Using Social Exchange Theory to Understand and Predict Employee Engagement

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ABSTRACT
Employee engagement is fundamentally about the motivation of employees. To leverage the potential benefits of engagement, many employers measure employee engagement annually and take steps to improve it. We use social exchange theory to explore how organizational-level antecedents may facilitate a reciprocal process by which employees then provide engagement. We test our ideas with archival data on 13,929 New Zealand employees, investigating the relationships of seven organizational-level factors with employee engagement. We found that the strongest predictors of employee engagement were having a clear purpose and vision, providing learning and development opportunities, and acknowledging success. We discuss theoretical and practical implications, especially with regard to annual employee surveys.

KEY WORDS
Employee engagement
Employee engagement has emerged as a construct that is associated with employee well-being (Xanthopolou, Bakker, Demerouti, & Schaufeli, 2011) and supports organizations in providing work conditions that enable employee productivity (Shuck & Wollard, 2010). While conceptualizations of engagement vary (Macey & Schneider, 2008), we draw from Kahn’s (1990) original work to define engagement as an employee’s employment and expression of her whole self—affective, cognitive, and behavioral—in her work role. For organizations, the big draw card of engagement is that it provides economic benefits, including increased customer service, greater sales growth, lower employee turnover, and higher employee productivity (Harter, Schmidt, & Hayes, 2002; Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009). From a more humanistic stance, understanding how people become deeply and enjoyably immersed in their work roles may enable interventions with positive benefits for employees (Luthan & Youssef, 2007; May et al., 2004). A range of antecedent factors to engagement have been proposed and these provide the focus of our study. Our aim is to answer the very practical question as to the relative importance of different organization-level antecedents of employee engagement, using social exchange theory as a guide. To this end, we examine organizational antecedents within a large engagement dataset from Aotearoa/New Zealand (NZ).

Our research has a number of empirical strengths relative to past engagement research. First, while previous studies have tended to examine a relatively narrow range of antecedents of engagement, in this study we examine a range of predictors simultaneously. We use social exchange theory (Foa, 1971; Cropanzano & Mitchell, 2005; Saks, 2006) as a framework for understanding how antecedents provided by the organization may be differently exchanged for engagement on the part of the employee. Second, our sample is broader and more numerous than previous research, which has tended to focus on service industry workers (e.g., healthcare staff, teachers). The current data, from 2008, represent a large sample of 27,116 employees across a wide diversity of industries, which represents 1.25% of the working population of NZ for that year (Statistics New Zealand, 2009; working population 2008: 2,164,000). Further, all organizations had a high response rate (minimum of 60%), meaning that conclusions based on this data are likely to be representative.
Social Exchange Theory as a Framework for Understanding Engagement

Social exchange theory offers a strong theoretical rationale to explain why employees respond to work-related resources with varying levels of engagement (Saks, 2006). Saks (2006) argues that employees have significant discretion over their level of engagement, being able to decide how much of themselves to give to their work in exchange for resources provided. Social exchange theory is developed from resource theory (Cropanzano & Mitchell, 2005), with the latter identifying six types of resources that may be exchanged: Love, status, information, money, goods, and services (Foa, 1971; Foa & Foa, 1980). Love involves affectionate regard, warmth, or comfort; status is the provision of esteem and prestige; information is the giving of advice, instructions, or opinions in a neutral way that does not engender love or status; money refers to any currency or token that has a standardized value; goods are tangible products or materials; and services are activities or labor provided to another.

These six resources all differ along two dimensions, namely concreteness and particularism. Concreteness refers to how tangible the resource is, with services and goods being the most real, verifiable resources that can be provided in an exchange, contrasting with status and information, which may exist purely as verbal behaviors, and can be more symbolic (Foa, 1971). The dimension of particularism refers to how specific the resource is to the agent providing it. Love is the most particularistic, since its value derives directly from the person providing it, contrasting with money as the least particularistic – or most universal – since a coin or note has the same value regardless of who provides it. Status and services are less particularistic than love, with some degree of importance derived from the source of these resources. Goods and information are more universal still, since their value is approximately equivalent regardless of the source, yet they remain slightly more particularistic than money since there may be some particularistic elements. For example, information may be more or less trustworthy depending on the source. These differences in concreteness and particularism are depicted in Figure 1 by the placement of the six resources on two axes (see bold font).
Social exchange theory proposes that people prefer to exchange a resource that is similar to
the one they have received (Cropanzano & Mitchell, 2005; Foa, 1971). This similarity between
resources is represented by the circle in Figure 1, with proximal resources being more similar. For
example, love and money are the most different whereas love and status are closely related.
Therefore, someone who is provided with love will want to give love back but, if thwarted from this,
will provide status or services (Turner, Foa, & Foa, 1971). Drawing on social exchange and resource
theories, we argue that engagement will be traded for similar resources. Hence, identifying those
resources that are exchanged first requires classifying engagement into one of the six types of
resources.

Kahn (1990, p. 694) defines 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”. When a person is engaged, they are fully psychologically
present (Kahn, 1992) and immerse themselves totally in their work role. This type of whole-hearted
investment of oneself is congruent with the resource of love, in that it is highly particularistic, with the
agent – that is the employee – giving their full abilities in their role performance. Employees will
seek to exchange engagement for equivalent love resources from the organization; if that is not
possible, the proximal resources from the organization that allow for an exchange will be related to
status or services (Turner et al., 1971).

Organizational Antecedents of Engagement

A wide range of engagement antecedents have been proposed. Saks (2006) found that
perceived organizational support, which can be classified as a love resource, and procedural justice,
which can be classified as between love and services, both predicted organization engagement.
Bakker, Hakanen, Demerouti, and Xanthopoulou (2007) investigated a range of resources among
Finnish teachers, and found the strongest relationship was for appreciation with engagement, with
appreciation classified as associated with both love and status resource types. Other information or
service resources which are less proximal to love, including information, supervisor support, and
supportive organizational climate, had more modest relationships with engagement (Bakker et al.,
2007). More recent research has shown that high commitment human resource management practices
that reflect an investment by the organization are reciprocated by employees with engagement (Boon & Kalshoven, 2014). In a similar vein, strategic alignment, which is the perceived match of an individual’s job with organizational priorities, is associated with increased engagement over time (Biggs, Brough, & Barbour, 2014).

More broadly, research has confirmed that money is not necessarily a primary motivator for work (Catanzaro, Moore, & Marshall, 2010), with other aspects of work provided by the organization potentially equally or more important, including opportunities for learning, and for the development of close and supportive working relationships (Catanzaro et al., 2010). These previous studies provide evidence that some resources are more important than others in predicting motivated, engaged, and meaningful work. Based on social exchange theory, we propose broadly that resources which fall in the category of love, and to a lesser extent in status or services, provide a better match with engagement, and therefore are more likely to form the basis of exchanges, than those which fall in the categories of information, money, or goods.

Organizational antecedents of engagement in this research. Our data come from a large national dataset collected in New Zealand (NZ) by IBM NZ. In this survey, we investigated seven workplace antecedents of engagement. These are: Supervisor quality, acknowledging success, communication, vision and purpose, learning and development, teamwork, and job resources. Supervisor quality refers to one’s immediate manager being someone who treats others respectfully, is open to ideas from direct reports, and provides effective direction and encouragement. Acknowledging success is about both valuing and acknowledging an employee’s contribution, and also fiscally rewarding this. Communication refers to the sharing of knowledge and ideas in an open and honest manner, such that employees feel informed about what is going on. Vision and purpose refers to a clear understanding and belief in the vision of the organization. Learning and development refers to the opportunities and encouragement provided by the organization to make use of and develop new knowledge and skills. Teamwork refers to being able to rely on others in the team and working effectively together. Job resources are work characteristics that facilitate or hinder actual completion of work, including the balance of personal and work life, autonomy, and having appropriate tools and resources.
Classification of organizational antecedents as social exchange resources. We analyzed these seven workplace resources against the dimensions of particularism and concreteness. Our analysis is shown in Figure 1. In overview, vision and purpose, supervisor quality, and learning and development are viewed as having elements similar to love, and therefore are expected to be more strongly related to engagement. That is, employees will perceive a social exchange with the organization and, in return for higher levels of these resources, will provide engagement in return. In contrast teamwork, acknowledging success, job resources, and communication are more distant from love. While potentially still having relationships with engagement, these resources lie in the bottom half of the model and therefore relationships will be weaker.

**METHOD**

**Sample and Procedure**

We used an archival dataset comprising 27,116 respondents from 203 NZ organizations who had participated in IBM NZ’s 2008 Best Workplaces survey. IBM NZ (formerly JRA and then Kenexa-IBM) is the largest employee engagement survey provider in NZ, surveying the most employees nationally on an annual basis. The sample includes a wide range of industry sectors and various sizes of organization. Of the respondents providing demographic information, slightly more were male (48%; female 41%), with nearly half of the respondents between 30 to 59 years (47%). 19% were managers/team leaders and 43% were non-managerial staff. Almost half of the respondents had 0-2 years tenure (44%). The majority of the surveys were completed online, although some organizations used pen-and-paper questionnaires, such as restaurants, supermarkets, and those with manual laboring staff.

**Measures**

IBM NZ’s Best Workplaces Survey has items phrased as statements, with responses on a five point Likert scale ranging from strongly disagree (1), to neutral (3), through strongly agree (5), and includes a “do not know” option which we coded as missing values. Cronbach alphas are given in Table 1 and range from .79 to .91.

Antecedent work conditions. Example items for the seven workplace antecedent factors are as follows. Learning and development –“I am encouraged to try new ways of doing things” (6 items);
supervisor quality – “The person I report to supports and encourages me in my job” (5 items); vision and purpose – “I believe in what this organization is trying to accomplish” (4 items); communication – “Communication in this organization is open and honest” (6 items); acknowledging success – “This organisation rewards outstanding performance” (3 items); job resources – “I have the tools and resources I need to do my job effectively” (4 items); and teamwork – “I can rely on the support of others in my team” (4 items).

**Engagement.** Three items measured the cognitive, emotional, and behavioral aspects of engagement (Kahn, 1990). The items are “I look for ways to do my job more effectively” (cognitive), “I take an active interest in what happens in this organization” (emotional), and “I feel inspired to go the extra mile to help this organization succeed” (behavioral).

**Control variables.** Hierarchical position, tenure, gender, and age were included as control variables.

**RESULTS**

Our decision to include demographic variables as control variables led to a reduction in the sample size due to two types of missing demographic data. First, some organizations chose not to include certain demographic questions in order to reassure employees that responses were confidential and thereby increase response rates. Second, some respondents left demographic questions blank. Pairwise deletion to screen out cases with missing demographics resulted in a sample of 14,491 respondents. A one way analysis of variance showed significant differences in engagement scores across the three groups identified (i.e., with two non-response groups: $F(2, 24749) = 57.25, p < .001$). Individuals who voluntarily skipped demographics had lower engagement scores ($M = 4.05, SD = .62$) than those whose organizations excluded demographic questions ($M = 4.14, SD = .59, p < .001$), and those who provided full demographic information ($M = 4.18, SD = .59, p < .001$). Pairwise deletion therefore reduces the variance in engagement, and is a conservative approach. Cases with either univariate ($z > 3.3$) or multivariate outliers (standardized residual > 3) were also removed for a final sample of 13,929.

The means, standard deviations, Cronbach alphas and correlations of the study variables are shown in Table 1. Given the large sample size, even small correlations are significant. All of the
seven workplace factors correlate strongly with engagement ($r$’s .43 to .62) and show strong correlations with each other ($r$’s .46 to .70). Of the demographic variables, only position has a substantial correlation with engagement ($r$ = .21).

We used a two-step multiple hierarchical regression to investigate the relative importance of the workplace antecedents of engagement (see Table 2). At the first step, the demographic variables predicted 5% of the variance in engagement ($R^2 = .05, F(4, 13924) = 187.43, p < .001$), with position being the strongest predictor ($\beta = .22, p < .001$). The addition of the antecedent variables significantly increased the amount of variance explained ($\Delta R^2 = .47, p < .001$), and the overall model in step 2 was significant, explaining a total of 52% variance in employee engagement ($R^2 = .52, F(11, 13917) = 1355.71, p < .001$). The strongest predictors of engagement were vision and purpose ($\beta = .29, p < .001$), learning and development ($\beta = .18, p < .001$), and reward and recognition ($\beta = .16, p < .001$).

DISCUSSION

Our overall proposition, that social exchange theory would provide a means of understanding what resources employees view as “exchangeable” for engagement, received partial support. Broadly, we proposed that engagement is a love resource, and therefore would be given by employees in exchange for similar antecedents that provide regard, warmth, or comfort. Our results indicate that it is primarily the experience of working for an organization with a clear vision (vision and purpose) that one is directly contributing and believes can be achieved, that predicts engagement. This is in line with recent research showing that strategic alignment and high commitment HRM contribute to engagement (Biggs et al., 2014; Boon & Kalshoven, 2014). Two other antecedents were important: the provision of opportunities to use and develop knowledge and skills (learning and development) and the acknowledgment and appreciation of one’s contribution (reward and recognition).

We classified purpose and vision as combining love and status resources, and learning and development as combining love and services resources. Thus both of these fit well within our conceptualization of engagement as being exchanged, as a love resource, for these antecedents. We
categorized acknowledging success as more distal from love, combining status and money resources: Recognition conferring esteem and prestige on the employee, whereas reward is tangible and likely to be monetary or to have a monetary value (e.g., bonus, vouchers, company car). It may be that the recognition part of this resource, rather than reward, is contributing more to the association with engagement; future research separating these aspects would help answer this.

What is interesting in our findings is that neither supervisor quality nor teamwork predicted engagement, placing colleagues in a more minor role in determining an employee’s engagement. Research shows that engagement can be passed between individuals (Bakker & Xanthopoulou, 2009), and also that leaders are important influences on direct report engagement (Ghadi, Fernando, & Caputi, 2013; Xu & Cooper-Thomas, 2011). Our research suggests that broader conditions of work supplied by the organization are more important than relations with colleagues. However, we should add the caveat here that our engagement items asked about the organization (e.g., “I take an active interest in what happens in this organization”) and the job whereas in other studies the measures, such as the Utrecht work engagement scale, focus on work and the experience of working. Hence our results may partly reflect a slightly different engagement focus (Saks, 2006)

**Strengths and Limitations**

A strength of this study is the large size of the dataset, which is unusual in engagement research (for an exception, see Schaufeli, Bakker, and Salanova, 2006). Thus, the analyses and conclusions from these data should be considered reliable. Moreover, since NZ is a developed country, originally with a strong European heritage but now with great diversity, the results may generalize to other countries with a similar history (e.g., Australia, Canada, USA) or with a European culture (e.g., UK, The Netherlands, Eire).

A limitation of this research is that the data are cross-sectional and self-report, which may result in common method variance (CMV). There is considerable argument over whether CMV results in biases, and in turn, whether these increase or decrease relationships (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Spector, 1994, 2006). Lance and colleagues recently concluded that attenuation from measurement error largely offsets inflationary bias from a common method (Lance, Dawson, Birkelbach, & Hoffman, 2010). Further, we deleted respondents with missing demographic
data, who tended to have lower engagement scores, hence reducing overall variance in engagement and potentially reducing the size of relationships. These factors, plus our large sample size, suggest that the results are reliable.

**Theoretical and Practical Implications**

Our results suggest that the commonly used job demands-resources model (Bakker & Demerouti, 2007) as well as individual approaches that focus on individual psychological conditions of engagement (Kahn, 1990; Rich et al., 2010) might be usefully supplemented with consideration of organizational-level variables. Moreover this research may inform future model building from a human resource development perspective (Shuck & Woolard, 2010).

On a more practical note, organizations can provide the three more important resources we identified to encourage greater engagement from employees in return. This needs good leadership, both to have the appropriate vision or policy in place and then to live up to that, such that employees can see the resource in action and are willing to exchange engagement in return.
REFERENCES


Table 1. Means, standard deviations, Cronbach’s alpha and correlation coefficients among variables.

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Note. $N = 13,929$. *$p < .05$, **$p < .01$, ***$p < .001$. 
Table 2. Results of the hierarchical multiple regression analysis.

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*Note.  N = 13,929.  *p <= .05,  **p <= .01,  ***p <= .001.
Figure 1. The classification of social exchange resources.

Note. The six resources identified in resource theory are in bold font; the seven resources identified in IBM NZ’s survey are identified in italic font.