

Employee Engagement and its Impact on Organizational Development: Evidence from Small and Medium Enterprises (SMEs) in Ghana

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ABSTRACT

This study evaluated the intricate relationship between employee engagement and organizational development within small and medium enterprises (SMEs) in Ghana. Pertinent literature was reviewed on the influence of employee engagement on organizational development and relationship between employee engagement and organisational development of SMEs in Ghana. The study used quantitative method through cross-sectional survey design. Data were collected from 360 employees across various SMEs in the Eastern Region of Ghana. Structural equation modeling (SEM) was utilized to assess the relationships between employee engagement and organizational development outcomes. Results indicate a significant positive effect of employee engagement on organizational development, suggesting that higher engagement levels correspond to improved organizational performance, innovation, and adaptability. The findings underscore the importance of fostering employee engagement as a strategic imperative for organizational growth and sustainability in the contemporary business landscape.

Keywords: Employee Engagement, Human Resource Management, Organizational Development, Performance, SME's,

INTRODUCTION

In today's rapidly evolving business landscape, organizations encounter complex challenges that require innovative approaches to maintain competitive advantage and ensure sustainable growth (Kiruja & Mukuru, 2018; Mensah, 2020). Human resources, particularly the engagement of employees, have become increasingly recognized as vital to driving organizational success (Saks, 2022). Employee engagement refers to the emotional commitment and dedication of an employee to their work and the organization. Engaged employees not only exhibit higher levels of productivity but also contribute positively to the organizational culture and overall performance (Albrecht et al., 2018). Organizational development (OD) encompasses systematic efforts aimed at enhancing an organization's effectiveness and capability (Anderson, 2017). It involves strategic interventions designed to improve productivity, innovation, employee morale, and overall organizational performance (Shuck et al., 2019). Understanding the interplay between employee engagement and organizational development is crucial, especially in the context of SMEs, which constitute a significant portion of the economy in Ghana (Agyemang & Ofei, 2021).

Research Objective

The objective of this study was to empirically assess the impact of employee engagement on organizational development within SMEs in Ghana. Specifically, the research aims to achieved the following objectives:

1. To examine the influence of employee engagement on organizational development of SMEs in Ghana
2. To examine the relationship between employee engagement and organisational development of SMEs in Ghana

Research Questions

To achieve these objectives, the study addressed the following research questions:

1. What is the influence of employee engagement on organizational development of SMEs in Ghana?
2. What is the relationship between employee engagement and organisational development of SMEs in Ghana

LITERATURE REVIEW

Influence of Employee Engagement on Organizational Development of SMEs

Employee engagement has garnered substantial attention in organizational behaviour research due to its critical influence on performance outcomes. Engaged employees demonstrate higher levels of commitment, are more likely to invest effort in their roles, and contribute positively to organizational culture (Cooke et al., 2022; Buil et al., 2019). Engaged employees exhibit behaviours such as increased creativity, pro-organizational citizenship, and a willingness to go above and beyond their job descriptions (Karatepe et al., 2020). Recent studies underline the multifaceted nature of employee engagement, which includes cognitive, emotional, and behavioural components (Saks, 2022). A meta-analysis by Bailey et al. (2017) found that business units with higher engagement levels outperformed those with lower engagement levels in terms of productivity and profitability. Furthermore, engaged employees tend to have lower turnover rates, which can significantly reduce recruitment and training costs (Albrecht et al., 2018).

Increased involvement results in better service delivery, creativity, and teamwork of which all are essential for SMEs to expand (Bakker & de Vries, 2021). The impact of a fully engaged employee is amplified in the setting of SMEs, which typically have lower staff sizes and less resources. A sense of accountability and ownership is fostered by engagement, and this can result in proactive problem-solving and ongoing organisational improvement initiatives (Gupta & Sharma, 2021). Promoting employee engagement is not only advantageous but also strategically important as SMEs in developing nations aim to be resilient and competitive.

Relationship between Employee Engagement and Organisational Development of SMEs

Organisational development refers to intentional efforts aimed at improving an organisation's effectiveness, adaptability, and overall performance (Anderson, 2017). Organisational development encompasses strategies that foster innovation, employee morale, and adaptability (Shuck et al., 2019). Various studies have highlighted the positive association between organisational development and factors such as employee engagement, turnover rates, and customer satisfaction (Mensah & Amponsah-Tawiah, 2021; Krishnan & Singh, 2020; Ahmed & Pilbeam, 2018). The relationship between employee engagement and organisational development has become increasingly critical to investigate, particularly in the context of SMEs, which often face unique challenges and resource constraints.

Understanding how employee engagement contributes to organisational development can provide valuable insights for improving performance and sustainability in these organisations (Anlesinya, 2020). Employee engagement can act as a driver for informal organisational growth processes including knowledge sharing, team cohesiveness, and adaptive leadership in SMEs, where formal structures and systems are frequently lacking (Boateng et al., 2023). Additionally, involving staff members in change projects actively improves their sense of purpose and alignment with organisational objectives, which is crucial during times of development or transition (Mwangi & Omolo, 2017). As a result, SMEs may create innovative, people-centered, and flexible cultures that foster long-term success by including engagement techniques into organisational growth plans.

THEORETICAL FRAMEWORK

This study employs Social Exchange Theory (SET) as its theoretical framework. SET posits that social behaviour is the result of an exchange process in which individuals weigh the potential benefits and risks of relationships (Cropanzano et al., 2017). Within the organisational context, SET explains how employees' willingness to invest effort and remain committed is influenced by the perceived fairness, support, and rewards they receive from their employers (Blau, 2017). Engaged employees are more likely to reciprocate organisational support through enhanced performance, loyalty, and proactive behaviour (Saks, 2022).

SET provides a robust foundation for examining employee engagement in SMEs by highlighting the role of mutual trust, obligation, and perceived organisational justice in shaping engagement levels. When organisations invest in the well-being, development, and recognition of their employees, a cycle of reciprocal positive exchanges is initiated leading to greater employee commitment and organisational development (Nawaz & Pangil, 2021). In this way, SET helps to clarify the relational dynamics between employer and employee, reinforcing the strategic importance of engagement practices in achieving sustainable organisational outcomes.

METHODOLOGY

Research Design

The study adopted a quantitative research approach and utilised a cross-sectional survey design to gather data on the influence of employee engagement and its relationship with organisational development among SMEs in the Eastern Region of Ghana. This design was chosen because it allows the researcher to collect data from a population at a single point in time, providing a snapshot of the current perceptions and conditions within the organisations. According to Creswell (2018), cross-sectional designs are appropriate when researchers aim to identify relationships between variables across a defined group. Additionally, Saunders et al. (2019) emphasise that survey designs are particularly suitable for business and management studies where large populations are involved, and quantifiable data are required.

Population and Sampling

The target population for this study comprised employees from various small and medium-sized enterprises (SMEs) operating within the Eastern Region of Ghana. The total number of registered SMEs in the selected region was 360, forming the accessible population for the study. As noted by Cooper and Schindler (2014), a sample is a subset of the population selected for participation in the research to enable generalisation of findings. To determine an appropriate sample size from the finite population, the study employed Yamane's (1973) formula, which provides a simplified method for calculating sample sizes while maintaining a specified level of precision. This formula was used to determine the representative sample size as follows:

The formula for sample size determination for a finite population is given by:

$$n = \frac{N \cdot \% \cdot (1 - \%)}{(1 - \%)^2 + \%}$$

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where:

n is the required sample size.

N is the population size, which is 7,905 according to the Ghana Statistical Service.

$\%$ is the Z-score corresponding to the desired confidence level.

' is the estimated proportion of the population that possesses the attribute in question.

, is the margin of error

Assuming a 95% confidence level ($\% \approx 1.96$), an estimated proportion of 0.5 for maximum variability, and a margin of error of 5% ($= 0.05$).

$$! = \frac{7,905 \cdot (1.96)^2 \cdot 0.5 \cdot (1 - 0.5)}{(7,905 - 1) \cdot (0.05)^2 + (1.96)^2 \cdot 0.5 \cdot (1 - 0.5)}$$

Calculating this gives the appropriate sample size for the study.

$$\begin{aligned} &= \frac{7,905 \cdot 3.8416 \cdot 0.25}{7,904 \cdot 0.0025 + 3.8416 \cdot 0.25} \\ n &= \frac{7,905 \cdot 0.9604}{19.76 + 0.9604} \\ n &= \frac{7,576.452}{20.7204} \\ n &\approx 366 \end{aligned}$$

!

Therefore, the calculated sample size for a 95% confidence level with a 5% margin of error is approximately 366 establishments. This sample size should provide a representative and statistically significant sample for your study in the specified location.

Data Collection

Data were collected using questionnaire adapted from established scales measuring employee engagement and organizational development. The questionnaire was divided into section. Section A, B, and C showing the demographic information, assessing engagement levels and organizational development indicators. Respondents rated their experiences using a 5-point Likert scale, facilitating quantitative analysis.

Data Analysis

The collected data were analyzed using SPSS (Version 26.0) and AMOS software. Structural equation modeling (SEM) was employed to test the hypotheses and assess the relationships between the constructs. This comprehensive analysis allows for a nuanced understanding of the dynamics at play and provides empirical evidence supporting the study's objectives.

Results

Table 1: Demographic information

Variables	Categories	Frequency	Percent
Gender			
	Male	198	55.0
	Female	162	45.0
Age	18-25 years	54	15.0
	26-30 years	72	20.0
	31-36 years	90	25.0
	36-40 years	63	17.5

	41-45 years	36	10.0
	46-50 years	27	7.5
	More than 50 years	18	5.0
Educational Background	No formal education	9	2.5
	Basic/Primary	18	5.0
	Secondary	54	15.0
	Bachelor's Degree	180	50.0
	Master's Degree	81	22.5
	Tech/Voc	18	5.0
Years worked in the firm	Less than 6 years	162	45.0
	6-9 years	126	35.0
	More than 9 years	72	20.0
Years firm has been in operation	Less than 1 year	18	5.0
	1-5 years	54	15.0
	6-10 years	90	25.0
	11-15 years	81	22.5
	16-20 years	72	20.0
	21 years & above	45	12.5
Number of employees in the firm Less than 6 employees		27	7.5
	6-9 employees	45	12.5
	10-29 employees	108	30.0
	30-50 employees	90	25.0
	More than 50 employees	90	25.0
	Total	360	100.0

Source: Field Survey (2024)

Hypothesis Testing

The result established the effect of employee engagement on organizational development. The results show that employee engagement has a significant positive effect ($\beta = 0.365$, $t = 6.607$, $p = 0.000$) on organisational development, suggesting that higher levels of employee engagement correspond to higher levels of organisational development, thus, supporting the hypothesis. This implies that when employees are highly motivated, committed, and invested in the success of the organisation, it can drive meaningful progress and improvements at the organisational level. This suggests that engaged employees, who feel a sense of purpose, empowerment, and connection to the organization's goals, are more likely to contribute proactively, provide valuable insights, and collaborate effectively to drive innovation, increase productivity, and enhance overall organisational capabilities. Engaged employees may be more adaptable to change, willing to take on additional

responsibilities, and more effective in their roles, all of which can contribute to the organization's ability to adapt, grow, and become more competitive. Conversely, organisations with disengaged or disinterested employees may struggle to capitalize on opportunities, implement strategic initiatives, or realize their full potential.

Table 3: Results of Hypothesis Testing

Paths		Path coefficient	T statistics	P values	Remarks
Employee Engagement -> Development	Organisational	0.365	6.607	0.000	Supported

DISCUSSION

The study assessed the effect of employee engagement on organizational development. The results show that employee engagement has a significant positive effect on organisational development. This implies that when employees are highly motivated, committed, and invested in the success of the organisation, it can drive meaningful progress and improvements at the organisational level.

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Conversely, organisations with disengaged or disinterested employees may struggle to capitalise on opportunities, implement strategic initiatives, or realise their full potential. Recent research on the relationship between employee engagement and organisational development has produced diverse findings. Several studies support a positive association. For instance, Bailey et al. (2017) found a significant positive correlation between employee engagement and business outcomes, including productivity and profitability. Albrecht et al. (2018) reported that engaged employees contribute to improved organisational performance and competitive advantage. Karatepe et al. (2020) observed that daily fluctuations in employee engagement were positively related to financial and customer service outcomes. Saks (2022) discovered that employee engagement plays a mediating role between organisational resources and organisational climate, leading to improved outcomes. However, some studies present more nuanced or contradictory findings. Saks (2022) also emphasised that job and organisational engagement are distinct constructs with different antecedents and consequences.

Gupta and Sharma (2021) observed that engagement mediated the relationships between organisational support, personal initiative, and task performance. Buil et al. (2019) reported that employee engagement was positively related to job performance, though the strength of the relationship varied depending on contextual factors. Albrecht et al. (2018) found that engagement was influenced by job resources and leadership support, which in turn affected organisational outcomes. Mensah and Amponsah-Tawiah (2021) discovered that the relationship between engagement and performance was strengthened by proactive HR practices and perceived fairness. Ahmed and Pilbeam (2018) observed that the impact of engagement on organisational citizenship behaviour and turnover intentions was moderated by organisational culture and employee perceptions.

Saks (2022) noted in a critical review that while engagement is related to performance, it is conceptually distinct from other job attitudes and requires further empirical clarity. Nawaz and Pangil (2021) found that job satisfaction and perceived organisational support are key antecedents to engagement, influencing organisational commitment and development. Boateng et al. (2023) observed that open communication and participative decision-making were important drivers of engagement in Ghanaian SMEs. Bailey et al. (2017), in their systematic review, found that while engagement generally had a positive effect on performance, the evidence was not always consistent across studies. Lastly, Cooke et al. (2022) discovered that the relationship

between engagement and performance varied depending on the type of engagement strategy employed and the organisational context.

Practical Implications

Organizations should prioritize initiatives that enhance employee engagement, including recognition programs, career development opportunities, and a supportive work environment. By fostering an engaged workforce, SMEs can enhance overall performance and ensure sustainable growth.

Theoretical Contributions

This study contributes to the literature by demonstrating the significant relationship between employee engagement and organizational development, reinforcing the SET framework in the context of SMEs. The findings highlight the need for organizations to strategically manage human capital to drive development.

Limitations of the Study

The study may have limitations related to the sample size and diversity. If the sample is not large or diverse enough, the findings may not be generalizable to all organisations or industries. This limitation restricts the ability to apply the results to a broader context. The study likely employs a cross-sectional design, which captures data at a single point in time. This design limits the ability to make causal inferences and understand the long-term effects of employee engagement and retention strategies on organisational development. The reliance on self-reported data can introduce biases such as social desirability bias, where respondents may provide answers, they believe are expected or favourable rather than their true feelings or behaviours.

The study might not account for various external factors (e.g., economic conditions, industry specific trends) that could influence employee engagement, retention strategies, and organisational development, potentially confounding the results. The findings may be context specific, focusing on a particular industry, geographic region, or organisational size. This specificity can limit the applicability of the results to other contexts.

CONCLUSION

This study highlights the need for organizations to foster employee engagement as a strategic priority for organizational development. By implementing effective engagement practices, SMEs can enhance their overall performance and ensure sustainable growth in a competitive landscape.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to publication of this article, authorship and the research.

Declaration of interest

None

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