Performance management and employee engagement

Jamie A. Gruman [a,*], Alan M. Saks [b,1]

[a] School of Hospitality & Tourism Management, and Department of Business, University of Guelph, Guelph, Ontario, Canada N1G 2W1
[b] Centre for Industrial Relations and Human Resources, University of Toronto, 121 St. George Street, Toronto, Ontario, Canada M5S 2E8

ARTICLE INFO	ABSTRACT
	Many contemporary organizations are placing a greater emphasis on their performance management systems as a means of generating higher levels of job performance. We suggest that producing performance increments may be best achieved by orienting the performance management system to promote employee engagement. To this end, we describe a new approach to the performance management process that includes employee engagement and the key drivers of employee engagement at each stage. We present a model of engagement management that incorporates the main ideas of the paper and suggests a new perspective for thinking about how to foster and manage employee engagement to achieve high levels of job performance. © 2010 Elsevier Inc. All rights reserved.

1. Performance management and employee engagement

Performance management is a critical aspect of organizational effectiveness (Cardy, 2004). Because it is the key process through which work is accomplished, it is considered the "Achilles Heel" of managing human capital (Pulakos, 2009) and should therefore be a top priority of managers (Lawler, 2008). However, less than a third of employees believe that their company's performance management process assists them in improving their performance, and performance management regularly ranks among the lowest topics in employee satisfaction surveys (Pulakos, 2009).

Contemporary challenges facing organizations have led many of them to refocus attention on their performance management systems (Buchner, 2007) and explore ways to improve employee performance. In this paper, we argue that one important way to enhance the performance management process is to focus on fostering employee engagement as a driver of increased performance. To this end, we present a conceptually-grounded approach to the development of employee engagement and discuss elements of the performance management process that can promote its occurrence. We also present a model of engagement management that builds on prior work on performance management.

2. A broad conceptualization of performance management

Although performance evaluation is at the heart of performance management (Cardy, 2004), the full process extends to all organizational policies, practices, and design features that interact to produce employee performance. This integrative perspective represents a configurational approach to strategic human resources management which argues that patterns of HR activities, as opposed to single activities, are necessary to achieve organizational objectives (Delery & Doty, 1996). As Armstrong (2000) notes, the performance management process offers an opportunity for the integration of all HR strategies. "Bundling" HR practices so that they complement and strengthen each other has been shown to be necessary for an organization's HR architecture to deliver desired performance (Pfeffer, 1998). As suggested by Verweire and Van Den Berghe (2004), performance management is valuable

* Corresponding author. Tel.: +1 519 824 4120x58730; fax: +1 519 823 5512.
   E-mail addresses: jgruman@uoguelph.ca (J.A. Gruman), saks@utsc.utoronto.ca (A.M. Saks).
 [1] Tel.: +1 416 978 5366; fax: +1 416 978 5696.

only if the various components of the system are aligned. Aligned bundles of HR practices create the mutually reinforcing conditions that generate desired outcomes (MacDuffie, 1995).

Although it is the ultimate objective of performance management, increased performance (both task and contextual; Borman & Motowildo, 1993) can be considered a distal outcome of the process. More proximal outcomes include the cognitive, affective and conative outcomes that precede changes in performance. For example, Kuvaas (2007) found that the relationship between developmental goal setting and feedback on the one hand, and self-reported performance on the other hand was mediated by intrinsic motivation. Kinicki, Prussia, Wu, and McKee-Ryan (2004) found that an employee's responses to feedback were mediated by a set of cognitive variables which, in turn, predicted performance. Norris-Watts and Levy (2004) found that the relationship between the feedback environment and organizational citizenship behavior (contextual performance) was partially mediated by affective commitment. Thus, managing performance effectively requires achieving intermediary outcomes that precede enhanced performance. As noted by VerWeire and Van Den Berghe (2004), performance management involves creating motivation and commitment to achieve objectives. Producing these more proximal outcomes is a vital step in the performance management process.

One variable that has been receiving increasing attention as a key determinant of performance is employee engagement (Macey, Schneider, Barbera, & Young, 2009). For example, Mone and London (2010) suggest that designing the performance management process to foster employee engagement will lead to higher levels of performance. Along these lines, we argue that the performance management process will be enhanced by focusing on employee engagement as a proximal outcome and fundamental determinant of job performance.

Employee engagement is a relatively new concept (Macey & Schneider, 2008) and the factors that produce engagement may be different from those that produce more traditional employee outcomes such as job satisfaction and organizational commitment (Macey et al., 2009). Considerations of how to promote engagement as a desirable outcome of the performance management process thus represent a significant, but untested, development in the performance management literature (Sparrow, 2008). Additionally, building on the positive psychology movement (Seligman & Csikszentmihalyi, 2000; Lopez & Snyder, 2009), much contemporary organizational research adopts a positive approach to understanding organizational phenomena. Notable among these approaches are positive organizational behavior (Luthans, 2002a,b) and positive organizational scholarship (Cameron & Caza, 2004; Cameron, Dutton, & Quinn, 2003). Linley, Joseph, Maltby, Harrington, and Wood (2009) note that employee engagement represents an application of this positive approach. Thus, consideration of how employee engagement contributes to performance management is a development in the performance management literature that is consistent with recent trends in the organizational sciences.

A focus on employee engagement in the performance management process may foster performance improvement beyond that achievable through a conventional focus on performance itself. As noted by Banks and May (1999), the traditional approach to performance assessment is appropriate for stable jobs in which work processes are procedural and easily observable. However, contemporary jobs are much less static (Singh, 2008). Today the definition of a job and what represents good performance is more variable (Fletcher & Perry, 2001). Fletcher and Perry (2001) note that the multidimensional and dynamic nature of performance is captured by the evolution of concepts such as emotional intelligence (Goleman, 1998) and the distinction between task and contextual performance (Borman & Motowildo, 1993). To this list we might effectively add the concepts of adaptability (Pulakos, Arad, Donovan, & Plamondon, 2000), creativity (Tierney & Farmer, 2002), and proactivity (Bateman & Crant, 1993; Grant & Ashford, 2008), which represent outcomes associated with behavioral engagement (Macey et al., 2009).

Because of the dynamic, multifaceted nature of modern jobs, in the contemporary work environment achieving increments in performance often involves less "management" of performance than "facilitation" of performance (Das, 2003), by creating the conditions for performance to improve. A comprehensive approach to performance improvement certainly requires control systems and the "management" of performance in order to, for example, coordinate cascading goals (Pulakos, 2009). However, the desired outputs of knowledge-based economies (i.e., creativity and personal initiative) are less amenable to control by supervisors. Changes in workplaces such as decentralization, enlarged spans of control, a lack of direct experience, and an increasing proportion of knowledge workers make it harder for superiors to manage the performance of others (Buchner, 2007; Fletcher & Perry, 2001). Pulakos, Mueller-Hanson, and O'Leary (2008) note that it is difficult to manage and set objectives for employees in economies dominated by knowledge- and service-intensive jobs because such work is more varied and subtle. Contemporary performance management processes must therefore also focus on the creation of conditions for the engagement of knowledge workers in order to facilitate the type of enhanced performance desired in advanced economies. Put another way, modern performance management is as much about managing the context in which performance occurs as it is about managing performance itself (Jones, 1995). This general idea was expressed over 30 years ago by Miller (1977) who suggested that improving the productivity of knowledge workers requires a focus on the environment in which work is completed.

Another reason to focus on "facilitating", instead of "managing" performance has to do with developments in performance management itself. Today, the focus of the performance management process is largely on results, as opposed to personality, behaviors, or competencies (Fletcher & Perry, 2001; Pulakos, 2009). Results can be obtained in numerous ways, as underscored by the notion of equifinality (Jennings, Rajaratnam, & Lawrence, 2003; von Bertalanfy, 1960). Thus, managing performance may be somewhat of a misnomer. Therefore, along these lines we present a model of "the performance context" that can promote employee engagement and enhanced performance. First, however, we explain the construct of employee engagement.

3. Employee engagement

Employee engagement has received a great deal of attention in the last five years, especially in the popular press and among consulting firms. It has often been touted as the key to an organization's success and competitiveness. Indeed, Schaufeli and

Salanova (2007) claim that engagement is "essential" for contemporary organizations given the many challenges they face (p. 156) and Macey et al. (2009) argue that organizations can gain a competitive advantage through employee engagement. Numerous writers have sung the praises of engagement as a key driver of individual attitudes, behavior, and performance as well as organizational performance, productivity, retention, financial performance, and even shareholder return (Bates, 2004; Baumruk, 2004; Harter, Schmidt, & Hayes, 2002; Richman, 2006). In fact, Macey et al. (2009) have shown that among a sample of 65 firms in different industries, the top 25% on an engagement index had a greater return on assets (ROA), profitability, and more than double the shareholder value compared to the bottom 25%. However, it has also been reported that employee engagement is on the decline and there is a deepening disengagement among employees today (Bates, 2004; Richman, 2006). For example, roughly half of all Americans in the workforce are not fully engaged or they are disengaged leading to what has been referred to as an "engagement gap" that is costing U.S. businesses $300 billion a year in lost productivity (Bates, 2004; Johnson, 2004; Kowalski, 2003).

Given the importance of employee engagement to organizations, combined with the deepening disengagement among workers today, a key issue is how to promote the engagement of employees. As noted by May, Gilson, and Harter (2004), "Engagement is important for managers to cultivate given that disengagement, or alienation, is central to the problem of workers' lack of commitment and motivation" (p.13).

However, controversy exists regarding the definition of employee engagement. Macey and Schneider (2008) note that there are numerous definitions of the construct, but that they all agree that employee engagement is desirable, has an organizational purpose, and has both psychological and behavioral facets in that it involves energy, enthusiasm, and focused effort. Harter, Schmidt, and Hayes (2002) define employee engagement as "the individual's involvement and satisfaction with as well as enthusiasm for work" (p. 269).

Leiter and Maslach (1998) view engagement as the opposite pole of burnout. They define engagement as "an energetic experience of involvement with personally fulfilling activities that enhance a staff member's sense of professional efficacy" (Leiter & Maslach, 1998, p. 351) and consider it to be comprised of energy, involvement and efficacy (Maslach, Schaufeli, & Leiter, 2001).

Schaufeli, Salanova, Gonzalez-Roma, and Bakker (2002) also view engagement as the conceptual opposite of burnout but view these constructs as independent states with dissimilar structures that must be measured with different instruments. They regard engagement as "a positive fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption" (p. 74). Rothbard (2001) similarly regards absorption as a critical component of engagement (the other component being attention). Schaufeli and Salanova (2007) note that being fully absorbed in a role comes close to what Csikszentmihalyi (1990) calls "flow." They suggest that the distinction lies in the fact that whereas engagement is a persistent work state, flow is a more complex concept that involves momentary peak experiences that can occur outside of work.

Schaufeli and Salanova (2007) suggest that engaged employees are energetically and effectively connected to their work. This can occur through the investment of one's "self" in work activities. In his work on personal engagement Kahn (1990) suggested that engagement involves "the harnessing of organizational members' selves to their work roles; in engagement people employ and express themselves physically, cognitively, and emotionally during role performances" (p. 694). By contrast, disengagement involves an extrication of organizational members' selves from their work roles. "In disengagement, people withdraw and defend themselves physically, cognitively, or emotionally during role performances" (Kahn, 1990). Kahn (1990) further notes that,

> Personal engagement is the simultaneous employment and expression of a person's "preferred self" in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full role performances (p.700).

Engagement involves high levels of energy and identification with one's work, in contradistinction to burnout which involves low levels of both (Schaufeli & Salanova, 2007). When engaged people become physically involved in their tasks, cognitively alert, and ardently connected to others in ways that demonstrate their individuality (e.g., thoughts, feelings, values, etc.). Enagagement allows people to simultaneously express their preferred selves and completely satify their role requirements (Kahn, 1990).

More generally, engagement means to be psychologically present when occupying and performing an organizational role (Kahn, 1990, 1992). When people are psychologically present they feel and are attentive, connected, integrated, and focused in their role performances (Kahn, 1992). People vary in the extent to which they draw on themselves in the performance of their roles or what Kahn (1990) refers to as "self-in-role." Thus, when people are engaged they keep their selves within the role they are performing.

However, both the concept of employee engagement and research on it have been subject to criticism. For example, it has been suggested that there may be substantial overlap and redundancy between engagement and other constructs such as job satisfaction (Newman & Harrison, 2008; Wefald & Downey, 2009). However, there is overlap among many constructs in the organizational sciences. For example, meta-analysis of the association between job satisfaction and affective commitment reveals a correlation of .65 (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Such levels of association still leave room for differential relationships with other outcome variables of interest and can add to our understanding of organizational phenomena. Nonetheless, as a relatively new construct, more work establishing the validity, differential antecedents and differential outcomes associated with engagement is warranted.

As suggested by the descriptions above, employee engagement has also been criticized for lacking a consistent definition and measurement (Masson, Royal, Agnew, & Fine, 2008). Mone and London (2010) define and measure employee engagement using an amalgam of six distinct constructs. A recently published paper defined and measured employee engagement as satisfaction, commitment and discretionary effort (Fine, Horowitz, Weigler, & Basis, 2010). Advances in understanding employee engagement

will be difficult if not impossible to achieve until a consensus is reached on a definition and measurement of the construct. The present paper builds on the definition of engagement advanced by Kahn (1990) in the first published work on the topic. This definition has been used in organizational research consistently since its introduction.

Additionally, research on employee engagement has been criticized for treating engagement almost exclusively as a static trait (Dalal, Brummel, Wee, & Thomas, 2008). This is a valid point given that Kahn (1990) discussed engagement as a state-like phenomenon in which people adjust their selves-in-role in response to the ebbs and flows of daily work. However, some recent research does treat engagement as a state-like phenomenon (e.g., Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009a). We conceptualize engagement as state-like with corresponding behavioral expressions as noted below. In our model, levels of employee engagement are assumed to change in response to the degree to which the various elements in the performance management process are designed to promote its occurrence.

An important distinction when defining engagement is whether it is a state or behavior. Although some consider engagement to be a state (Schaufeli et al., 2002), others have described it as consisting of a psychological state that has behavioral manifestations. For example, according to Kahn (1992), the state of engagement which he refers to as psychological presence consists of four dimensions (attentiveness, connected, integrated, and focused), is manifested in terms of physical, cognitive, and emotional behaviors or what he calls personal engagement. In his model, personal engagement leads to performance outcomes. More recently, Macey et al. (2009) distinguished engagement in terms of employee engagement feelings which consist of feelings of urgency, focus, intensity, and enthusiasm and employee engagement behaviors which consist of persistence, proactivity, role expansion, and adaptability. Macey et al. (2009) also proposed a model of the employee engagement value chain in which engagement feelings lead to engagement behaviors and engagement behaviors lead to performance outcomes.

Thus, both the Kahn (1992) and Macey et al. (2009) models suggest that 1) employee engagement has a state and behavioral dimension, 2) the state of engagement precedes and leads to engagement behaviors, and 3) engagement behaviors are directly related to performance outcomes. These distinctions and linkages are important for understanding how to develop and manage employee engagement which we consider in the next section.

4. Enhancing employee engagement

Several models and theories have been developed in the literature that provide a framework for how to enhance employee engagement. For example, based on his ethnographic study, Kahn (1990) suggested that three psychological conditions serve as antecedents of personal engagement: Psychological meaningfulness, psychological safety, and psychological availability.

Psychological meaningfulness refers to one's belief regarding how meaningful it is to bring oneself to a role performance. It is associated with incentives to engage and the perception that one is receiving a return on investment of one's "self-in-role." Psychological meaningfulness is achieved when people feel worthwhile, valuable, and that they matter. The three factors that Kahn (1990) found influenced meaningfulness were task characteristics, role characteristics and work interactions.

Psychological safety involves one's perception of how safe it is to bring oneself to a role peformance without fear of damage to self-image, status or career. It is associated with reliable, predictable social environments that have clear boundaries of acceptable conduct in which people feel safe to risk self-expression. Kahn (1990) found that the four factors that impacted psychological safety were interpersonal relationships, group and intergroup dynamics, management style, and norms.

Psychological availability pertains to one's perception of how available one is to bring oneself into a role. It is associated with the physical, emotional and psychological resources people can bring to their role performances. Kahn (1990) suggested that four distractions affected psychological availability: depletion of physical energy, depletion of emotional energy, insecurity, and outside lives.

May, Gilson, and Harter (2004) operationalized Kahn's psychological states and developed a scale to assess the expression of oneself physically, cognitively, and emotionally in one's work role. Schaufeli and Salanova (2007) note that these three dimensions are similar to the dimensions of vigor, dedication and absorption noted earlier. May et al. (2004) also investigated Kahn's (1990) three psychological conditions of engagement. In support of Kahn's (1990) theory, they found that meaningfulness, safety, and availability were significantly related to engagement. They also found that job enrichment and role fit were positive predictors of meaningfulness; rewarding co-worker and supportive supervisor relations were positive predictors of safety while adherence to co-worker norms and self-consciousness were negative predictors; and resources available was a positive predictor of psychological availability while participation in outside activities was a negative predictor.

A more recent approach to enhancing employee engagement is the Job Demands–Resources (JD-R) model. According to the JD-R model, the work environment can be divided into demands and resources. *Job demands* refer to physical, psychological, social, or organizational features of a job that require sustained physical and/or psychological effort from an employee that can result in physiological and/or psychological costs. Common job demands, which initiate a health-impairment process, include work overload, job insecurity, role ambiguity, and role conflict. *Job resources* refer to physical, psychological, social, or organizational features of a job that are functional in that they help achieve work goals, reduce job demands, and stimulate personal growth, learning, and development. Job resources, which initiate a motivational process, can come from the organization (e.g., pay, career opportunities, and job security), interpersonal and social relations (supervisor and co-worker support, and team climate), the organization of work (e.g, role clarity and participation in decision making), and from the task itself (e.g., skill variety, task identity, task significance, automonmy, and performance feedback) (Bakker & Demerouti, 2007).

The basic premise of the JD-R model is that high job demands exhaust employees' physical and mental resources and lead to a depletion of energy and health problems. Job resources are motivational and can lead to positive attitudes, behavior, and well-

being (Bakker & Demerouti, 2007). The motivational potential of job resources can be intrinsic because they facilitate growth, learning, and development, or extrinsic because they are instrumental for achieving work goals (Bakker & Demerouti, 2007). Job resources are also important because they help individuals cope with job demands and have been found to buffer the effect of job demands on job strain (Bakker & Demerouti, 2007, 2008).

Research on the JD-R model has found that job demands are related to burnout and health problems while job resources predict work engagement, extra-role performance, and organizational commitment (Bakker & Demerouti, 2007). An integration of the ideas regarding the psychological and resource antecedents of engagement suggests that the performance management process should provide employees with resources that will promote engagement by fostering the psychological conditions that precede it.

Given that various factors in the work environment have been shown to be related to employee engagement, how can organizations actually enhance employee engagement? Current approaches for driving employee engagement involve the use of an employee engagement survey to assess and benchmark engagement levels in an organization and to measure various work environment conditions that might be related to engagement (Macey et al., 2009). The results are then used to identify interventions to improve engagement levels in the organization. Engagement surveys have received considerable attention among consulting firms and in the popular press which typically report the percentages of employees who are engaged to various degrees as well as relationships between engagement and organizational performance outcomes (Klie, 2007).

However, although engagement surveys are useful for benchmarking employee engagement levels in organizations, the use of an engagement survey for the management of employee engagement has a number of limitations. First, it relies on employees' self-reports of their levels of engagement and there is ample evidence in the literature of a self-serving bias when employees report their own behavior such as performance and absenteeism (Johns, 1994). Second, the potential drivers of engagement or those work conditions that might be related to employee engagement might not be important for all employees. In other words, the best approach for improving employee engagement might depend on each employee rather than aggregate levels of various working conditions. For example, providing additional supervisor support is not likely to improve the engagement of employees who already perceive a sufficient level of support or for those who are more concerned about other aspects of their job. Third, modifications to various drivers of engagement are not likely to have a strong and lasting effect on engagement levels unless such changes are integrated with other parts of the organization and HR system. In other words, to be effective there needs to be a series of well-integrated and connected practices and programs that focus on developing and measuring employee engagement. Fourth, the use of engagement surveys is an organizational-level approach and does not enable an organization to develop or monitor the engagement of individuals or hold them accountable for their engagement.

Finally, engagement surveys are best suited for measuring employee engagement feelings or state engagement. However, as already indicated, it is behavioral engagement that leads directly to job performance. Therefore, we argue that a more effective and integrated approach for enhancing and managing employee engagement is to manage engagement the same way that job performance is managed. This is all the more important to the extent that employee engagement behavior is an antecedent of job performance. Along these lines, in the following sections we discuss how to integrate employee engagement into the performance management process.

5. Models of performance management and engagement management

There exist numerous models of the performance management process (e.g., Armstrong, 2000; Cardy, 2004; Das, 2003; Murphy & DeNisi, 2008; Pulakos, 2009). Most of them focus on a predictable set of variables involving some variation on establishing performance goals for employees, assessing performance, and providing feedback. Few models go beyond this general set of factors. One exception is a model of the performance appraisal process developed by Murphy and DeNisi (2008). Their model includes an expanded list of variables that can impact on the appraisal process such as business strategy, technology and organizational norms.

Models of the performance management process generally consist of a sequence of stages or activities such as performance agreement/goal setting, performance monitoring/facilitation, performance appraisal and feedback, and improved performance (e.g., Armstrong, 2000; Pulakos, 2009). Based on existing models, Fig. 1 presents a model of the performance management process that incorporates employee engagement. Because the primary focus of the model is on fostering engagement as a precursor to high performance, we refer to this as *the engagement management model*. Although the basic elements are fairly common, as discussed below our model incorporates features that go beyond these traditional elements. As noted by Armstrong (2000), performance management requires a holistic perspective that encompasses the entire organization and comprehensively addresses the constituents of performance.

The model begins with a *performance agreement* that outlines what employees will be expected to accomplish. As discussed below, a unique feature of our model is that the parameters of a job, and its associated goals and performance indicators should be subject to negotiation in order to foster engagement. During this negotiation, the psychological contract should be reviewed to facilitate the development of engagement. The second component of the model involves *engagement facilitation*. The focus here is on job design, leadership, coaching, supervisor support, and training in order to assist employees and facilitate the development of engagement. A novel feature of this component involves the development of psychological capital, a higher-order construct that can promote employee engagement (Sweetman & Luthans, 2010). Next, *performance and engagement appraisal and feedback* focuses on perceptions of justice and trust as drivers of engagement, as opposed to the common focus of performance appraisals on rating accuracy. As indicated in the model, each of the preceding components contributes to employee engagement which is associated, in turn, with improved performance.
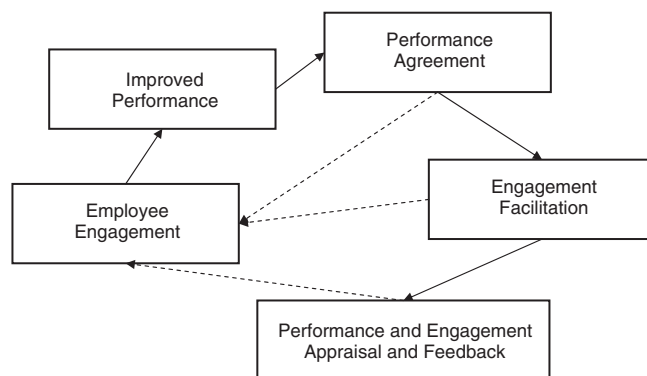
Fig. 1. The Engagement Management Model. Note: Arrows around the circumference of the model represent the engagement management process. Dotted lines represent the drivers of employee engagement.

A key part of our model is that the performance management practices that lead to Kahn's (1990) three psychological conditions that produce engagement can be organized according to the job demands–resources (JD-R) model. As suggested earlier, we argue that performance management processes should provide resources to employees that lead to Kahn's (1990) three psychological conditions that are associated with higher levels of engagement.

Buchner (2007) notes that the motivational underpinnings of performance management models and processes are rarely made explicit. By drawing on the JD-R model our approach to performance management builds on an explicit motivational process that is related, conceptually and empirically, to employee engagement and performance.

Finally, although the model depicts a sequence of steps, it is important to note that the process is ongoing and continuous and as shown in Fig. 1, performance agreement and engagement facilitation feed into employee engagement. Furthermore, engagement facilitation activities might change throughout the process depending on the needs of employees and based on appraisal and feedback. In the remainder of the paper we discuss the major elements of our model of the engagement management process and outline key aspects of each stage that can satisfy Kahn's (1990) three psychological conditions that promote employee engagement and subsequently enhance job performance.

6. Integrating performance management and employee engagement

6.1. Performance agreement

The first stage of the engagement management process involves performance agreement. The main activities at this stage involve goal setting and a review and agreement of the psychological contract.

6.1.1. Goal setting

Goals are extremely important for initiating the employee engagement process because goals stimulate energy, focus, and intensity or the feeling of engagement. According to Macey et al. (2009), "the feeling of engagement cannot occur without a specific purpose or objective" (p.20). They also state that for engagement to occur there needs to be an alignment between individual goals and organizational goals. Such an alignment ensures a strategic focus to engagement because it ensures that employees engage themselves in tasks that are important for the achievement of an organization's goals and objectives. Thus, during this stage employees should be made aware of and understand organizational goals and objectives and it is within this context that they should set their own goals.

In the performance management literature, performance agreement involves the negotiation of goals that employees will accomplish. Pulakos (2009) notes that although an employee's work goals should support higher-level organizational objectives, an individual's developmental needs can also be considered when establishing goals. In order to produce engagement, not only should employees' needs be considered, their needs, goals, and desires should be a significant part of the goal setting process. Armstrong (2000) suggests that goals should take into account the achievement of corporate objectives, but should also allow individuals to formulate their own goals within the broader organizational context. Allowing employees to have a say in setting goals may be more likely to produce engagement than requiring them to satisfy imposed goals because the former will take into account employees' values and interests which represent their true selves. Research on the self-concordance model (Sheldon & Elliot, 1999) demonstrates that goals that are consistent with an individual's values and interests produce well-being, one manifestation of which is engagement (Xanthopoulou, Bakker, Heuven, Demerouti, & Schaufeli, 2008). This only occurs when goals are integrated with the self and pursued because of felt ownership (Sheldon & Elliot, 1999) which may not occur when goals are imposed. Achieving goals that are not integrated with the self does not promote well-being (Sheldon & Kasser, 1998) and is not likely to promote engagement. However, achieving goals in which one is personally invested does. For example, in a study of Finnish managers, Hyvönen, Feldt, Salmela-Aro, Kinnunen, and Mäkikangas (2009) found that managers' personal goals that were consistent with their career stage were associated with work engagement.

Incorporating personal goals into organizational objectives is likely to enhance engagement by involving the self in goal attainment. In terms of Kahn's (1990) three psychological states, goals that are self-concordant have psychological meaningfulness; they produce a return on investment in one's self. Allowing participation is more likely to achieve concordance. Given that managers often have limited knowledge of the needs and desires of employees (Sparrow, 2008), if participation in goal setting is not encouraged supervisors should make special efforts to establish objectives that take into account the unique values, goals and interests of subordinates.

In their discussion of how to promote engagement, Schaufeli and Salanova (2007) suggest a three step process for ensuring clear mutual expectations between an organization and an employee. First, inquire about the employee's values, preferences, and goals. Second, draft an Employee Development Agreement (EDA) that incorporates these goals and assures the necessary organizational resources. Third, monitor the EDA in terms of goal achievement and adjust goals and resources as necessary. Schaufeli and Salanova (2007) note that this process represents a modification of existing performance management processes which places the focus on personal goals (as opposed to organizational goals) and the resources required to achieve them.

6.1.2. Psychological contracts

Kahn (1990) notes that the three psychological conditions that produce engagement parallel the logic of contracts in that people tend to enter contracts that have clear benefits (psychological meaningfulness), protective guarantees (psychological safety), and which they believe they have the resources to honor (psychological availability). Employees tend to have implicit and/or explicit expectations regarding what they expect from an organization (Rousseau, 1990). Such expectations can be the basis of psychological contracts which involve reciprocal obligations between employees and employers (Rousseau, 1990). The fulfillment of psychological contracts has been shown to be associated with both task-related and non-task-related performance (Turnley, Bolino, Lester, & Bloodgood, 2003) and might also lead to higher levels of engagement according to social exchange theory.

Social exchange theory (SET) argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence. A basic tenet of SET is that relationships evolve over time into trusting, loyal, and mutual commitments as long as the parties abide by certain "rules" of exchange (Cropanzano & Mitchell, 2005). Rules of exchange usually involve reciprocity or repayment rules such that the actions of one party lead to a response or actions by the other party. For example, when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization (Cropanzano & Mitchell, 2005) and one way for individuals to repay their organization is through higher levels of engagement (Saks, 2006). Thus, according to SET, employees will be more likely to engage themselves when their psychological contract has been fulfilled.

Performance management processes are key factors in the development of psychological contracts (Stiles, Gratton, Truss, Hope-Hailey, & McGovern, 1997; Suazo, Martinez, & Sandoval, 2009). For example, employees may have implicit or explicit expectations that the organization at which they work will allow them to set goals that incorporate their individuality, and coach them along the path to their goals. Failure of an organization to live up to its end of the contract constitutes a contract violation and may produce numerous undesirable outcomes including a reduction of employee engagement (Schaufeli & Salanova, 2007). To the extent that employees expect personal engagement at work but find the conditions necessary to produce engagement absent in the work environment, a contract violation can occur and result in disengagement. Indeed, Parzefall and Hakanen (2010) found that perceived psychological contract fulfillment was positively associated with work engagement, and that engagement fully mediated the relationship between perceived contract fulfillment and affective commitment. In terms of the JD-R model, psychological contract fulfillment acts as a job resource that produces engagement (Parzefall & Hakanen, 2010). Thus, psychological contracts should be reviewed and agreed upon during the performance agreement stage.

6.2. Engagement facilitation

In the engagement facilitation stage, the primary focus is on identifying and providing employees with the resources they need to become engaged. As indicated earlier, this involves resources that will enable employees to experience meaningfulness, safety, and availability. The main activities at this stage involve job design, coaching and social support, leadership, and training.

6.2.1. Job design

Inherent in the concept of performance management is the notion that employees should perform the tasks associated with their jobs. Deviations from planned goals associated with these jobs occupy center stage in the typical performance management process. However, an alternative perspective on performance management allows for the roles and assignments associated with specific jobs to be subject to modification. Although cascading goals involve the need for coordinated activity, there are often numerous cascading goals that will permit hierarchical coordination. Effective performance management may involve allowing employees to have a voice in the process (Buchner, 2007; Giles & Mossholder, 1990), often with respect to the appraisal they receive. Taking this one step further, we contend that effective engagement management may also involve allowing employees to have a say in the design of their work, and the roles and assignments they perform. Doing so will promote psychological meaningfulness and foster engagement by better allowing employees to bring their true selves to their role performances.

The constructs of job change negotiation (Ashford & Black, 1996), job crafting (Wrzesniewski & Dutton, 2001), proactive behavior (Grant & Ashford, 2008), and idiosyncratic employment deals (i-deals; Rousseau, 2001) reflect the idea that employees can be partial architects of their jobs. For example, Wrzesniewski and Dutton (2001) explain that one way employees modify their work is by "changing the number, scope, or type of job tasks done at work. By choosing to do fewer, more, or different tasks than

prescribed in the formal job employees create a different job" (p. 185). Task i-deals can make jobs more consistent with personal goals and needs (Hornung, Rousseau, Glaser, Angerer, & Weigl, 2010). They can also make jobs more consistent with the roles employees want to occupy thus increasing psychological meaningfulness (Kahn, 1990). Indeed, Hornung et al. (2010) have demonstrated that i-deals are positively associated with engagement.

When assigning employees to tasks and jobs, managers should be mindful of task characteristics. Task characteristics from Hackman and Oldham's (1980) job characteristics model have been found to be important job resources. For example, Bakker and Demerouti (2007) identified skills variety, task identity, task significance, autonomy, and performance feedback as job resources at the task level and several studies have found that autonomy/job control and performance feedback are related to positive work outcomes (Bakker, Demerouti, & Verbeke, 2004; Bakker, Hakanen, Demerouti, & Xanthopoulou, 2007; Schaufeli & Bakker, 2004). Similarly, Kahn (1990) found that task characteristics are important for the experience of psychological meaningfulness. In particular, work that is challenging, clearly delineated, varied, creative, and autonomous is most likely to be associated with the experience of psychological meaningfulness. In addition, people feel safer when they have some control over their work. Jobs that are high on the core job characteristics provide individuals with the room and incentive to bring more of themselves into their work or to be more engaged (Kahn, 1992). May et al. (2004) found that job enrichment was positively related to meaningfulness and meaningfulness mediated the relationship between job enrichment and engagement.

Finally, when assigning employees to tasks managers must also ensure that there is a good fit between employee skills, needs, and values. According to Kahn (1990), individuals who are sure of their fit with a social system are more likely to derive greater meaning from it and to become more engaged. Individuals are also likely to feel insecure and less psychologically available when they are unsure of their fit with an organization. As stated by Kahn (1990), "it is difficult for people to engage personally in fulfilling work processes when organizational ends do not fit their own values…" (p.716). Thus, employees are more likely to engage themselves when they perceive a good fit between themselves and their job and organization. In fact, May et al. (2004) found that work role fit was significantly correlated to work engagement.

6.2.2. Coaching and social support

To foster engagement, coaching should be an ongoing process and not limited to quarterly or annual performance evaluations. Schaufeli and Salanova (2007) suggest that coaching employees and helping them with planning their work, highlighting potential difficulties, and offering advice and emotional support helps to foster engagement. It also helps to instill confidence or self-efficacy among employees. Research on the JD-R model has found that managers can have a significant impact on the engagement of subordinates. For example, job resources including supervisory coaching and support have been shown to be related to employee engagement (Hakanen, Bakker, & Schaufeli, 2006; Schaufeli & Bakker, 2004; Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009b).

Latham et al. (2005) suggest that in order to promote the development of a "can do" mindset, the coaching process should help to promote employees' self-efficacy. Self-efficacy is, in fact, one personal resource in a more comprehensive, higher-order construct known as psychological capital (PsyCap: Luthans, Youssef, & Avolio, 2007a,b). In addition to self-efficacy, PsyCap is comprised of hope, optimism, and resilience. Hope is the belief that one can discover pathways to one's goals and find the motivation to use the pathways (Snyder, Rand, & Sigmon, 2005). Optimism involves the expectation that good things will happen (Carver, Scheier, Miller, & Fulford, 2009). Resilience involves maintaining positive adjustment, coping successfully, and bouncing back when facing challenging conditions, including those involving positive change (Luthans, 2002a; Luthans & Youssef, 2007; Sutcliffe & Vogus, 2003).

Establishing the relationship between PsyCap and employee engagement represents a new area of research, but initial results suggest that the constructs may be positively related (Sweetman & Luthans, 2010). For example, all four PsyCap constructs have been shown to be positively related to engagement in a sample of organizational newcomers (Saks & Gruman, 2010) and self-efficacy and optimism have been shown to partially mediate the relationship between job resources and engagement (Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2007). We propose that in order to foster engagement the coaching process should develop not only employees' self-efficacy, but all four of the constructs that comprise PsyCap. Methods for fostering self-efficacy include enactive mastery, vicarious learning, verbal persuasion and psychological arousal (Stajkovic & Luthans, 1998). Hope can be developed through goal setting training, stepping methodology, mental rehearsal, and regoaling (Luthans, 2002b; Luthans & Jensen, 2002; Lopez, Floyd, Ulven, & Snyder, 2000). Optimism can be promoted through cognitive–behavioral techniques (Carver, et al., 2009). Sutcliffe and Vogus (2003) note that resilience is promoted through training, the development of specialized knowledge, having the opportunity to observe role models, and having the ability to commit and recover from mistakes. Ongoing coaching that helps employees develop all of the constructs that comprise PsyCap should help to foster engagement, and ultimately performance excellence.

Coaching is an important source of support from one's supervisor, but social support from co-workers is also important for engagement. Kahn (1990) identified work interactions as important for psychological meaningfulness. In particular, individuals experienced meaningfulness when they had rewarding interpersonal interactions with co-workers and clients. He also argued that interpersonal relationships foster psychological safety when they are supportive and trusting. In addition, one can obtain emotional resources through interpersonal relationships with others which can enhance one's psychological availability. Research on the JD-R model has found that social support from one's supervisor and co-workers is related to a number of positive work outcomes and negatively related to disengagement and burnout (Bakker et al., 2004; Demerouti, Bakker, Nachreiner, & Schaufeli, 2001; Schaufeli & Bakker, 2004). Supervisor support has also been found to buffer the negative effects of job demands (Bakker et al., 2007).

6.2.3. Leadership

Leaders are a vital ingredient in the success of performance management. For example, the quality of the exchange relationship between leaders and subordinates has been shown to be positively related to subordinates' satisfaction with their performance appraisals and motivation to improve (Elicker, Levy, & Hall, 2006). Leaders also play a crucial role in fostering the engagement of subordinates. Leaders who are high in task behavior and support behavior have been shown to be particularly effective at promoting engagement (Schaufeli & Salanova, 2008). Schaufeli and Salanova (2008) argue that transformational leaders (Bass, 1985) are particularly effective at producing engagement because they are inspiring and visionary. In the only empirical test of this assertion, Zhu, Avolio, and Walumbwa (2009) demonstrated that, in fact, managers' perceptions of the transformational leadership qualities of their executive leaders were positively associated with the managers' own engagement.

Transformational leadership may promote engagement by increasing employees' perceptions of social support (Lyons & Schneider, 2009). Another reason transformational leadership may promote engagement involves self-concordance. Bono and Judge (2003) observed that transformational leadership was positively associated with followers' self-concordance. Thus, followers of transformational leaders may find their work goals more meaningful. It should be noted that Bono and Judge (study 2) also found that self-concordance was, in turn, associated with creative and extra-role performance. Kahn (1990) identified management style and process as important for psychological safety. In particular, supportive, resilient, and clarifying management lead to greater psychological safety. Supportive management allows individuals to try new things and to fail without the fear of negative consequences.

Leaders can also provide employees with resources that can enhance their availability. Not only can leaders provide employees with social support, they can also develop engagement by providing assignments and experiences that are challenging, provide some control, autonomy, performance feedback, and allow for participation in decision making.

6.2.4. Training

As noted by Murphy and DeNisi (2008) most performance management interventions are designed to motivate employees to perform better. However, sometimes performance problems have less to do with motivation than ability. In such cases training may be the solution. As suggested by Schaufeli and Salanova (2007) one key to keeping employees engaged is to allow them to continue developing throughout their careers.

In the context of Kahn's (1990) psychological conditions, training is especially relevant for providing employees with resources that will make them feel available to fully engage in their roles (e.g., knowledge and skills required to perform one's work tasks). Training can also make employees feel more secure about their ability to perform their job thereby lowering their anxiety and increasing feelings of availability.

Training can be an important source of the constructs that comprise PsyCap. As described by Kahn (1990), individuals are more available when they feel secure, and self-efficacy, hope, optimism and resilience are important dimensions of security. All of the PsyCap variables can be developed through training. Luthans, Avey, Avolio, Norman, and Combs (2006) reported the results of three studies demonstrating that short, micro-interventions have been effective in building PsyCap in management students and practicing managers by up to 3%. More recently, Luthans, Avey, and Patera (2008) demonstrated that a two-hour, web-based training intervention was successful in building PsyCap among a cross section of working adults. Schaufeli and Salanova (2008) suggest that enhancing engagement can be promoted by offering employees training that provides experiences of vocational success, encouragement, and reducing the fear of failure. Although Schaufeli and Salanova (2007) suggest that promoting self-efficacy is the cornerstone of fostering engagement through training, we suggest that the sorts of training experiences that build self-efficacy will foster all of the PsyCap constructs and lead to higher levels of engagement. Indeed, the purported value of PsyCap as a higher-order construct is that the impact of PsyCap on work outcomes is expected to be greater than the individual capacities of which it is comprised (Luthans, Youssef, & Avolio, 2007a).

Training programs can also be an important resource for preparing employees to cope with job demands. As described by Kahn (1990), individuals are more ready and available to engage in their roles when they can cope with various demands and when they have the ability to engage in coping strategies.

6.3. Performance and engagement appraisal and feedback

A key component of performance management and in fact a cornerstone of the process is the appraisal and evaluation of employee performance. In the context of employee engagement, this process should also include an assessment of an employee's engagement behavior (e.g., persistence, proactivity, role expansion, and adaptability) in addition to job performance. The main activities during this stage are performance appraisals and feedback. However, for the purpose of enhancing engagement, trust and justice perceptions are especially important.

6.3.1. Trust and justice during performance appraisals

Performance appraisals sometimes evaluate employees on criteria that are irrelevant, or over which they have no control (Dobbins, Cardy, Facteau, & Miller, 1993). Such appraisals are not useful and are perceived by employees as unfair. In order for employees to feel comfortable employing and expressing themselves fully during role performances (i.e, displaying engagement) they must trust that their organization and managers will treat them fairly and justly. If the relationship between a manager and subordinate lacks trust, they are unlikely to have productive performance conversations that generate positive results (Pulakos, Mueller-Hanson, & O'Leary, 2008). According to Macey and Schneider (2008), trust has a central role in the engagement process as

employees trust that their investment of energy, time, and personal resources will be rewarded. Macey et al. (2009) have stated that engagement cannot exist without trust as trust and fairness are the foundation for employees to feel and act engaged.

Kahn (1990) notes that situations that promote trust are "predictable, consistent, clear, and nonthreatening" (p. 708). He found that one factor that promotes trust is a supportive management style that is consistent and not hypocritical. Such managerial behavior promotes trust through the implementation of practices that are regarded by subordinates as predictable and fair.

Latham et al. (2005) note that effective performance management systems must be perceived as fair, and that the factors contributing to fairness include distributive justice, procedural justice, interactional justice and voice. Distributive, procedural and interactional justice are associated with both task and contextual performance (Cropanzano, Bowen, & Gilliland, 2007). The final factor, voice, involves employees' belief that their views are taken into account (Latham et al, 2005) and can involve participation in the performance management process. Cawley, Keeping, and Levy (1998) found that participation in the performance management process was associated with higher perceived fairness, satisfaction and motivation to improve. Similarly, Elicker, Levy, and Hall (2006) found that employee perceptions of voice during perfomance management reviews were positively associated with postsession justice judgments.

In support of our model, Maslach and Leiter (2008) have demonstrated that fairness is associated with engagement. Similarly, Moliner, Martínez-Tur, Ramos, Peiró, and Cropanzano (2008) found positive correlations between the three components of justice and engagement, and that engagement mediated the relationship between organizational justice and extra-role performance. Additionally, Saks (2006) found that procedural and distributive justice were positively associated with or-ganization engagement and job engagement, and that both forms of engagement were positivelty associated with individually-oriented and organizationally-oriented organizational citizenship behavior. He also found that job and organization engagement mediated a set of predictor variables including procedural and distributive justice on the one hand and outcomes including OCBs on the other.

Folger, Konovsky, and Cropanzano's (1992) discuss how to achieve fairness using their due process metaphor of performance appraisal which is based on three core elements: adequate notice, just hearing and judgment based on evidence. The due process approach has been shown to result in employee perceptions of greater fairness, accuracy, and satisfaction with the process (Taylor, Tracy, Renard, Harrision, & Carroll, 1995). It is also likely to enhance engagement by fostering psychological safety and availability.

6.3.2. Engagement appraisal

In the same way that standard performance appraisals provide the opportunity for managers and employees to assess the degree to which performance goals have been achieved, engagement appraisals provide the additional opportunity to assess the extent to which employees have demonstrated behavioral engagement, and both parties have been conforming to the Employee Development Agreement. Schaufeli and Salanova (2008) note that it is necessary to monitor the EDA periodically and potentially readjust goals and resources.

The engagement appraisal should accompany the performance appraisal and be used by managers to discuss the importance of engagement behaviors with employees and how the employee can exhibit such behaviors (e.g., role expansion, proactivity, persistence, and adaptability). Goals for engagement behaviors can then be agreed upon and included as part of the EDA. Managers should also provide some recognition and incentives for employees who exhibit engagement behaviors. Kahn (1992) suggested that incentives are necessary to experience meaningfulness and suggested that formal and informal reward systems must support the psychological conditions that produce engagement.

6.3.3. Feedback

Positive feedback is also likely to promote engagement and performance. Schaufeli and Salanova (2007) suggest that positive feedback promotes engagement by affecting the socio-emotional climate in organizations. In a longitudinal study, Xanthopoulou, Bakker, Demerouti and Schaufeli (2009b) found that job resources including feedback were positively associated with engagement approximately 18 months later.

However, feedback has an inconsistent relationship with performance, sometimes producing a debilitating effect (Baron, 1988; Kluger & DeNisi, 1996; London, 1995). This can occur when feedback occurs in the form of destructive criticism (Baron, 1988) or focuses on meta-task processes and damages the recipient's self-esteem (Kluger & DeNisi, 1996). Latham et al. (2005) note that honesty in providing feedback should not be confused with hurtfulness. In terms of Kahn's (1990) three psychological conditions, hurtful feedback can compromise the recipient's sense of psychological safety and undermine engagement.

Many contemporary performance management systems incorporate 360°, or multisource, feedback. Atwater, Brett, and Cherise-Charles (2007) discuss aspects of successful multisource feedback systems which include ensuring trust, providing support, being sensitive to individual differences, and trying to boost self-efficacy. Such conditions promote psychological safety and will enhance engagement.

7. Employee engagement and improved performance

As shown in Fig. 1, employee engagement is expected to have a direct effect on improved job performance. This is consistent with Kahn's (1992) model of psychological presence and Macey et al.'s (2009) model of the employee engagement value chain. But is employee engagement related to individual performance? Clearly, there is no shortage of reports that link engagement to organizational outcomes such as ROA and profit as reported earlier in the paper. However, when it comes to individual performance which is a necessary pre-condition for organizational-level outcomes, there is much less evidence.

Theoretically, employee engagement has been linked to job performance. According to Leiter and Bakker (2010),

> Work engagement has far-reaching implications for employees' performance. The energy and focus inherent in work engagement allow employees to bring their full potential to the job. This energetic focus enhances the quality of their core work responsibilities. They have the capacity and the motivation to concentrate exclusively on the tasks at hand (p. 3–4).

Based on a review of a number of theories, Demerouti and Cropanzano (2010) concluded that engagement can lead to enhanced performance as a result of a number of mechanisms. Their conclusions are supported by a growing number of studies demonstrating a positive relationship between engagement and individual performance (e.g., Xanthopoulou et al., 2008) and a recent meta-analysis which found that engagement is significantly related to a number of consequences including commitment, health, turnover intentions, and performance (Halbesleben, 2010). Research on burnout which is considered by some to be the opposite of engagement, has also found that it is related to lower productivity and performance (Maslach et al., 2001). Thus, the linkage between engagement and performance is consistent with engagement models, theory, and research.

8. The engagement management process

As noted earlier, modern developments often make it difficult for supervisors to "manage" subordinates' performance. In such an environment it may be more effective for supervisors to focus less on managing performance than on managing the context in which performance occurs, and on fostering the development of employee engagement as a driver of enhanced performance. To this end, we have presented a model of enhanced performance that represents a reframing of the performance management process which we call the engagement management process.

The main difference between our model and more traditional models of performance management lies in the fact that the focus is on engagement. Concentrating on engagement produces a different managerial orientation than those produced at each stage of a more traditional approach to performance. For example, the engagement agreement has as its explicit goal the agreement of goals that are consistent with an employee's interests, values and objectives and that are aligned with organization objectives. Engagement facilitation recasts the role of supervisors as coaches whose goal is to design tasks and provide support and resources that energize employees and absorb them in their jobs. Performance and engagement appraisal and feedback represent an opportunity not only to assess employee performance but also the degree to which employees exhibit engagement behavior in the performance of their work (e.g., persistence, initiative, role expansion, and adaptability) and for examination of the Employee Development Agreement.

It should be recognized that a shift in the performance management process towards a focus on employee engagement will require that supervisors and managers receive training on employee engagement. Along these lines, they will need to learn what employee engagement feels like and looks like, how to develop and facilitate it, and how to assess it and include it in the performance appraisal and feedback process. As a starting point, they should be instructed on the importance of employee engagement for enhancing job performance and the need to provide employees with support and resources to fully engage themselves in their job and the organization.

9. Conclusion

Buchner (2007) suggests that contemporary economic challenges have led organizations to try to improve results by increasing their attention on performance management. However, as outlined in this paper, achieving the distal outcome of enhanced performance through the performance management process may be best achieved by targeting the more proximal outcome of employee engagement.

Mone and London (2010) suggest that "performance management, effectively applied, will help you to create and sustain high levels of employee engagement, which leads to higher levels of performance" (p. 227). Our intention in this paper has been to present a model of the effective application of performance management processes that may foster employee engagement and produce high levels of performance. There currently exists very little conceptual and empirical work on how the performance management process can enhance performance by fostering employee engagement. This paper thus represents a significant new development in the performance management literature. It also represents a significant development in the literature on engagement by presenting a coherent model and process for promoting the engagement of employees that goes beyond the use of engagement surveys that focus on aggregate levels of psychological engagement as self-reported by employees.

The ideas presented here, including those pertaining to the engagement management model, warrant empirical attention. Research on how well each of the ideas discussed in this paper fosters engagement and performance is needed in order for organizations to best structure their performance management systems to drive higher levels of performance. Additionally, research on the interactive effects of these elements would shed light on which ones are most potent, for which employees, and under which circumstances. It would also be encouraging if application of these ideas resulted in employees being more satisfied with their organizations' performance management processes, and if this promoted other outcomes such as job satisfaction and organizational commitment. We await future studies that explore the linkages in our model and on the relationship between employee engagement and job performance. In the meantime, we believe that organizations that hope to achieve a competitive advantage through employee engagement will be most successful by incorporating and including employee engagement in the performance management process.

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