



Impact of HR Practices on Employee Engagement and Organisational Performance: A Comprehensive Review

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Abstract

Employee engagement is a key driver of success for modern organizations, and human resource management (HRM) plays a central role in building and sustaining it. This review paper explores how HRM practices such as recruitment and selection, training and development, performance management, rewards, and supportive leadership help employees feel motivated, valued, and emotionally connected to their work and workplace. Using a systematic review of recent studies, the paper summarizes evidence showing that higher employee engagement is linked with better productivity, profitability, customer satisfaction, retention, and employee well-being. The review also highlights important factors that shape this relationship, including organizational culture, communication, job design, and work-life balance. It further identifies gaps in existing research, such as challenges in measuring engagement and differences across industries, and offers directions for future studies and practical guidance for HR professionals and leaders. The paper suggests that employee engagement should be treated as a strategic HR priority and well-designed HR initiatives are needed to maintain and strengthen engagement as well as performance over time.

Keywords: Employee engagement, Human resource management, Organizational performance, Organizational culture, Leadership, Job satisfaction, Work-life balance.

Introduction

In order to maintain competitiveness in the market, organisations have begun to view people as assets in light of the current economic volatility. This is due to the fact that workers who are passionate about their jobs and dedicated to their companies provide vital competitive advantages, such as increased output and reduced staff attrition. According to a report of State of the Global Workplace, only 31 percent workforce is engaged in the US, and 21 percent globally (Gallup, 2025). Another report presented by MYND, business leaders are facing high turnover due to failing employee engagement (MYND U, 2025). Hence, data shows that engagement has become a challenge for the business in present era. Because employees that are engaged are emotionally invested in their work and dedicated to the success of their company. They arrive with vigour, a sense of purpose, and a desire to give their best effort. Clear expectations, chances to accomplish what people do best, significant growth, and a sense of being heard are the foundations of this interaction, which is not haphazard. These components foster long-lasting performance in addition to improving workplace experiences.



However, factors that effects employee engagement are not examined properly. This review study intended to study the complex association of human resources involvement and organisational growth and success. In this review, research will explore how Effective training, development, and onboarding initiatives can also boost workers' confidence and skill sets, encouraging a sense of competence and independence . Further this study also aims to identify the association between engagement employees and organisational performance.

Background of the study

Employee engagement is becoming a critical factor in business performance and success in the modern workplace. Employee engagement goes beyond job satisfaction to include a deep sense of connection. It is described as an employee's emotional commitment to their organisation and its goals. enthusiasm and dedication to one's work and the organisation as a whole. From a human resources perspective, employee engagement is seen as a strategic requirement that directly affects several organisational activities, including financial performance, customer satisfaction, productivity, and innovation. Employee engagement raises the possibility that they will go above and beyond the call of duty, provide innovative solutions, and perform and dedicate themselves more fully to their jobs—all of which contribute to the company's success. Politicians, practitioners, and researchers have all closely examined the relationship between employee engagement and organisational performance. Numerous studies have made an effort to identify the factors that promote or hinder workplace engagement as well as the ways in which employee engagement influences various organisational outcomes.

However, despite the growing body of research on the topic, there are still several gaps in our understanding of the intricate connection between employee engagement and organisational performance from a human resources perspective. While some studies have found a favourable correlation between participation and performance, others have highlighted the need for a deeper understanding of the underlying mechanisms and environmental factors that influence this relationship.

The dynamic nature of the modern workplace, which is characterised by shifting organisational structures, technological advancements, and demographic shifts, also necessitates a reevaluation of traditional approaches for boosting employee engagement and enhancing organisational success. Thus, this review research study aims to contribute to the body of existing literature by providing a comprehensive synthesis of the empirical evidence on employee engagement and organisational performance from a human resources perspective. By critically analysing the findings of previous studies, highlighting significant theoretical frameworks and methodology, and improving our understanding of the complex relationships at work, this study provides insights for future research and practice. It also offers evidence-based strategies for increasing employee engagement and fostering organisational success.

Significance of the study



Literature Review

The purpose of this study is to ascertain the extent to which achievement motivation and organizational atmosphere significantly impact teacher performance at SMKN. This study uses a quantitative approach and is classified as ex post facto Causal Comparative Research. The 88 instructors who make up the sample for this study at SMKN. A data questionnaire on teacher performance, achievement motivation, and organizational climate is used in this study tool. Path analysis was used to analyses the data. SMKN Percut Sei Tuan's teacher performance is 87.6% influenced by the organizational atmosphere; the better the climate, the better the teacher's performance. (Adriana, Santoso, Hadijaya, & Srinio, 2023). Hence, A business needs workers who perform well. The business can compete and grow as a result of this strong performance. Human resource management is one of the tactics for raising employee performance. (Panjaitan, Rupianti, & Sukomardojo, 2023). The role of employees inside organisations is essential to their management and survival because a range of human resource management (HRM) strategies affect workers' performance. In a similar vein, the process of hiring, training, and maintaining a skilled and motivated workforce in order to achieve the aims and objectives of the organisation is the ultimate goal of HRM. The researcher has attempted to ascertain the applicability of HRM, investigate the part HRM plays in an organization's productivity, and investigate the new issues facing HRM in the twenty-first century. The article suggests that HRM strategies be appropriately applied to increase employee performance and productivity (Basu, 2023). (Reenen, 2016) look at the connection between productivity and human resource management (HRM) in this study. HRM include both individual and group incentive pay as well as other non-monetary facets of the employment relationship, like matching (hiring and firing) and work organisation (autonomy, teams, etc.). He situate HRM more broadly within the productivity and management practices literature. Hence, examine risk, competition, ownership, and regulation as some of the factors that influence HRM. There is conflicting evidence suggesting firms with strong cultures are less likely to experience externalities, which explains why low levels of productivity at the local government level are uncommon. The study examined the relationship between employee productivity and organizational culture from the viewpoints of Sekondi-Takoradi Metropolitan Assembly (STMA) staff in Ghana. The study employed cross-sectional and descriptive designs and a quantitative methodology. Using a self-administered survey questionnaire, 132 respondents were chosen from the STMA between August 2020 and December 2020 using basic random and stratified sampling (Abane, Adamtey, & Ayim, 2022). Using the claims of the social exchange theory, (Alam, Ullah, Islam, & Chowdhury, Human resource management practices and employee engagement: the moderating effect of supervisory role, 2024) examine the moderating effects of supervisory role in HRM practices and employee engagement relationships. In the RMG sector, HRM practices have a strong correlation with employee engagement, which is moderated by line managers' supervisory responsibilities. In particular, positive managerial roles increase employee engagement, and vice versa. The IPMA investigation shows that the most significant factor influencing employee engagement is training and development.



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Unlike employee-driven innovation, which is consistent across industries and business types, HRM differs significantly among the defined groups. This result highlights the need of companies developing sector-specific employee engagement strategies and recommending targeted actions based on identifiable variables that can enhance organisational success. More support is required for employees to be content with their occupations in order to strengthen the health care systems. Additionally, this raised concerns about hospital investment. This study also demonstrated the significance of both high-quality patient treatment and staff job satisfaction, both of which may be simultaneously enhanced. It also serves as a reminder of how crucial open communication, teamwork, and staff development are to raising overall job satisfaction in hospitals (Johar, 2024).

The extent to which human resource systems contribute to organisational effectiveness has drawn more attention, but the contextual factors that influence these practices' effectiveness have received less study. (Datta & GUTHRIE, 2015) looked at how the relative importance and value of high-performance work systems are influenced by industry factors, and show that industry capital intensity, growth, and differentiation have an impact on how these HR systems affect productivity. Employee motivation, job happiness, and performance are all impacted by the organizational climate. In order to expand and elucidate the scope of future research on organizational climate, this study aims to synthesize the body of existing literature on the topic. Approach & Methodology: This study provides a comprehensive summary of the empirical and conceptual research on organizational climate that has already been conducted, together with the results and conclusions that have been published in prestigious peer-reviewed Business and Management Journals, so that readers may better grasp the concept (Hussainy, 2022). Similarly, (Katou & Budhwar, 2015) advise practitioners that increasing productivity—which is a measure of competitiveness—will boost productivity rather than cutting expenses by firing workers or lowering wages. This is because increased compensation and incentives, as well as better training and development, will boost productivity. To supporting the thought, (Tripathi, Garg, & Bona, 2025) give guidance for effectively managing labour performance on the shop floor and to satisfy manufacturers' needs within limited restrictions. Production time, working time, asset availability, resource availability, and organisational policy are examples of predetermined barriers. By offering appropriate criteria and an action plan that considers both workforce and operational performance, the study suggests a decision-making strategy for improving shop floor performance. An article's goal is to present research on the significance of organizational climate components that must be carefully chosen and to ascertain how they affect workers' work engagement in 626 medium-sized businesses in Slovenia, the EU. The application of an exploratory factor analysis, a basic linear regression analysis, and the CFA 6-factor solution for validity reasons form the foundation of the quantitative research. The findings of the study supported our hypothesis that, in medium-sized organizations, employee work engagement is significantly enhanced by organizational climate components such as leadership, employee relations, employee commitment, employee satisfaction, and employee motivation (Rožman & Štrukelj, 2021). In the same order, (Dipoatmodjo, 2024) suggests that



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resource management (HRM) are likely to have a significant and distinct impact on the success of an organisation. (Becker & Gerhart, 2017) anticipate that this research forum will contribute to the advancement of HRM and organisational performance research. It highlights important unanswered problems that require further investigation and offer a number of recommendations meant to assist scholars in developing a more comprehensive body of knowledge that will have significant ramifications for theory and practice. Increasing productivity while preserving competitive service quality is a twofold issue for emerging economies. Continuous improvement plays a mediating function in the indirect impact of HRM practices that boost productivity. Furthermore, all aspects of the AMO model have a positive impact on process management, emphasising the important role that HRM practices play in supporting QM procedures. These findings highlight the strategic significance of coordinating HRM practices with QM activities to promote long-term productivity growth in emerging economies' service sectors (Tran, Nguyen, & Phan, 2025). Employee productivity has changed as a result of changes in employee engagement standards. In order to have a favourable impact and maximise earnings through high employee productivity for the company, it is therefore recommended to maintain a consistent watch on the recruiting and selection criteria. Since employee engagement has been shown to be a regressor in projecting a positive impact on employee productivity, it is recommended to track and monitor its statistics in order to access the positive and negative impacts earlier and to have control over turning the negative effects into positive effects by making certain adjustments to the dependent variables, which are employee engagement criteria (Quraishi & Sadath, 2024).

Organisations are realising more and more how crucial human capital is to success in the fast-paced, cutthroat commercial world of today. Employee engagement has evolved as a crucial component affecting productivity, retention, innovation, and overall organisational effectiveness among numerous HRM techniques. Businesses are constantly under pressure to draw in and keep top people due to growing globalisation, technology advancements, and changing workforce expectations. Employees that are emotionally invested in their work and dedicated to the organization's objectives are considered engaged. Higher levels of effort, teamwork, and productivity are fuelled by this emotional commitment, which enhances organisational effectiveness. As a result, many businesses are working to comprehend the mechanics of employee engagement in order to create management techniques and performance plans that are more successful (Chauhan, 2024). Policymakers and practitioners must establish a favourable regulatory framework that supports and encourages corporate investment in technology and HRM innovation in order to enable the sustainable development of enterprises in the context of Industry 4.0. This involves offering financial assistance and tax breaks to companies who are at the forefront of adopting new technologies. In order to create digital skills training programs for the workforce, corporations, educational institutions, and the government must work together more closely.

Lastly, it is critical to guarantee that all companies, especially small and medium-sized ones, have access to and make use of cutting-edge technologies in order to boost competitiveness and efficiency. In order to increase productivity and economic competitiveness, this study



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emphasises the significance of HRM optimisation in the Industry 4.0 era and offers managers and companies practical advice to implement (Sang, 2024). Over the past ten years, the idea of employee engagement has become increasingly important. Today, organisations leverage motivated workers as a strategic business partner. Since numerous factors that affect workers' performance and well-being at work have been recognised, the idea of employee engagement has grown in significance (N., Tiwari, Baruah, & Seth, 2024). The physical and emotional health of workers will be one of the key areas that HR managers must concentrate on as businesses in all sectors fight to endure and outperform the fierce competition. Employee engagement is therefore now regarded as a potent source of competitive advantage in these uncertain times. By examining three factors in particular—communication, work-life balance, and leadership—the study examines the idea of employee engagement and sheds light on important factors that influence it. Additionally, this study will examine how these factors affect workers' performance and well-being at work. There is a dearth of research on these three determinants and how they affect employee engagement, according to the literature that is currently available. Therefore, we concentrated on these three particular, understudied drivers (Bedarkar & Pandita, 2014). A combined approach could provide a more comprehensive understanding of HRM decision-making processes. Additionally, future studies could investigate the use of qualitative methods in specific HRM areas, such as recruitment, performance management, or talent retention (Salehzadeh & Ziaecian, 2024).

Material and Methodology

Research Design: In order to investigate the connection between organizational performance and employee engagement from a human resources standpoint, this review study uses a methodical literature review technique. A thorough examination of previous study findings is made possible by a systematic literature review, which also makes it possible to synthesize various viewpoints and empirical data. This method guarantees rigor and openness in the review process by methodically finding, choosing, and assessing pertinent papers.

Data Collection Method: In order to gather data, peer-reviewed articles, conference papers, and scholarly publications are sought after using electronic databases like PubMed, Scopus, Web of Science, and Google Scholar. To find pertinent literature, keywords like "employee engagement," "organizational performance," "human resource management," and similar topics are employed. To ensure currency and relevance, the search is restricted to studies that have been published in English during the last ten years.

Inclusion and Exclusion Criteria: The following criteria were used to choose studies: (1) empirical research articles that examine the connection between organizational performance and employee engagement; (2) studies carried out in different industries and organizational contexts; (3) articles that concentrate on the perspectives of human resources on employee engagement; and (4) publications that offer precise definitions and operationalization's of organizational performance and employee engagement.

Ethical issues: At every stage of the research process, ethical issues are crucial. By protecting study participants' privacy and identity, this review paper complies with ethical guidelines. To prevent plagiarism and recognize the work of the original authors, all chosen



studies are appropriately cited. Additionally, the review procedure minimizes prejudice and upholds intellectual integrity by preserving impartiality and transparency in the synthesis and interpretation of data. To maintain research ethics, ethical standards from pertinent professional associations are adhered to, and any possible conflicts of interest are declared.

Findings

Several important conclusions were drawn from the analysis of the body of research on organizational performance and employee engagement from the standpoint of human resources:

1. **Positive Correlation:** A substantial amount of research continuously shows that organizational performance measures like productivity, profitability, customer happiness, and employee retention are positively correlated with employee engagement
2. **Mediating Factors:** A number of mediating factors that affect the connection between organizational success and employee engagement have been found. These consist of communication routes, job design, company culture, leadership style, and employee appreciation initiatives.
3. **Sector Variations:** Although there is a positive correlation between organizational performance and employee engagement in all sectors, the magnitude of this correlation may fluctuate based on the sector, organizational size, and other contextual factors.
4. **Longitudinal Effects:** Research shows that consistent efforts to raise employee engagement can have a positive impact on an organization's performance over the long run. This highlights the significance of ongoing investments in human resource management.
5. **Employee Well-Being:** Studies indicate that employee engagement improves employee well-being in addition to organizational performance, which in turn leads to fewer absenteeism, lower turnover rates, and higher levels of job satisfaction overall.

Discussion & Implications

The following are some implications of this paper's findings for human resource management:

1. **Strategic Significance:** Organizations looking to improve their performance in a cutthroat market setting should consider employee engagement a strategic objective. Putting money into projects that increasing employee engagement can have a big impact on output and profitability.
2. **Leadership Role:** Promoting employee engagement requires effective leadership. Leaders must exhibit a dedication to staff development, provide open lines of communication, and foster an encouraging workplace culture that encourages participation.
3. **Culture:** Fostering employee engagement requires a positive company culture that is marked by open communication, openness, and trust. Companies should foster a culture that encourages a sense of belonging, values employee input, and recognizes accomplishments
4. **Continuous Improvement:** Rather than being a one-time endeavour, human resource initiatives targeted at raising employee engagement should be seen as a



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