CHAPTER 1

INTRODUCTION
1. Introduction:

1.1 Background

1.1a) Employee Engagement Overview

In the last few decades, Employee Engagement has become a concept that has captured the attention of HR practitioners around the globe. Globally managers agree that the modern business demands higher productivity and more efficiency, than in previous times. All modern companies are putting a constant effort to increase their performance in order to place their company ahead of the competitors. At some point, satisfied employees, content with their work experience, was a good formula for success, as a satisfied employee, who wanted to stay with a company, contributed to the workforce stability and productivity\(^1\). But the situation is not like that anymore. Due to global business environment and increasing competition, having satisfied and stable employees are not enough to bring necessary business results. Satisfied employees may just meet the work demands, but this may not necessarily lead to higher performance.

In order to compete effectively, employers need to divert their attention beyond satisfaction - employers must do their best to inspire their employees to apply their full potential and capabilities to their work, if they do not, part of the valuable employees’ resources remains unavailable for the company. Therefore, modern organizations expect their employees to be full of enthusiasm, excitement and show initiative at work, they want them to take responsibility for their own development, strive for high quality and performance, be energetic and dedicated to what they do – in other words companies want their employees be engaged\(^2\)

Organizations have come to realize that in today’s constantly changing business scenario, the most valuable resource that needs to be leveraged is Human Resource. This means

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not just attracting the most talented and qualified people and retaining them but keeping them motivated and committed and most importantly ‘Engaged’ to achieving the organization goals. An engaged workforce produces better business results, does not hop jobs and more importantly is an ambassador of the organization at all points of time. This engagement is achieved when people consider that their organization respects their work, their work contributes to the organizational goals and more importantly their personal aspirations of growth, rewards and pay are met.

Having emerged basically from consulting practice, ‘Employee Engagement’ is a term that is still being researched and debated in the academia. Most people understand engagement as an attitude or behavior that imply being busy with, involved in, attracted by, committed to, retained and held fast in our work or organization. History is dotted with examples of leaders who have led their men by building a psychological commitment between their men and their ideology to achieve greatness. In this psychological contract lies the roots of today’s Employee Engagement theories propounded by organizations.

Though Employee Engagement (EE) as a business buzzword has generated research and steam since the new economy service industries like IT (Information Technology) and ITES (IT enables services) have taken off, the origins of engagement are as old as mankind itself.

About 2300 years ago, Alexander (356 BC – 323 BC) was able to march ahead and conquer unknown lands by battling for years across continents, miles away from home, because he had an engaged army that was willing to abide by its commander.

Alexander is known to have achieved an engaged workforce by ensuring that he spent face time with his men, listening and addressing grievance, ensuring on time payment of salary, dressing like the rest of his army and most importantly by leading from front.

More recently, in World War II, Americans funded a lot of money for researching the behavior of its soldiers to be able to predict their battle readiness.

Understanding employee engagement drivers, measuring and enhancing engagement offers promise of better business performance by ambassadors of the organization who work like entrepreneurs and help sustain organization growth through innovation and
lower employee turnover.

The concept itself is not new, the mix of factors that make up employee engagement have been around for a long time. The distinctive feature of employee engagement as an idea is that it pulls all of the positive job and work attitudes together under one umbrella.

The overall benefits of fostering employee engagement in a workforce are far reaching, both for organizations and their employees. Businesses that successfully reach this goal are likely to see significant improvements in performance, a rise in profits and a greater ability to attract and retain the best employees. Employees will be more likely to feel motivated to work hard to ensure the success of their company and have a greater belief that they are making a significant contribution to that success. Furthermore, they will be less likely to look for opportunities elsewhere. The engaged employee feels not only aligned through his or her position and salary, but also with the company’s way of thinking and acting. This behavioral convergence makes him or her accelerate business performance by transcending the job description and going beyond what is expected or requested. With this, the individual tends to behave proactively and positively.

The importance of engagement is proven by the literature on engagement, which shows that an engaging environment pays off. Studies by a number of researchers prove that employee engagement supports organizational performance and success. As literature claims that the outcomes of employee engagement are exactly what most organizations are looking for, there is no surprise in corporate executives seeing the development of the engagement of employees as a priority for organization.

1.1 b) IT Industry Overview:

Information Technology (IT) is defined as the design, development, implementation and management of computer-based information systems, particularly software applications and computer hardware (as per Information Technology association of America). Today, it has grown to cover most aspects of computing and technology. The largest firms globally include IBM, HP, Dell and Microsoft. IT industry continues to be one of the major contributors to the Indian economic growth in spite of occasional ups and downs faced by it. Today IT and ITeS sectors lead the economic growth in terms of employment, export promotion, revenue generation and standards of living.
Factors that have led to growth in the IT sector are:

- Low operating costs and tax advantage.
- Favorable government policies.
- Technically qualified personnel easily available in the country.
- Rapid adoption of IT technologies in major sectors such as Telecom, and Manufacturing.
- Strong growth in export demand from new verticals and non-traditional sectors as public sector, media and utilities.
- Use of new and emerging technologies such as cloud computing.

More of Special Economic Zones (SEZs) are now being set up in Tier II cities and about 43 new tier II/III cities are emerging as IT delivery locations.

Information technology (IT) industry in India has played a key role in putting India on the global map. IT industry in India has been one of the most significant growth contributors for the Indian economy. The industry has played a significant role in transforming India’s image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India transform from a rural and agriculture-based economy to a knowledge based economy.

The near future of Indian IT industry sees a significant rise in share of technology as more and more service providers both Indian and global target new segments and provide low cost, flexible solutions to customers.

However, to achieve this growth, the sector has to continue to re-invent itself and strive for that extra mile, through new business models, global delivery, partnerships and transformation and effective Human Resource Management strategies. A collaborative effort from all stakeholders will be needed to ensure future growth of India’s IT sector. It will need to rise up to the new challenges and put in dedicated efforts toward providing more and more of end-to-end solutions to the clients to keep the momentum going.

1.1 c) IT sector in Pune:

As one of the largest cities in India, and as a result of its numerous colleges and universities, Pune is emerging as a prominent location for IT companies to expand. Pune
has the seventh largest metropolitan economy and the sixth highest per capita income in the country. Pune is considered to be one of the 8 major IT hubs of India including Bangalore, Hyderabad, Chennai, Mumbai, Delhi, Kolkata and Thiruvananthapuram. Major Indian and International IT firms have established their offices in Pune. In addition to the huge number of educational institutions and universities, Pune has statistics to back its claim for the number one destination for IT investments. Pune is also home to well-known giants of the Indian software industry like Wipro, Infosys, Satyam, Tata Technologies, TCS, Kanbay, Veritas, Cognizant, and Mahindra British Telecom. Close proximity to the financial capital Mumbai and rapidly improving infrastructure have made Pune one of the most sought-after commercial destinations in the country today.

1.2 Description of Important terms used in the study:
Following is a brief description of the terms used in this study by the Researcher:

**Drivers of Employee Engagement:** In this study drivers refer to the factors that contribute to Employee Engagement. Discussions and unstructured interviews with people from HR department of IT companies were conducted to prepare a comprehensive list of commonly followed Employee Engagement practices. These practices were naturally targeting some prominent drivers of Employee Engagement that have been identified by renowned researchers and consultancy firms specializing in Employee Engagement as revealed by literature review. Thus the researcher identified the common drivers that these Employee Engagement practices aimed at. These drivers came out to be 20 in number. The researcher made combined a list of 20 drivers for the purpose of this study.

**Parameters of Employee Engagement:** In this study Parameters refer to the elements that help in defining, comprehending and measuring Employee Engagement. These elements were extracted from the popular definitions of Employee Engagement. A total of 10 such parameters were identified and used in this study.

1.3 Research Objectives:
Employee Engagement has gained substantial attention of HR practitioners around the world in last two decades. It therefore becomes imperative to study the practices and
initiatives being taken in this direction and to suggest ways so as to ensure effectiveness of the same.

The objectives of this study were:

1. To study the Employee Engagement Practices being followed in IT companies in Pune so as to identify the various Drivers that these practices are focusing upon.
2. To find out which of the identified Drivers have a stronger effect on each of the identified Employee Engagement Parameters, as compared to others.
3. To find out which of the identified Drivers have a stronger effect on the Engagement of each of the three categories of IT employees viz Junior level, Middle level and Senior level, as compared to others.
4. To suggest how the IT companies should design and develop their Employee Engagement practices on the basis of 2 and 3 above.

1.4. Significance of the Study:

For Indian IT Industry-
This study will help in identification of various practices and activities that are directed towards Employee Engagement. It would also help in understanding the Drivers of Employee Engagement that these practices are targeting at.

It would not only bring forth the prominent drivers of Employee Engagement but also their relative impact across various parameters of Engagement as well as on level of Engagement of different categories of IT employees.

This would enable the IT companies to streamline their efforts and resources in the form of Employee Engagement Practices on the basis of importance laid on different parameters by different companies and also on the basis of specific category of employees that they are targeting at any point of time.

For Academics-
This study is expected to contribute in adding vital findings about antecedents or Drivers of Employee Engagement and their relative effect on Engagement as such and also on its various parameters to the existing literature and body of knowledge.

1.5. Scope of the Study:
**Conceptual Scope-**
This study is intended to cover three major aspects of Employee Engagement i.e. Employee Engagement Practices, Employee Engagement Parameters, and Employee Engagement Drivers.

**Geographical Scope-**
The study has been carried out in IT companies located within a radius of 30 km from Pune Station.

**1.6. Time Period of the Study:**
Data related to Employee Engagement Practices (which included both primary and secondary data) was collected between April 2011 and September 2011, and the final data related to Employee Engagement and Drivers of the same (Primary data) was collected between March 2012 and Jan 2013.