EFFECT OF EMPLOYEE ENGAGEMENT ON THE PERFORMANCE OF KENYA ELECTRICITY GENERATING COMPANY

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DECLARATION

I, **LALI LOUIS NALO,** do hereby declare that this is my original work and has not been submitted for a degree in any other university.

Signed……………………………………….

LALI LOUIS NALO

This thesis has been submitted for examination with my knowledge and approval as the University Supervisor.

Signed……………………………………..

DR. MERCY MUNJURI

DEDICATION

This research project is dedicated to my late father, Joash Nalo, who taught me that even the toughest of hurdles can be overcome through hard work.

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I deeply thank everyone whose contributions enabled the completion of this research project.

I thank the Almighty God for seeing me through to the completion of this research project.

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ABSTRACT

The objective of the study was to establish the effect of employee engagement on the performance of Kenya Electricity Generating Company. Research has proven that employee engagement positively results in better performance for organizations. The study was guided by two theories namely; Herzberg's Two factor Theory and the Social Exchange Theory. It adopted a case study design, due to its suitability to the study objective and collected data from the study respondents through an interview guide. The respondents were selected through Purposive Sampling, which selected Managers and Line Managers as the respondents. The data was then analyzed through content analysis which is a technique of analyzing written, spoken or video communication, and relational analysis. The findings showed that majority of the employees at KenGen were not engaged at their work. Less than 30% of the employees, according to managers at KENGEN, are fully engaged in their work. The findings corresponded with other research findings that showed the low level of employee engagement in organizations, with the average employee engagement in Sub-Saharan Africa being at 14%. Results showed that employee engagement affected goal attainment at KenGen. Their deliberate efforts went a long way in ensuring that the company goals were attained. The employees who were engaged made sure that targets were attained. Managers also considered some of their employees competent enough resulting in better organizational performance. Findings showed that employees' deliberate efforts led to a growth in KENGEN's market share. The employees' efforts improved the KENGEN brand and placed it in the international map. This resulted in the growth in customers with KenGen securing projects across borders. The company thus was able to improve on its revenue. Results showed that employees' willingness to go an extra mile for the organization contributed to organizational innovation. Engaged employees went out of their way to bring new ideas to the company. They introduced new ways of doing things and improved business processes. The study recommended that organizations should invest more in improving employee engagement in order to bolster organization performance.

CHAPTER ONE: INTRODUCTION

1.1Background of the Study

Employee engagement involves deliberate efforts by the employee to achieve the organization goals, as a result of the organization creating the right working conditions for the employees. When the employee is engaged, he/she shows emotional commitment to the organization and achievement of its goals. According to Vance (2006) firms have invested substantially in policies and practices that foster employee engagement and commitment to their workforces. Organizations that ensure that their employees are engaged are more likely to register higher performance than those that do not. They are also more likely to attract the best employees or those that are talented and possess the necessary competencies in the work environment to their organization, which is likely to bolster productivity of the organization. Sanchez and McCauley (2006) argue that having satisfied, content employees contributed to workforce stability and productivity. Baker and Leitter (2010) observe that employers need to go beyond satisfaction by doing their best to inspire employees to achieve their full potential.

The study was guided by two theories namely; Herzberg's two-factor theory and the social exchange theory which explain Employee Engagement. Herzberg's two-factor theory also known as the motivation-hygiene theory explains that motivational factors integral to work motivate the employee for a superior performance. These factors include recognition, sense of achievement, opportunity for growth and promotional opportunities, responsibility and meaningfulness of the work. When these factors are satisfied, the employee is well motivated and thus engaged in the performance of his/her duties.

Hygiene factors on the other hand are the job factors essential for motivation at the workplace which when non-existent at the workplace lead to dissatisfaction and consequently disengagement to the company. The social exchange theory explains that social behavior is a consequence of an exchange process, aimed at maximizing the gains and minimize the costs. According to the social exchange, individuals consider the likely gains and risks of social relations and if the risks overshadow the gains, then one will abandon the relationship (Cook & Rice, 2006). According to Cropanzano and Mitchell (2005) social exchange encompasses a series of exchanges which generate obligations.

KENGEN produces about 75% of the electricity capacity installed in the country, making it the largest power producer in Kenya, thus the organization is very important to the Kenyan economy. The study focused on KenGen because it is currently the market leader in the power producing sector in the country and it has been able to maintain market leadership in its operating industry. The company is also partly owned by the Government and partly owned by members of the public. KENGEN has been able to maintain good organizational performance through the years, as well as maintain significantly low employee turnover rates. The study thus aimed to establish whether employee engagement has resulted in the low employee turnover rates and the good organizational performance.

1.1.1 Employee Engagement

Mizne (2016) defined employee engagement as the employee proactively and passionately adding value while aligning with the company mission. Khan (1990) defined employee engagement as the harnessing of organization members’ selves to their work role by which they employ and express themselves physically, cognitively and emotionally during role performances.

An engaged employee demonstrates behaviors such as belief in the organization, identifying with the organization, desire to work to make things better, and willingness to go the extra mile (Robinson, Perryman & Haydey, 2004).

The strongest driver of engagement is the sense of feeling valued and involved, which entails actions such as involvement in decision making, ability of employees to voice their opinions and ideas, two-way communication as well as the extent the organization is concerned for the health and well-being of the employees (Robinson, Perryman & Haydey, 2004). Employees who are engaged show high levels of commitment and are involved in the organization as well as its values. How an employee is treated by the organization as well as their experience of working for the particular organization will highly influence the level of engagement of that employee (Serrat, 2017).

Employees can either be engaged, not engaged or actively disengaged. Engaged employees are passionate about their roles, always wanting to exceed the desired expectations of their roles as well as being exceptional performers (Serrat, 2017). Engagement is sometimes referred to as being similar to psychological contracts where expectations from both sides are mainly unwritten but maintained by trust between the employee and the organization. Where the organization upholds its end of the contract, the employee is likely to be more engaged and uphold their end of the contract as well. Not engaged employees concentrate on tasks rather than goals, and are only focused on achieving tasks rather than goals. Disengaged employees are usually unhappy at work and act out their unhappiness at the workplace, while undermining what their engaged counterparts accomplish (Gallup, 2006).

1.1.2 Organizational Performance

Organizational Performance involves measuring the actual performance of the organization against the set goals or standards. The organization excels in customer satisfaction/loyalty, productivity, operational efficiency, profitability and low employee turnover. (International Risk Management Institute, 2017). Organizational Performance can be measured using financial measures, which relate to organizational effectiveness and profits, and non-financial measures, also referred to as customer measures of performance relating to customer attraction, satisfaction and retention. A business will tailor its measures of organizational performance according to its key business drivers that determine the success of the business.

Organizational performance may also be defined as how well an organization is doing to reach its vision, mission and goals. Non-Financial measures may include: the number of complaints received from customers, the number of items already sold that are returned, the number of employee complaints, time taken to serve a customer in the service industry, the number of new customers as well as return customers, time taken to process an order, percentage of sales against target sales. On the other hand, financial measures will normally focus on Cash flows, Working Capital, cost base, borrowing, and growth. These can be measured in form of ratios such as Return on Equity which tends to be the primary measure of an organizations performance, Internal Rate of Return, Return on Investment, Return on Assets, especially given the huge asset base in terms of power plants and drilling rigs, Return on Investment, Return on Equity, Internal Rate of Return, Net/Gross Profit, Earnings before Interest and Tax, Debt to Equity ratio, Current ratio which measures the extent to which the current assets cover the current liabilities, Debtors turnover, Creditors Turnover, Gross Profit Margin, and Net Profit.

1.1.3 Kenya Electricity Generating Company (KENGEN)

KENGEN is a limited liability company incorporated in 1954 under Kenya Power Company and renamed KENGEN 1997 after energy sector reforms, with 70% government ownership and 30% public ownership. The Company has a workforce of 2,538 employees operating in five business areas. Its core business is electricity generation, with an installed capacity of 1,631MW from diverse generation modes that are hydro, geothermal, wind, thermal plants, with hydro being the leading source of electricity. Its vision is to be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region. Its mission is to efficiently generate competitively priced electric energy using the state of the art technology, skilled and motivated human resource to ensure financial success. Reforms in the energy sector as well as emerging markets have led to increased competition in the industry.

By the year 2014, KENGEN provided 80% of the electricity consumed in the market, but KENGEN's market share has been on a decline owing to the introduction of Independent Power producers (IPPs) such as Ormat Limited due to levelling of the playing field by the government and reduced monopoly that has increased the level of competition (KENGEN, 2016). KENGEN recognizes that employees form an integral part of its operations as evidenced by its mission statement and has also embedded the same in its strategy to improve organizational health and build required capabilities/skills, thus focusing on employee empowerment.

However, it strives to ensure employees gain passion in their work by making efforts to make the employees feel comfortable and thus it created a department dedicated to employee engagement that focuses on improving employee engagement levels (KENGEN, 2016).

1.2 Research Problem

Employee engagement predicts employee outcomes, organizational success and financial performance (Bates, 2004; Baumuruk, 2004; Harter et al, 2002; Richman, 2006). Research has shown that organizations with high levels of employee engagement excel in productivity, operational efficiency, profitability, low employee turnover and customer satisfaction/loyalty. Acquisition of skilled employees is just not enough to ensure improved performance. As such, employee engagement forms a critical role of any organization hence organizations should create an environment that boosts the potential of its employees through its engagement strategies. Employee engagement is a motivational factor towards organizational objectives achievement, because when the employees are offered good environments to work in by the organization, they do their best to ensure the organizational goals are achieved. When employees are satisfied and content, they exude pride to their work, and the organization is more likely to succeed in achieving its objectives. The better the employee is engaged and committed, the better the performance of the organization, as well as the organizations outcomes because happy and dedicated employees in a workplace ensure their organization retains a competitive advantage (Kazimoto, 2016). This is an indicator that employee engagement is a powerful tool to measure an organization's vigor and orientation towards competitive advantage and improved performance.

KENGEN recognizes the significance of their employees as it aims at maintaining a competitive edge in the electric energy sub-sector in East African region.

The company has approximately 2,500 employees, both unionized and non-unionized who are motivated in various ways to make them engaged (KENGEN, 2014).There is for instance a program referred to as, “Energy Champion” that aims at creating an employee driven brand through which KENGEN can leverage on a staff compliment of over 2,500 employees in a mutually beneficial relationship (Bariti, n.d). Being the largest power generator in Kenya, KENGEN needs to ensure that individual employees in its workforce are engaged so as to positively influence performance (Karanja & Mwaura, 2017). This seems to be the case going by the positive performance of KENGEN which is a manifestation of the work engagement of its employees. The company has significantly invested in diversifying its generation mix, seeking a higher contribution from renewable sources. The installed power capacity has increased by nearly 500 MW and the power output across KENGEN’s portfolio of power plants rose by almost 40% between 2013 and 2017. The increase in power output was combined with an increase in the weighted average tariff earned by KENGEN over the same period. KENGEN thus grew its revenues from KES 17 billion in 2013 up to KES 35 billion in 2017, +20% as annual compound average growth rate (CAGR) during the past five years.

Notably, a lot of research has been conducted around the subject of employee engagement and organizational performance. Al-dalahmeh, Khalaf and Obeidat (2018) did a study on the influence of employee engagement on organizational performance via the mediating role of job satisfaction among IT employees in Jordanian banking sector.

They established that IT employee engagement significantly affected organizational performance. Saloni (2017) also conducted a study on the effect of employee engagement on organizational performance in private sector banks in Jammu city, India. She found out that there is a positive association between employee engagement and organizational performance.

Erajesvarie and Shamila (2018) examined the impact of employee engagement on organizational performance in an insurance brokerage company in Gauteng in South Africa. They found out that employee engagement does influence organizational performance. In another study Cheche, Muathe and Maina (2017) sought to examine employee engagement, organizational commitment and performance of selected state corporations in Kenya. They established that employee engagement influences organizational performance and that the relationship is partially moderated by organizational commitment. Muthike (2016) examined the impact of employee engagement on organization performance in Pact, Nairobi. The study showed that employee engagement has a positive impact on organization performance. These earlier studies have shown that there is a significant relationship between employee engagement and organizational performance. However, to the knowledge of this study no study was done in the energy sector to examine this relationship and this study therefore sought to answer the question, what is the effect of employee engagement on the performance of Kenya Electricity Generating Company (KENGEN)?

1.3 Research Objective

The objective of the study was to establish the effect of employee engagement on the performance of Kenya Electricity Generating Company.

1.4 Value of the Study

To existing theory and literature, the study aimed to define clearly the term employee engagement, as existing literature did not give a clear definition. It also aimed to improve existing academic research on employee engagement as most research on the topic is done within practice and consultancy, especially on the effect on organizational performance. It aimed to bridge the research gap discussed above, as well as to elicit interest to researchers so more studies can be conducted on the topic.

To policy regulators, the study aimed to enable them formulate policies that will be favorable to industries and organizations by creating an operating environment regulated well enough to enable the organizations perform well. This will in turn improve the country's economy as well as the livelihoods of the citizens of the country as a result of good employee performance which in turn results into good organizational performance, in both public and private institutions. The study also aimed to enable organizations to improve the levels of employee engagement with an aim to improve productivity and ultimately enhance organization performance by providing solutions on how to better engage the employees in order to improve individual employee performance so organizational performance can be achieved. The study will also aim to aid employees understand their importance to the business.

The study was important to the Human Resource Practice as employee engagement strategies have in recent times been proven to reduce staff turnover, improve efficiency and productivity, retain customers as well as produce higher profit.

Thus the Human Resource discipline has to come up with effective strategies to ensure that employees develop high levels of engagement as soon as they are recruited and inducted into the organization, as well as maintain the high levels of engagement throughout their stay in the organization which translates to higher profits as well as other benefits for the organization as mentioned above, and it is only through research that the most effective strategies can be developed.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewes relevant literature that was developed by various scholars, researchers and authors on employee engagement and how it influences organizational performance. The chapter covers theoretical foundation, literature on determinants of employee engagement, measures of organizational performance and employee engagement and organizational performance.

2.2 Theoretical Foundation

The study was guided by Herzberg's Two Factor Theory and Social Exchange Theory that were discussed in detail below and how they were applicable in this study.

2.2.1 Herzberg's Two Factor Theory

Herzberg's Two Factor theory was developed by Fredrick Hertzberg in 1959. This theory is founded on the assumption that job satisfaction and job dissatisfaction are not opposites. It states that there are certain factors at work which cause job satisfaction while a separate set of factors cause dissatisfaction, all of which act independent of each other (Herzberg, Mausner & Snyderman, 1959). The two-factor theory distinguishes between motivators and hygiene factors. Hygiene factors influence a person's level of satisfaction with their job and their dissatisfaction causes them to look for alternative opportunities. Their satisfaction beyond a certain level does not however lead to more satisfaction or improved performance. Motivation factors on the other hand influence employees' performance on their job, their involvement and investment in it. Motivational factors differ from one person to another.

This theory was supported by Bexheti and Bexheti (2016) through an empirical study that demonstrated that there is a high connection between motivational-hygiene factors and increasing productivity. Furthermore, their study showed that hygienic factors dominate more on raising of the productivity than motivational factors. Ataliç, Can and Cantürk (2016) also supported Herzberg's Two Factor theory through a study. In their study they obtained statistically comparable results to Herzberg's Two Factor theory study using oral and written data collection techniques. According to Chu and Kuo (2015) Herzberg's two-factor theory still holds true today, even in a dissimilar society. Chu and Kuo (2015) evaluated the extent of Herzberg's research and its usability in another type of organization and society. Their results showed that both hygiene and motivation factors have a positive and significant influence on job involvement.

In relation to the study objective, the baseline of this theory was the need to note that it is possible to have satisfied employees who are not engaged in the greater organizational goals. To ensure that job employee satisfaction translates to employee engagement and eventually to increased productivity, entities should incorporate engagement factors such as autonomy, meaningful jobs, growth, impact and connection to the employees' tasks. According to Rogel (2018) it should be noted that employee satisfaction provides the foundation through which employee engagement can be grown. This is because organizations that have high levels of employee engagement have been found to have higher levels of employee retention, productivity, innovativeness and customer satisfaction.

Critics of Herzberg's Two Factor theory argued that Herzberg's classification system confused two levels of analysis, events (what happened) and agents (who made it happen) (Schneider & Locke, 1971).

In another instance Holmberg, Sobis and Carlström (2016) carried out a cross-sectional study based on Herzberg's motivation-hygiene theory and contrary to the argument in Herzberg's theory, salary displayed a positive association with job satisfaction and not only in preventing dissatisfaction.

2.2.2 Social Exchange Theory

Social exchange theory was advanced by George Homans in 1961. The theory states that social behavior is a consequence of an exchange process, aimed at maximizing the gains and minimize the costs. According to the social exchange, individuals consider the likely gains and risks of social relations and if the risks overshadow the gains, then one will abandon the relationship (Cook & Rice, 2006). There is a consensus among scholars that social exchange encompasses a series of exchanges which generate obligations (Cropanzano & Mitchell, 2005).

The social exchange theory in the context of employee engagement is conceived in the idea that obligations are created through a sequence of relations between parties who are in a state of reciprocal interdependence (Saks, 2006). A basic principle of social exchange theory is that associations develop over time into trusting, loyal, and mutual commitments so long as the parties stick to particular rubrics of exchange (Cropanzano & Mictchell, 2005). The rubrics of exchange typically entail reciprocity or repayment rules in a way that the actions of one party lead to a response or actions by the other party. A good example is when one gets economic and socio-emotional resources from their company, they feel indebted to retort in kind and repay the company (Cropanzano & Mictchell, 2005).

This is in line with Robinson *et al.*'s (2004) portrayal of engagement as a two-way connection between the employer and employee.

The social exchange theory has however was criticised in different quarters. Critics of social exchange theory pointed out its weakness as the assumption that people are rational and will always act in rational ways. In reality however, people sometimes act in irrational ways (Cheche, Muathe & Maina, 2017). Restraint should be exercised when applying social exchange theory to workplace context. Not withstanding this, the social exchange theory is a useful model in advancing studies on employee engagement due to its focus on reciprocal relationship between employer and employees and hence was used as an anchor theory in this study (Robinson *et al.*, 2004).

2.3 Determinants of Employee Engagement

Employee engagement refers to the intellectual and emotional commitment to a company by their staffs in their works (Amhalhal, Anchor & Dastgir, 2015). The leading determinants of employee engagement include management interest in the wellbeing of the employees, communication between management and employees, and provision of opportunities for the plans career and skills growth (Muthike, 2016). Other determinants of employee engagement include, training and development, working-environment, internal communication, supervision styles. These were further discussed in the ensuing paragraphs.

Employee training and development has an effect on their engagement. Training and development are defined as strategic knowledge and experiences that show employees how to perform and complete their existing and future tasks (Siddiqui & Sahar, 2019).

According to Ezam, Ahmad and Hyder (2018) in an empirical study of employees' engagement in in Pakistani Banking Sector, development has a significant relationship with employee engagement. Similarly, Siddiqui and Sahar (2019) carried out a study on the impact of training and development and communication on employee engagement and found out that there is a positive impact of training and development and internal communication on engagement. According to Siddiqui and Sahar (2019) effective training and communication need to be offered to employees to maximize professional commitment.

According to Ariani, (2013) employees who receive training and empowerment from their organization show more engaged behavior to their work. Similarly, Otieno, Wangithi and Njeru (2015) argued that employees receiving various benefits like training and resources from the organization would be more likely to feel obliged to repay the organization through greater work engagement and in turn, display better attitude and behavior. Amanda, Kerstin, Catherine, and Emma (2013) also contended that through training, employee engagement is increased by promoting a positive attitude characterized by vigor, dedication and absorption.

The working environment also influences employee engagement, it consists of safety of employees, job security, good relations with co-workers, recognition for good performance, motivation for performing well and participation in the decision making process of the firm (Raziq and Maulabakhsh, 2015). In a study of determinants of employee engagement and their effect on employee performance, Anitha, (2014) found out that employee engagement is one of the most significant predictor of employee engagement. Gangwar, (2018) argued that a positive work environment aids in employee engagement since a positive organizational work environment support its employees. He noted that a positive environment defines supportive peers and superiors, healthy competition, celebrates failures and learns from success.

On the other hand Siriseti (2012) states that enhanced employee engagement happens when there are positive working relationships.

Internal communication has also been identified as a critical determinant of employee engagement in organizations. Internal communication is an internal organizational process that provides and shares information to create a sense of community and trust among employees (Ryynanen, Pekkarinen & Salmininen, 2012). Karanges, Johnston, Beatson and Lings (2015), examine the relationship between internal communication and employee engagement. According to their findings it was shown that there is a significant and positive association between internal communication and employee engagement. According to Erajesvarie and Shamila (2018) lack of transparency and unclear instructions and untimely communication negatively affects employee self-esteem, engagement and commitment in attaining their organizational goals and objectives.

A research by Gallup (2003) suggested that the supervision styles used by managers influence the level of employee engagement. There are five essential skills that leaders need to have if they are going to succeed in increasing employee engagement. These include building trust, mentoring, inclusion, alignment, and team development. An organization’s leadership sets the tone for the entire atmosphere of the company. Therefore, organizations capable of building strong relationships between the leadership and employees will be able to create a supportive people culture, which in turn, will drive higher levels of engagement.

Studies have indicated that the solution to employee engagement in organizations is to empower employees to share their ideas and feelings.

Additionally, management should accommodate the concerns of employees in order to maintain organizational performance (Soylu, 2008). According to Albrecht (2012) work experience has both negative and positive influence on behavioral patterns, level of engagement and employees well-being. In order to minimize the negative effects of disengagement, an employee's mental well-being and health, employee engagement needs to be recognized and supported through senior leadership, clarity of organizational vision, organizational climate and supportive HRM policies. Ongel (2014) also observed that the fundamental element for an engaged workforce is the clear understanding and proper communication of mission, vision and goals between the employer and the employee.

According to Muthike (2016) in order for an organization to drive up employee engagement, it should enhance and strengthen its engagement strategies to the employees through awareness creation so that as employees continue performing their daily functions they may feel proud of working in that particular organization and discharge their daily duties in the right manner. Further Muthike (2016) were of the opinion that employees should be allowed to make inputs in decision making in the organization. Again, in an effort to drive up engagement there should be effective employee communication, employee empowerment, effective strategy formulation and monetary rewards which encourage employees to carry out their duties effectively.

2.4 Measures of Organizational Performance

The competitive market has become increasingly dynamic driving companies to react with speed into making the necessary adaptations and changes to stay relevant.

This requires that organizations closely monitor their performance and assess whether their operations and activities are being performed optimally and in a satisfactory manner to the point of passing on as an advantage over its competitors which highly impacts the profitability of the organization. This therefore requires that organizations make deliberate efforts of monitoring and assessing their organizational performance.

Organizational performance is the actual output or the results accrued to an entity as measured against the intended objectives (Richard et al. 2009). There are various aspects of organizational performance which include financial performance such as profits, return on investment and return on assets. Organizational performance can also be determined as a measure of its product market, shareholder return such as added economic value among others. Various methodologies are used to measure organizational performance and they include customer service, financial performance, corporate social responsibility and employee engagement.

Financial performance conveys the economic consequences for the actions already taken by the organization and focuses on the profitability related measures on which the shareholders verify the profitability of their investment (Al-Najjar & Kalaf, 2012). The financial performance incorporates such measures as Return on Investment (ROI), Cash Flow, Net Operating Income, and Revenue Growth. According to Etim and Agara (2011), financial performance looks at how the investors or the shareholders see the firm in terms of dividend payout ratio, an improvement on the cost structure, profit after tax, return on capital employed (ROCE) and growth in the sales volume. On the other hand, Wood and Sangster (2002) associated financial performance with such measures as return on capital employed, earnings per share, and other financial ratios.

According to Iyibildiren and Karasioglu (2018), financial measures are used to summarize the results of the past work and the measurable outcomes of the current situation concerning those events. Financial measurements provide a common language for the evaluators to compare and analyze organizations. Nassar, Othman, Hayajneh, and Ali, (2015) argued that the financial perspectives concern the ability to provide financial profitability and financial stability or cost efficiency/effectiveness. The financial perspectives questions how the firm should seem to its shareholders in order to earn success and measures the contribution of the firm strategies to the results on financial structure.

Non-financial information helps to overcome the limitations of financial performance measures as a single indicator (Yuliansyah & Mohd, 2015). Non-financial performance can include customer perspective. In this perspective the organization is examined on its capacity to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. This will result from price, quality, availability, selection, functionality, service, partnerships and brand value propositions, which will lead to increased customer acquisition and retention (Kairu *et al.,* 2013; Gekonge, 2005). Customer perspective would positively contribute to the performance of the institution in the sense that customers will be satisfied once their needs and wants have been supplied. This would result in high enrolments, and therefore high revenue that could be used to improve the internal processes of the institutions as well as improve its innovation and learning processes (Lee, 2006).

2.5 Employee Engagement and Organizational Performance

Research has been wide and broad on the relationship between employee engagement and organizational performance.

Al-dalahmeh, Khalaf and Obeidat (2018) carried out a study in banking sector in Jordan, to investigate the impact of employee engagement on organizational performance via the mediating role of job satisfaction. They argued that employee engagement is an important requirement in the organization due to the challenges of globalization, increased competition and innovation. Their study took a quantitative research design approach, where they used regression analysis to analyze data collected through questionnaires. Findings showed that employees' engagement significantly influenced organizational performance and three of its dimensions, vigor, absorption, and dedication contributed significantly to organizational performance.

Kazimoto (2016) carried out a research on employee engagement and organizational performance of retail enterprises in Uganda. Kazimoto (2016) used descriptive and correlational research design and data was collected through structured questionnaires. Data was analyzed through descriptive and inferential statistics. Hypothesis was tested through Pearson's correlation. The findings revealed that despite the relationship between employee engagement and job satisfaction, there is no relationship between employee engagement and job assignment, which is an important key factor for organization performance.

In another study Erajesvarie and Shamila (2018) examined the impact of employee engagement on organizational performance in an insurance brokerage company in Gauteng in South Africa. They argued that organizations, in an effort to stay competitive, should encourage positive employee engagement. The study took an exploratory design and data was collected through interviews with organizational management and staffs. Data was analyzed through thematic analysis to draw emerging themes. Findings showed that low engagement affected commitment and motivation levels of employees.

The low employee engagement levels were produced by job design, ineffective communication, management approach, participation and incentives in the form of recognition.

Sendawula *et al.* (2018) did a study on training, employee engagement and employee performance in the health sector of Uganda. They argued that developing countries experience poor employee performance in the health sector due to poor training and minimal engagement of employees. The study used a cross-sectional and correlational design. Data was collected through questionnaires with closed ended questions. Data was analyzed through both descriptive and inferential statistics. Multiple regression approach was used to ascertain the predictive potential of the predictor variables of the outcome variable. According to their results, employee engagement was a major predictor of employee performance as compared to training.

Muthike (2016) carried out a research to investigate the influence of employee engagement on organization performance in Kenya. The research adopted a census descriptive design and data was collected through questionnaires. Data was analyzed through descriptive and inferential statistics. Regression analysis was used to test the impact of the independent variable on the dependent variable. According to results it was shown that that there is a relationship between employee engagement and employee performance, due to the fact that lack of employee engagement lowers employee commitment and employee competence. In the same way lack of employee engagement affects employee understanding of why the company is going in a particular direction.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was employed by the study. Specifically, the chapter outlines the research design, target population, sample and sampling techniques, instruments of data collection, data collection procedures and methods of data analysis.

3.2 Research Design

This study adopted a case study design, due to its suitability to the objective of the study, which was to examine the effect of employee engagement on the performance of Kenya Electricity Generating Company. A case study design is a research strategy that utilizes natural prevailing information sources such as humans and relations between people within the scope of the case (Hyett, Kenny & Dickson-Swift, 2014). A case study design is use on account of finding what is common about that case and what is specific about it. It can enable a researcher clarify how or why something happened (Karlsson, 2016).

3.3 Data Collection

This study collected data from the study respondents through an interview guide. Respondents were selected through purposive sampling. Interviews provide in-depth information relating to respondents' knowledge and viewpoints of a particular subject (Turner, 2010). The interview guide will be constructed with open ended questions that will allow the respondent to give their views without any influence from the researcher. The open-ended questions will also bring the likelihood of discovering the responses that people give naturally and therefore evade the bias that might result from suggesting answers to people, a bias that may well arise in close-ended questions (Hyman & Sierra, 2016).

This study interviewed a number of managers at KENGEN that will included managers and line managers from the Finance, Drilling and Logistics, Human Resource, Geothermal Operations, Reservoir and Steam Field, Supply Chain, Resource Development, Strategy and Information Communication Technology departments.

3.4 Data Analysis and Presentation

This study analyzed data through content analysis which is a technique of analyzing written, spoken or video communication information. It aims at thoroughly transforming a large amount of text into a highly ordered and concise summary of key results (Erlingsson & Brysiewicz, 2017). According to Elo and Kyngäs (2008) content analysis is used in creating replicable and valid interpretations from data to their context, with the goal of creating knowledge, new insights, a representation of facts and a practical guide to action. They further noted that the aim of content analysis is to attain a condensed and broad description of the phenomenon and the outcome of the analysis is concepts or categories describing the phenomenon. The content was thereafter analyzed further through relational analysis, that drew conclusions on whether employee engagement affects the organizational performance of Kenya Electricity Generating Company. The findings were presented through expressive language and personal voice.

CHAPTER FOUR: DATA ANALYSIS, INTEPRETATION AND DISCUSSION

4.1 Introduction

This chapter discusses the results of the study. Results presented here demonstrated the responses on the effect of employee engagement on a number of organizational performance facets that include, organizational goals, market share, revenue growth and innovation. Background information on respondents has also been presented, as well as the state of employee engagement at KENGEN.

4.2 Background Information

This study was conducted through interview sessions with managers and line managers at KENGEN. Of the interviewed managers, 77% were male while only 23% of those interviewed were female. These respondents were from the top level and mid-level management. 80% of the respondents had a post graduate degree and were all in the top-level management, while 20% of the respondents in middle level management had an undergraduate degree. The respondents were drawn from nine different departments including, Finance, Drilling and Logistics, Human Resource, Geothermal Operations, Reservoir and Steam Field, Supply Chain, Resource Development, Strategy and Information Communication Technology departments. The respondents had a significant job experience both within and outside KENGEN. They were therefore in a good position to respond to the interview questions, since they could understand the questions as a result of the simplified interview guide and they had significant experience for the kind of questions in this study.

4.3 Employee Engagement at KENGEN

Interview results from managers showed that few of the employees at KENGEN put in deliberate efforts to achieve organizational goals. However, the company performance was enhanced by the efforts of these few employees. According to one respondent, about 20% to 30% of the employees at KENGEN put in deliberate efforts to achieve organizational goals. In another instance a manager is quoted as saying,

"Only a quarter of the employees in my department put in deliberate efforts" He acknowledged that *"those engaged contribute to better organizational performance."*

This highlighted that less than 30% of the employees at KENGEN are engaged in the organization and contribute to the performance of KENGEN. However, the rest of the employees, around 70% are not engaged and they undermine the performance of the organization. Similarly, a study in Sub-Saharan Africa shows that only 14% of employees around Sub-Saharan Africa are engaged at work and the rest, 86% remained actively disengaged and/or totally not engaged (HR Exchange Network, 2018). Again, Devi (2017) in a study of employee engagement among banks found out that there is a positive connection between employee engagement and organizational performance.

Findings demonstrated that employees at KENGEN are not passionate about their work. According to one top manager, employees are not passionate about organizational goals. This manager felt that employees are only passionate when there is presence of a motivating factor such as money. He noted that these employees had developed the culture of *'what is in it for me?'* They were only motivated with rewards.

This result was in line with the findings of Al-Belushi and Khan, (2017) that showed that employees are motivated by salary. Contrary to the findings here, the study of Harunavamwe and Kanengoni (2013) found evidence that indicated that there is a moderate significant relationship between non-monetary rewards and lower-level employee motivation. They also established that there was no significant relationship between monetary rewards and employee motivation.

4.4 Effect of Employee Engagement on Organizational Performance

The study then examined the influence of employee engagement on a number of organizational performance indicators, including, organizational goals, market share and revenue growth and innovation. Results are discussed in the subsequent section, stating effect of employee engagement on organizational goals.

4.4.1 Effect of Employee Engagement on Organizational Goals

Employees' deliberate efforts in their work, helped the organization in attaining its goals. According to one middle level manager,

"The individual efforts of employees towards their individual goals translate to the overall company goals, thus leading to good performance"

Findings here, resonated with the argument presented by Oketch (2016) that employee engagement is a desirable condition that has an organizational purpose and implies involvement of employees towards attaining both personal and organizational goals. Similarly, Hanaysha (2016) argues that employees who are engaged in the organization demonstrate positive attitudes towards organizational goals.

In another instance a top-level manager noted that the engaged employees make sure that targets are met on time for example superintendents push their teams to ensure wells are drilled on time and within the stipulated budget, and maintenance is achieved within time and budget as well.

Another manager explained that,

"*The engaged employees ensure that maintenance due to scheduled Kenya Power shut downs are done in less time than that stipulated by the customer in order to bring back the machines sooner than expected so as to continue generating income thus reducing losses associated with non-generation. This ultimately leads to increased profits for the organization"*.

Findings showed that the managers considered their employees willingness to go an extra mile to have contributed to employee competency resulting in better organizational performance. Some of the efforts made by employees to go an extra mile were observed to be proactive employees forming teams, organizing training sessions for other employees to improve the entire team's competence and reduce skill gaps. All these efforts led to increased efficiency and better performance.

4.4.2 Effect of Employee Engagement on Market Share

Results showed that employees' deliberate efforts contributed to the growth in market share. A middle level manager reported that,

"Efforts of employees have improved the KENGEN brand and made it known internationally. Good employee performance in drilling has led to more drilling projects e.g. Akiira, Ethiopia and these projects have contributed to revenue growth."

Another manager noted that deliberate efforts of employees reduced wastage which resulted in revenue growth for the company. In line with the findings here Swetha and Kumar (2014) also presented that organizations with high employee engagement have a positive influence on earnings per share growth compared to organizations with lower employee engagement.

Similarly, Iddagoda (2017) affirms the findings of this study, arguing that there is a connection between employee engagement and financial performance of a company. The 2018 KENGEN Financial Results showed a growth in Electricity Revenue, Steam Revenue, Fuel Revenue and Water Charge. The total revenue growth from these sources was Kshs. 45.2 Billion in the year 2018, up from Kshs. 43.4 Billion in the year 2017, Integrated Annual Report & Financial Statements for the year ended 30 June 2018. The managers interviewed directly attributed this growth to the efforts of employees, even if not the entire employee population.

Further managers agreed that employees' eagerness to work for the organization had helped the organization in acquiring and retaining new customers. This had been attained by more external contracts for drilling. In line with this observation Subramanian (2018) presented that the quality of customer service is determined with employee engagement. He noted that engaged employees will provide great customer service and a unique experience to the customers which will motivate customers to spend more with the company. In addition, Hanaysha (2016) argued that it is essential that organizations engage their employees, as this will lead to higher levels of customer satisfaction and loyalty, productivity and profit.

4.4.3 Effect of Employee Engagement on Revenue Growth

Findings showed that employee engagement in the organization contributed to the growth in the company revenue.

According to a senior manager,

"We have seen instances where our employees have helped us reduce the cost of our business operations by suggesting new ways of doing a task that end up saving us a lot of cash. This has helped increase our profit margins"

In another instance, a middle level manager attributed the growth of KENGEN's revenue to the efforts of employee whom he considers to go out of their way in their line of duty. According to this manager,

"Our employees who have put more effort at work have helped the company obtain more contracts with clients which contribute immensely to the company revenue."

Another manager noted that,

"Deliberate efforts of employees reduce wastage which resulted in revenue growth for the company".

In line with the findings here Swetha and Kumar (2014) also presented that an organization with high employee engagement has a positive influence on earnings per share growth compared to an organization with lower employee engagement. Similarly, Iddagoda (2017) affirms the findings of this study, he argues that there is a connection between employee engagement and the financial performance of a company.

4.4.4 Effect of Employee Engagement on Innovation

According to the interview findings, employees' willingness to go the extra mile for the organization contributed to innovation in the organization.

According to one manager, engaged employees who went out of their way to bring new ideas of doing things to the company, improved processes and handling company business. In another instance a top-level manager is quoted as saying,

"Teams are appointed to examine the performance of drilling operations, analyze the drilling process and duration of drilling, and then come up with innovative ways such as use of

machines where processes were manual, which ultimately leads to avoiding idle time, improved performance of drill bits and shorter drilling time."

Another manager is quoted saying,

Innovative ideas from the operations team came up with a Rapid Response Team that encompasses mechanical, electrical and civil engineers and technicians that are domiciled around the power stations even after working hours, such that when there is a breakdown in one of the plants or steam pipes, the team responds in less than 15 minutes, which reduces penalties and losses experienced before when response time would even take an hour. This ultimately improves the organization's performance.

The Resource Development team in the organization continued to come up with new ways of cutting costs for the organization such as an innovative idea to produce the company's own soap used in drilling, which in normal circumstances is purchased for millions of shillings. This reduced operating costs for the company and increased the profit for the organization.

Another manager states that,

Engaged employees in the organization make deliberate efforts to come up with innovative ideas which are presented in the company's innovation forums such as Communities of Innovative Practices (COPI) and the Annual G2G Innovation Seminar, which are all as a result of the company's Good to Great Strategy formed by the Strategy and

Business Performance Division. Some of these ideas have been implemented and are currently saving the company good money for example the idea of e-newspapers which was presented by an employee at the 2015 Annual G2G seminar that rid the company of paying lots of money for hard copies of newspapers for all employees.

These results here demonstrate that employee engagement influences innovation in the organization. This notion is also shared by Pedraza, Mesa and Gaviria (2016), who held that innovative behavior is significantly influenced by employee engagement. Findings here are also affirmed by Gichohi (2014) who concluded that employee engagement takes a critical antecedent role to innovation at the workplace.

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4.5 Discussion of Findings

Findings analyzed were affirmed by various research findings on employee engagement and its effect on organizational performance. Muthike (2016) argued that for an organization to drive up employee engagement, it should enhance and strengthen its engagement strategies to the employees through awareness creation so that as employees keep performing their daily functions, they may feel proud of working in that particular organization and discharged their daily duties in the right manner. According to KENGEN, the notion of employee engagement is only interaction between top management and management and union cadre of employees through activities outside the office.

However, the organization needs to come up with different engagement strategies aside from only interaction, in order to improve the levels of engagement from 30 percent to a higher percentage. KENGEN, and organizations in general, should engage experts in the form of consultants for example, to formulate engagement strategies that will improve the levels of employee engagement in the organization and ultimately improve organization performance.

A study done by Erajesvarie and Shamila (2018) that examined the impact of employee engagement on organizational performance in an insurance brokerage firm in Gauteng South Africa argued that organizations in an effort to stay competitive should encourage positive employee engagement. KENGEN can encourage positive employee engagement given that the 20 -30 percent of employees who are engaged have a positive impact on the organization's revenue and profits.

The engaged employees who are proactive, innovative, are willing to put in deliberate extra effort should be harnessed to encourage positive engagement in the rest of the employee population that is not engaged, which will lead to increased revenues and growth of profits for the organization.

4.6 Chapter Summary

This chapter presents the results and findings from the data analysis. The chapter first presented results on the background information of the respondents. It followed then with results on the state of employee engagement at KenGen. The effect of employee engagement on the performance of Kenya Electricity Generating Company has been presented with respect to performance indicators such as, organizational goals, market share, revenue growth and innovation. The next chapter presents the study summary, conclusion and recommendations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the whole study. It further draws the conclusion and recommendation as informed by the findings. Suggestions for further research are also presented in the last section.

5.2 Summary of Findings

The findings showed that majority of the employees at KenGen were not engaged at their work. Less than 30% of the employees according to managers at KenGen were fully engaged in their work. The rest of the employees, around 70% are not engaged and they undermine the performance of KENGEN. The findings corresponded with other research findings that showed the low level of employee engagement in the organization, with the average employee engagement in Sub-Saharan Africa being at 14%. Findings demonstrated that employees at KENGEN are not passionate about their work. They are only passionate when there is presence of a motivating factor such as money. These employees have developed the culture of *'what is in it for me?'*. They are only motivated with extrinsic rewards.

Results showed that employee engagement affected goal attainment at KENGEN. Their deliberate efforts went a long way in ensuring that the company goals were attained. The employees who were engaged made sure that targets were attained. Managers also considered some of their employees competent enough resulting in better organizational performance.

Some of the efforts made by employees to go an extra mile were observed to be, proactive employees forming teams, organizing training sessions for other employees to improve everyone’s competence and reduce skill gaps. All these efforts led to increased efficiency and better performance.

Findings showed that employees deliberate efforts led to the growth in market share of KenGen. The employee’s efforts improved the KENGEN brand and placed it in the international map. This resulted in the growth in customers with KENGEN securing projects across borders. Employee engagement has helped the company improve on its revenue. Employees helped the company acquire contracts which contributed to the company revenue. Employees efforts also led to reduction in wastage which boosted revenue growth. Employees’ eagerness to work for the organization helped the organization in acquiring new customers.

Results showed that employees’ willingness to go an extra mile for the organization contributed to organizational innovation. Engaged employees went out of their way to bring new ideas to the company. They introduced new ways of doing things and improved business processes. The performance of the company was also improved when employees avoided idling at work. This ensured that tasks were completed within the shortest time possible.

5.3 Conclusion

This study reached a number of conclusions as informed by the study. Employee engagement is low in organizations and the result is poor organizational performance. The poor employee engagement emanates from employee motivation in the organization, also the crop of employees available in organizations is motivated with money rewards.

Companies that fail to reach to the salary expectations of employees will continue to experience low employee engagement unless there is a shift in employee priorities, and new ways of motivating employees are developed.

The few employees who are totally engaged to the organization make significant contributions to the organizational performance. Engaged employees in the organization led to organizational efficiency and enhanced performance by forming work teams, organizing training sessions for other employees to improve everyone's competence and reduce skill gaps. With poor employee engagement, the employees' passion at work was lacking and most of them are only working for pay. These employees are not motivated by intrinsic rewards but they only follow monetary rewards. Employee engagement if ensured in the organization would enable the organizational achieve its goals, such as expanding the organizational market share and revenue as well as enhancing organizational innovation. This will eventually contribute to the overall performance of the organization.

5.4 Limitations of the study

The study encountered a few limitations in the course of the research. It was difficult to gain access to the respondents to be sampled, as some had very busy schedules, while some were not accessible and the interviewer had to seek the intervention of the Human Resource department in order to gain access to some of the respondents. Also, most of the respondents took time to understand the topic of the research as they were mostly from the technical or core business of the organization which is engineering, and they thought that employee engagement was synonymous with recruitment of employees. Thus the interviewer took quite a bit of time in explaining the purpose of the research first, which extended the interview period.

Also, some of the respondents thought that some of the interview questions had been repeated as a result of using statenments synonymous with the term employee engagement, thus some did not fully answer the interview questions. The interviews were very time consuming as well.

5.5 Recommendations

The level of employee engagement is significantly low, this is despite its potential in contributing to the organizational performance through goal attainment, market share and revenue growth and innovation. This study thus recommends for organizations to take measures that will enhance employee engagement. One of the factors that can be used in enhancing employee engagement is through paying better salary that will motivate them at their work. Other techniques for enhancing employee engagement should be sought and implemented in the organization, including training and development, empowerment and participation. The study also recommends that the management of KENGEN should improve on the employee engagement startegies, as the existing strategies aren't working. The idea that engagement can be improved by interaction of management and employees is not practical. A number of strategies have to be employed at any given time, not only one stategy at a time. Organizations will ne better off employing experts on employee engagement to guide their employee engagement programs in order to improve organizational performance.

5.6 Suggestions for Further Research

This study was carried out to examine influence of employee engagement on organizational performance. Other studies can be done considering employee engagement and employee performance. This study was carried out in the public sector organization, it can be replicated in the private sector where the business setup is different.

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APPENDIX 1 – Interview Guide

Interview Guide

Section A: Background Information

1. What is your gender?
2. What is the highest level of education you have received?
3. What is your management position?
4. How long have you been working in this company?
5. Which department do you work in?

Section B: Determinants of Employee Engagement

1. Do you feel as though employees put in deliberate efforts to achieve organization goals? If so, how have these efforts affected the performance of your organization?
2. Would you consider your employees to be passionate about the organizational goals?
3. How do the deliberate efforts of your employees in their work help the organization in attaining its goals?
4. To what extent will your employees go to attain the organization goals?
5. How have the employees' proactive efforts to attain organization goals affected your customer satisfaction?
6. How would you describe the levels of employees' commitment to the organization as having contributed to your brand growth?
7. How does the employees' eagerness to work for the organization affect the company's profits?
8. Would you consider employees proactive efforts to have led to the expansion of your operations?
9. How have employees' deliberate efforts to organizational goals affected the team performance in the organization?
10. Would you consider employees' willingness to go the extra mile to have contributed to employee competency resulting in better organizational performance?

11. What is the contribution of employees' deliberate efforts to the organizational goals on your market share growth?
12. Has the employees' eagerness to work for the organization helped the company in acquiring new customers?
13. How has the employees' willingness to go the extra mile for the organization contributed to innovation in the organization?
14. Does the employees' passion for their work influence the development of new product and services in the organization?