

# Impact of Internal Communication on Employee Engagement in Indian Public Sector Banks

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## ABSTRACT

Internal communication or the way the top management, management and employees communicate has a direct impact on an organisation's success. Although many studies talk about the importance of the association between internal communication and employee engagement, there have been very few of them to test this relationship. Using surveys and regression this paper aims to contribute to the numerous studies investigating into the relationship between employee engagement and internal communication. Principally this paper wants to test the relationship in the context of public sector banks in India.

## Keywords

Internal communication, supervisor communication, organisational communication, Employee Engagement, Public Sector Bank

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## Introduction

Public sector banks form an essential part of the economy. They ensure financial inclusion by reaching out to far flung and remote areas of a country. In India, public sector banks can be said to be nothing less than the back bone of the economy. They serve as a conduit for delivery of government welfare schemes at the grassroots level. The nationalisation of banks in India began with that of State Bank of India in 1955. Until then the banking sector was owned and operated by businessmen. The second wave of nationalisation of banks came in 1969. The third phase of nationalisation took place in the year 1980. The aim of these nationalisation schemes was to extend banking facilities to the rural community and to execute the social responsibility of the government. In August 2019, the Government of India in the biggest consolidation exercise announced the merger of 10 public sector banks. This brought down the number of public sector banks in India from 27 in 2017 to 12. Public sector banks in India employ more than 8 lakh people and for the successful delivery of the social mandate, the government needs commitment and willingness from these 8 lakh people which calls for the need of an engaged workforce.

An engaged employee is the one who puts in the extra effort to get one's work done and shows signs of staying in the organisation. While employee engagement is an outcome of various actions taken by the leaders, managers and peers, organisational culture and organisational communication have been identified as primary drivers of employee engagement in nationalized banks in India (Sarangi & Srivastava, 2012). Organisational communication is often talked about in terms of various dimensions including supervisory, the way in which supervisors reach out and communicate; organisational integration, the extent to which employees identify themselves as a part of the organisation; corporate information, the extent to which employees are informed about the organisation's policies and strategies

(Downs, Hazen, & Quiggins, 1973). Also organisational communication along with supervisory communication has been included as a part of internal communication (Karanges, Johnston, Beatson, & Lings, 2015). In this paper we talk about how internal communication in terms of organisational communication and supervisory communication affects employee engagement. Internal communication as a construct includes the context of two-way supervisor communication and organizational communication in terms of identification and integration (Downs, Hazen, & Quiggins, 1973). In the light of these, the below research question has been developed:

**RQ1:** Does internal communication from supervisor and organisation positively affect employee engagement in Public Sector Banks in India?

## Literature Review

### Employee Engagement

Employee engagement as a concept was first developed by (Kahn, 1990) in which he identifies physical, cognitive, and emotional aspects as the three major dimensions of employee engagement. He defines employee engagement as "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances" (Kahn, 1990, p. 694). Employee engagement can also be defined as "the energy, the passion, the fire in the belly that employees have for their job and employer" (Ray, 2004, p. 49). In his work (Ray, 2004) also states that employee engagement is a state of emotional and intellectual commitment to the organization and it can be measured by three primary behaviors: say, stay, strive. The say component is related to employees positively speaking of their organization to potential employees and customers. The stay aspect is connected to the employees' desire to be a part of the organization despite opportunities elsewhere. The

third measure strive is related to employees' willingness to work harder. There are many factors that enable employee engagement in enterprises and (Richman, 2006) talks about them in terms of a commitment pyramid. She places communication along with career advancement, flexibility, job satisfaction among others at the top of the pyramid, emphasizing their relative importance. She further goes on to define engagement as a commitment to the organization. There are many factors influencing employee engagement. These factors could be the workplace environment, leadership, compensation, training and development, workplace policies and procedures and also relationship with co-workers (Anitha, 2014). Engagement can also be driven by management by making employees feel that they contribute to the company's goals (Mishra, Boynton, & Mishra, 2014). Further they add that employee engagement as a process entails making employees understand the company's mission and how their jobs are aligned to it. This point is also emphasized by (Anitha, 2014), who talks about an engaged employee being the one who is aware of his/her role in the goals of the company and also motivates co-workers towards achieving those goals. Another research that talks about employee engagement predictors in the context of an India PSU, classifies these factors into personal attributes of an employee and workplace policies and practices or situational factors (Mishra, Sharma, & Bhaskar, 2015). The situational factors are pay, recognition, training and development, communication, job content, benefits. They also describe employee engagement as a function of organizational commitment and job involvement. Employee engagement results in increased productivity, lower turnover and improves employer brand (Karanges, Beatson, Johnston, & Lings, 2014).

### Internal Communication

Internal communication climate in an organization has four dimensions: internal corporate communication, internal line management communication, internal project peer communication, and internal team-peer communication represents and that map to distinct groups of internal stakeholders: top-management, supervisor, colleague (Welch & Jackson, 2007). Internal corporate (top management) communication in an organization is designed to promote awareness of its changing environment and understanding of its evolving aims (Welch & Jackson, 2007, p. 193) and internal line management (supervisor communication) involves discussion pertaining to performance and feedback.

When it comes to defining internal communication, results from a Delphi study among leaders of European communication associations revealed that internal communication was "simply as all forms of communication within the organization" (Verčič, Verčič, & Sriramesh, 2012, p. 225)

In another study, employee engagement is conceived of as an outcome of internal communication (Ruck & Welch, 2012). They propose a new model of internal communication through supervisor and top management that addresses questions relating to job responsibilities, performance feedback, vision, mission and strategy (Ruck & Welch, 2012, p. 301). Internal communication is a two-way

road that involves communication between managers and employees (Mishra, Boynton, & Mishra, 2014). Internal communication has become an integral part of the corporate environment and affects the financial performance of organizations in many different ways (Vora & Patra, 2017).

### Internal Communication and Employee Engagement

There have been very few studies evaluating employee engagement as a possible outcome of internal communication. Employee engagement can result from trust and commitment built through strong internal communication (Mishra, Boynton, & Mishra, 2014). They also identified employee engagement to be one of the main purposes behind internal communication. One study shows that meaningful interactions between an organization, supervisor and employees developed and maintained optimal employee engagement (Karanges, Johnston, Beatson, & Lings, 2015). These meaningful interactions essentially entail communication that "encourages employees to share their ideas and opinions with the organization and their supervisor" and that "facilitates an employee's ability to link their values and goals to those of the organization" (Karanges, Johnston, Beatson, & Lings, 2015, p. 130) and this idea is further substantiated by their another study (Karanges, Beatson, Johnston, & Lings, 2014). Another study finds confirmatory evidence in the lines of (Ruck & Welch, 2012), showing that internal communication has a significant role in employee engagement (Verčič & Vokić, 2017). Organizations now are using emails, mailers, instant messaging, social media and intranet to engage employees and encouraging them to utilize those channels to involve in more regular real time conversations with senior management (Vora & Patra, 2017). These tools are recognized as being effective in engaging employees by creating a sense of belongingness to their organizations.

## Methodology

### 3.1 Instrument and Sample

An online survey questionnaire was developed, using Google Forms, to collect primary data to fulfil the purpose of the research. The survey consisted of 3 parts with 5 items measuring each part. The three parts measured employee engagement in terms of organisational and job commitment, supervisor communication and organisational communication which include elements of organisational integration and corporate information. All survey items were measured using a 5-point Likert scale. The survey was limited to one public sector bank. The employees were provided with the internet link to the self-administered questionnaire. The questionnaire was built using Google Forms.

A total of 225 responses were obtained. 52.17 per cent of the respondents belonged to the 20-30 years age group and 47.83 per cent of the respondents were in the age bracket of 30-40 years. There was more number of male respondents (71.7%) as against female respondents (28.3%).

### 3.2 Data Analysis

A reliability analysis was carried out on three scales measuring employee engagement, supervisor communication and organizational communication and the Cornbach's Alpha score were  $\alpha = .825$ ,  $\alpha = .927$ ,  $\alpha = .934$  respectively. This showed that the questionnaire was fairly reliable and all the items were worthy of retention and exclusion of any item only decreased the value of alpha ( $\alpha$ ). Using KMO and Bartlett's test the data was found to be suitable for factor analysis structure detection (Table 1).

**Table 1**

**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.740
Bartlett's Test of Sphericity	Approx. Chi-Square	3208.364
	df	105
	Sig.	.000

Factor analysis was undertaken using Varimax Rotation and all the components had loadings greater than the minimum acceptable loading of 0.4 (Table 2).

**Table 2**

Factors/Items	Loadings	Eigen Value	Variance Explained (in %)
<u>Supervisor Communication</u>		2.205	14.701
My manager clearly communicates expectations	.802		
My manager is open and receptive to my ideas, suggestions, and requests	.765		
My manager provides me with regular constructive feedback	.894		
My manager regularly interacts with me and my co-workers	.823		
My manager explains how I am contributing to the company's goals	.879		
<u>Organisational Communication</u>		7.371	49.141
My organisation does an excellent job communicating changes or decisions that affect employees	.807		
Management explains the	.860		
	.920		

reason behind the decision made	.776		
My organisation regularly provides clear information about its mission and future goals	.890		
Management and leadership offer regular updates on company news			
I believe that employee opinions and suggestions are given due consideration in my organisation's decision making process			
<u>Employee Engagement</u>		1.635	10.898
I am proud to work for my company	.751		
While at work, I am 100% focused on my job responsibilities and duties	.879		
I give my best to every assignment, every day	.792		
I would recommend my company as a great place to work to my family and friends	.423		
I rarely think about looking for a job at another organisation	.591		

The data also satisfied the assumptions of normality, homoscedasticity, linearity and absence of multicollinearity. Multi-linear regression was exercised to state the relationship between internal communication (supervisor and organisational) and employee engagement in the context of public sector banks in India. The statistical software package IBM SPSS Statistics 23 was used for data analysis.

### Findings

The multi-linear regression showed that when taken as a set, the independent variables, supervisor communication and organisational communication, explained 40.8% of the variance in the dependent variable employee engagement and the overall regression model was significant ( $p < .001$ ). Furthermore, individually both the independent variables, supervisor communication and organisational communication, were found to be statistically significant ( $p < .001$ ). Additionally, the contribution of supervisor communication ( $\beta = .396$ ) and organisational communication ( $\beta = .353$ ) to the model is relatively similar (Table 3)

Table 3

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Std. Error Change
1	.639 <sup>a</sup>	.408	.403	.59845	.408	.76044

a. Predictors: (Constant), Organisational Communication, Supervisor Communication  
 b. Dependent Variable: Employee Engagement

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.898	2	27.449	76.644	.000 <sup>b</sup>
	Residual	79.506	222	.358		
	Total	134.405	224			

a. Dependent Variable: Employee Engagement  
 b. Predictors: (Constant), Organisational Communication, Supervisor Communication

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.971	.183		0.746	.000
	Supervisor Communication	.336	.049	.396	6.831	.000
	Organisational Communication	.230	.038	.353	6.098	.000

a. Dependent Variable: Employee Engagement

## Discussion

The key finding of this paper is identifying the importance of communication from management in building an engaged workforce. It strengthens the findings of one research which states that how communication from the managers and employers is a key predictor of employee engagement by providing employees with meaning to their works and developing a sense of ownership by communicating major decisions and accomplishments of the organisation (Anitha, 2014). This paper also contributes to the recognition of communication as one of the situational factors in determining an engaged employee among others in Indian public sector organisations (Mishra, Sharma, & Bhaskar, 2015). This paper also nudges supervisors and top management to foster transparent internal communication to engage employees' in the organisation's objectives and goals, ascertaining the findings of (Mishra, Boynton, & Mishra, 2014). The aspect of two-way communication has also been included in this paper, thus indicating its importance in communication strategy, as underlined by (Kang & Sung, 2017). Two-way communication requires the inclusion of employees' voices in decisions made by the top management and supervisors particularly when those decisions have the potential to affect employees (Bao, Arif, Omar, & Shaari, 2020). Another contribution of this paper is

that it supports the findings of the existence of a positive relationship between employee engagement and internal communication (Vora & Patra, 2017). The findings of this paper are also consistent with existing studies that also focus on internal organizational communication and internal communication (Karanges, Beason, Johnston, & Lings, 2014) and have established a positive relation between employee engagement and the two communication dimensions.

## Conclusion

This study brings forth the role of internal communication in driving employee engagement. It provides an insight for human resources managers, managers/supervisors and the top management, who should recognise the significance of internal communication and leverage their internal communication mechanisms to achieve desired employee engagement levels. It also underscores the importance of building an effective internal communication strategy in order to make the workplace more engaged. Managers/immediate supervisors and top level management, through internal communication channels, should make employees understand the company's priorities and make them aware of their role in contributing to the company's strategy. It also shows that when assessing the effect of internal communication on employee engagement, questions relating to two-way communication between employees, supervisor and organisation (corporate/top management) should be given precedence. Employee engagement should also be seen in terms of commitment and job involvement.

## Limitations and Future Scope

There are certain limitations to the study that need to be acknowledged. The study has sampling limitations as it is restricted to one organization and convenience based. Also the results are based on self-administered survey data, which raises concern regarding overconfidence bias. Future studies may expand their sample to include more than one organisation. Nonetheless, this paper contributes to an under-researched area.

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