and Monthly Income

The table below explains whether Organizational Identification and Employee Engagement vary with respect to Gender, Designation and Monthly Income.

**Table 4: Rank**

Dependent Variables	Demographic Variables	Categories	N	Mean Rank	Sum of Ranks	Z Value	Asymp. Sig. (2-tailed)
OI	Gender	Female	38	<b>49.97</b>	1899.00	-1.945	.052
		Male	49	39.37	1929.00		
		Total	87				
EE		Female	38	<b>50.20</b>	1907.50	-2.017	<b>.044</b>
		Male	49	39.19	1920.50		
		Total	87				
OI	Designation	Sales Executive	69	41.63	2872.50	-1.715	.086
		Supervisor	18	<b>53.08</b>	955.50		
		Total	87				
EE		Sales Executive	69	44.46	3067.50	-.330	.741
		Supervisor	18	42.25	760.50		
		Total	87				
OI	Monthly Income	0-10000	55	39.60	2178.00	-2.132	<b>.033</b>
		10000-20000	32	<b>51.56</b>	1650.00		
		Total	87				
EE		0-10000	55	43.84	2411.00	-.079	.937
		10000-20000	32	44.28	1417.00		
		Total	87				

The Mean ranks of Mann Whitney Test show that with respect to Gender, Organizational Identification is high among the Female (49.97) than the Male (39.37); with respect to Designation, Organizational Identification is high among the Supervisors (53.08) than Salespersons (41.63); with respect to Monthly Income, Organizational Identification is high among the employees fall in the income group of 10000-20000 (51.56) than employees fall in the income category 0-10000 (39.60). However, the test statistics are insignificant for Organizational Identification with respect to Gender and Designation because there is no enough evidence to prove that there is a significance difference in Organizational identification based on Gender (.052) and Designation (0.086). But, the test statistic is statistically significant for Organizational Identification with respect to Month Income (.033).

The Mean ranks of Mann Whitney Test show that with respect to Gender, Employee Engagement is high among the Female (50.20) than the Male (39.19); with respect to Designation, Employee Engagement is high among the Salespersons (44.46) than Supervisors (42.25); with respect to Monthly Income, there is no much difference in mean score of the income group 0-10000 & 10000-20000. However, the test statistics are insignificant for Employee Engagement with respect to Designation and Month Income because there is no enough evidence to prove that there is a significance difference in Employee Engagement based on Designation (.741) and Monthly Income (.937). But, the test statistic is statistically significant for Employee Engagement with respect to Gender (.044).

#### Kruskal Wallis Test

**Constructs of Organizational Identification versus Monthly Income**

The table below explains whether constructs of Organizational Identification vary with respect to

Monthly Income.

**Table 5: Ranks**

	Monthly Income	N	Mean Rank	Asymp. Sig. (2-tailed)
<b>Membership</b>	0-10000	55	39.10	<b>.016</b>
	10000-20000	32	<b>52.42</b>	
	Total	87		
<b>Loyalty</b>	0-10000	55	40.05	.056
	10000-20000	32	<b>50.78</b>	
	Total	87		
<b>Similarity</b>	0-10000	55	41.28	.181
	10000-20000	32	<b>48.67</b>	
	Total	87		

The ranks of Kruskal-Wallis Test for Constructs of Organizational Identification with respect to Monthly Income show that Membership (52.42), Loyalty (50.78) and Similarity (48.67) is high among the employees fall in the income group of 10000-20000. However, the significance p-values show that there is no significance difference in Loyalty (.056)

and Similarity (.181) with respect to Monthly Income except Membership (.016).

#### ***Organizational Identification & Employee***

#### ***Engagement versus Age Group and Experience***

The table below explains whether Organizational Identification and Employee Engagement vary with respect to Age Group and Experience.

**Table 6: Rank**

Dependent Variables	Age Group Categories	N	Mean Rank	Asymp. Sig. (2-tailed)	Experience Categories	N	Mean Rank	Asymp. Sig. (2-tailed)
<b>OI</b>	18-28	24	35.19	.026	0-10 Years	51	39.62	<b>.060</b>
	28-38	31	39.90		10-20 Years	25	46.80	
	38-48	25	51.70		20-30 Years	8	51.06	
	48-58	4	<b>68.38</b>		30-40 Years	3	<b>76.33</b>	
	58-68	3	60.17					
	Total	87			Total	87		
<b>EE</b>	18-28	24	38.00	.141	0-10 Years	51	41.87	<b>.469</b>
	28-38	31	39.58		10-20 Years	25	43.42	
	38-48	25	50.78		20-30 Years	8	<b>55.19</b>	
	48-58	4	<b>60.75</b>		30-40 Years	3	<b>55.17</b>	
	58-68	3	58.83					
	Total	87			Total	87		

The ranks of Kruskal-Wallis Test for Organizational Identification with respect to Age Group shows that Organizational Identification is high among the employees belonging to age group of 48-58 years (68.38) followed by the age group of 58-68 years (60.17), 38-48 years (51.70), 28-38 years (39.90) and low among the age group of 18-28 years (35.19). The test statistic also shows that there is a statistically significance difference in Organizational Identification with respect to Age Group (.026).

The ranks of Kruskal-Wallis Test for Employee Engagement with respect to Age Group shows that Employee Engagement is high among the employees belonging to age group of 48-58 years (60.75) followed by the age group of 58-68 years (58.83), 38-48 years (50.78), 28-38 years (39.58) and low among the age group of 18-28 years (38.00). However, the test statistic shows that there is no significance difference in Employee Engagement with respect to Age Group (.141).

The ranks of Kruskal-Wallis Test for Organizational Identification with respect to Experience shows that Organizational Identification is high (76.33) among the employees having experience of 30-40 Years followed by 20-30 years (51.06), 10-20 years (46.80) and 0-10 years (39.62). The ranks of Kruskal-Wallis Test for Employee Engagement with respect to Experience shows that Employee Engagement is high (55.2) among the employees having experience of 20-30 Years and 30-40 years compared to 10-20 years (43.42) and 0-10 years (41.87). However, the test statistics show the difference in Organizational Identification and Employee Engagement with respect to Experience with the current employer is insignificant (.060 & .469).

#### ***Organizational Identification Versus Age & Experience : Spearman's Rho Correlations***

The table below explains whether there is any relationship between Organizational Identification and Age and Experience and Employee Engagement.

**Table 7: Spearman's rho**

			Org_Ident
<b>Spearman's rho</b>	<b>Age</b>	Correlation Coefficient	.320**
		Sig. (2-tailed)	.003
		N	87
	<b>Experience (in Years)</b>	Correlation Coefficient	.194
		Sig. (2-tailed)	.072
		N	87

Spearman's Rho Correlation table shows that age and Experience has positive moderate correlation with Organizational Identification ( $r = .320$  &  $r = .194$ ). The p-values show that Age is significantly correlated with Organizational Identification (.003) and the correlation between Experience and

Organizational Identification is statistically insignificant (.072).

#### ***Age, Experience, Employee Engagement Versus Constructs of Organizational Identification***

The table below explains whether there is any relationship between Age, Experience, Employee Engagement and Constructs of Organizational Identification

**Table 8: Spearman's rho**

			Membership	Loyalty	Similarity
<b>Spearman's rho</b>	<b>Age</b>	Correlation Coefficient	.419**	.308**	.091
		Sig. (2-tailed)	.000	.004	.403
		N	87	87	87
	<b>Experience (in Years)</b>	Correlation Coefficient	.300**	.161	.087
		Sig. (2-tailed)	.005	.137	.426
		N	87	87	87
	<b>Emp_Eng</b>	Correlation Coefficient	.344**	.541**	.352**
		Sig. (2-tailed)	.001	.000	.001
		N	87	87	87

Spearman's Rho Correlation table shows that the age has positive moderate relationship with Membership ( $r = .419$ ) and Loyalty ( $r = .308$ ) and the p-values show that the Age is significantly correlated with Membership (.000) and Loyalty (.004) and the correlation between Age and Similarity is statistically insignificant (.403). The Experience has positive moderate relationship with Membership ( $r = .300$ ) and the p-values show that the Experience is significantly correlated with Membership (.005) and the correlation between Experience and Loyalty (.137) is statistically insignificant and the correlation between Experience and Similarity (.426) is statistically insignificant.

Employee Engagement has positive moderate relationship with Membership ( $r = .344$ ), Loyalty ( $r = .541$ ) and Similarity ( $r = .352$ ) and also p-values show that Employee Engagement is significantly associated with Membership (.001), Loyalty (.000) and Similarity (.001).

#### **Organizational Identification Versus Employee Engagement & its Dimensions**

The table below explains whether there is any relationship between Organizational Identification and Employee Engagement & its Dimensions.

**Table 9: Spearman's rho**

			Dedication	Vigor	Absorption	EE
<b>Spearman's rho</b>	<b>Org_Ident</b>	Correlation Coefficient	.445**	.471**	.421**	.523**
		Sig. (2-tailed)	.000	.000	.000	.000
		N	87	87	87	87

Spearman's Rho Correlation table shows that Organizational Identification has positive moderate correlation with Employee Engagement ( $r = .523$ ) and its dimensions Vigor ( $r = .471$ ), Dedication ( $r = .445$ ) and Absorption ( $r = .421$ ) and the relationships are statistically significant (.000).

#### **Findings and Discussions**

From the analysis it is understood that among the dimensions of Organizational Identification such as Membership, Loyalty and Similarity, Membership is high which means that the employees are having psychological association with the organization. This would definitely help the organization to retain employees in the long-run. The analysis revealed that there is a difference in Organizational similarity with respect to Gender. The mean ranks also convey

that Organizational Identification is high among Female than male. From this it is inferred that the female employees have the feeling of belongingness, loyalty towards the organization and they feel that there is a similarity in shared values and beliefs. Organizational Identification is high among Supervisors compared to Salespersons. This is also connected with the income the employees earn. Therefore, the organization may revise the salary it offers to its employees.

It is also noted that Employee Engagement is significantly different with respect to Gender and Female employees have higher level of employee engagement than Male but contrast to Organizational Identification finding, Employee Engagement is high among the Salespersons compared to Supervisors. This may increase the sales of the company through its engaged salespersons as a fact that the salespersons are directly dealing with customers in the retail showrooms. The analysis discovered that there is a significant difference in Organizational Identification based on Age Group. Organizational Identification increases as the age of employees increase. It is inferred that older the employees become lesser they become alienated from the work and their organization. Employee Engagement increases as the age of employees increase. The retail showroom may start focusing on engaging its younger workforce to contribute more as they can easily align themselves with the organizational goals. Organizational Identification and Employee Engagement increases as the experience of employees increase. This shows that the employees at present they feel contented about their employer and so the company is able to retain its workforce. This would impact on the firm's sales.

The study analysis revealed that the age is positively associated with Membership and Loyalty and the Experience has positive moderate relationship with Membership. Therefore older the employees become higher the feeling of belongingness they will have and will be more loyal to the organization. The

psychological connection the employees have will also related to the number of years they serve for their employer. The analysis result shows that the employee engagement is positively associated with Membership, Loyalty and Similarity. Psychological belongingness, Devotion towards organization and shared beliefs and values may influence the employees engage more with the employer. Overall the Organizational identification is positively associated with the Employee engagement. The management may concentrate on framing policies that will positively influence organizational identification which in turn will bring Engaged workforce.

## CONCLUSION

When employees have the sense of belongingness towards the organization they will become more loyal to the organization and will show discretionary efforts that will have an impact on productivity. This study gives a special finding that female employees of the selected retail showroom has higher level of organizational identification than male employees and it increases as age, income and number of year of services with the current employer increase. It is suggested to the firm that it should start investigating the reason why female employees are easily identified with the organization and connected more the work they do. The organization should also take a genuine effort in making their employees understand that they are being valued by the employer, so that the employees will be dedicated and psychologically be connected with their work. The common values they share, the culture they experience may also have an impact on employee engagement. Therefore it is concluded that when employees start identifying with their organization, employees become engaged and become competitive advantage for the firm they work for.

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