CHAPTER I

INTRODUCTION
The business environment around is full of trials and many executives are facing an acute challenge of making the people changes that they feel are necessary to rapidly improve performance whilst maintaining employee engagement. The success of organizations in a changing economy is tied in large measure to the creative and innovative energy from the most significant asset: employees. When employees are effectively and positively engaged with their organization, they form an emotional connection with the company. This impacts their attitude towards the company’s clients, and thereby improves customer satisfaction and service levels. Successful employee engagement helps create a community at the workplace and not just a workforce.

1.1 ROLE OF SALES MANAGEMENT IN BUSINESS

Whether through a conscious decision process or by default, most firms adopt one or more strategies for competing in the marketplace. Because different competitive strategies generate different demands on a firm and the individual business units they are comprised of, it is important that those policies, programs, and structures most likely to facilitate the strategy’s successful implementation be adopted. This is equally true for the sales function as it is for engineering, manufacturing and other related functions (Viswanathan & Oslon, 1992).
Everything in business boils down to sales. No sales mean no business; lots of sales (with healthy margins) indicates successful business; growing sales (with decent margins) in turn talk about growing business (Joan, 2008).

“Lean” warehouses, long-term contracts with vendors or trucks delivering orders quickly would mean nothing if there are no sales happening. Major concern of CEO’s revolves around sales. Often the organizational response to weak sales is to bring someone who is believed to be an exceptional sales person who will supposedly cause a growth in sales. But eventually they too become a part of the system. Organizations have relied on various sales models such as breaking sales by industry or by geography and so on to positively impact the bottom line (Joan, 2008).

Historically, most salespeople have not needed to scratch below the surface in understanding their customers’ businesses. Today, they have to know what the customer’s goals are, what metrics they use to measure success, and what business challenges they face. Only then can they help accelerate the customer’s results. Moreover, account strategy work has no longer remained an academic exercise. Today’s best sales forces develop joint account strategies in collaboration with the customer and align them around the customer’s goals (Schacter, 2011).
According to Handorf (2011), the sales industry is constantly on the go and selling is not a “some of the time” thing rather it is an “all the time” thing. It is one of the most challenging, yet most important function of a company. As far as buyers are concerned, sales personnel are the face of the company. Yet it is a role that few relish, because the experience or anticipation of rejection, pressure of dealing with fairly every type of person overwhelms the expectation of success. The achievement of personal and professional goals is yet an additional challenge.

Amongst these challenges, it would do well for organizations to understand employee engagement and have a focused approach towards engaging sales / marketing professionals.

1.2 EMPLOYEE ENGAGEMENT

In James Hynes' new novel, Kings of Infinite Space, the main character comes to the realization that there are zombies lurking around his office. For many employees, at least for many of those in unhealthy workplaces, this feeling might be familiar. There are numerous workplaces in which employee relations are often characterized by utter indifference -- or, worse, jealousy, mistrust, and outright animosity. (Crabtree, 2004)

With organizations facing issues from talent crunch and labour shortages to the race of surviving in the existing business environment, most have realized that
a ‘satisfied’ employee does not necessarily mean a loyal employee and a high performer. It is only an ‘engaged employee’ who is intellectually and emotionally bound with the organization, feels passionately about its goals and is committed towards its values who can be termed so. He goes the extra mile beyond the basic job responsibility and is associated with the actions that drive the business. Moreover, *in times of diminishing loyalty, employee engagement is a powerful retention strategy. The fact that it has a strong impact on the bottom line adds to its significance.* (Dev, 2005)

Move the needle on engagement and you move the needle on business performance. The proof can be found in dozens of studies across hundreds of organizations, involving hundreds of thousands of employees. There’s mounting evidence that employee engagement correlates to individual, group, and organizational performance in the areas of productivity, retention, turnover, customer service, and loyalty. It is all about creating a culture where people do not feel over used, under used, misused or abused. (Ketter, 2008)

The concept has gained popularity in management literature and the popular press. It has shown up in Workforce Magazine (2005), Harvard Business Review (2005) and the Washington Post (2005), not to mention the websites of many Human Resources consulting firms such as DDI (2005) and Towers Perrin (2003) (Sources quoted by Little, 2006). The term seems to be attractive for at least two reasons:
a) Employee engagement has been shown to have a statistical relationship with productivity, profitability, employee retention, safety, and customer satisfaction (Buckingham & Coffman, 1999; Coffman & Gonzalez-Molina, 2002). Similar relationships have not been shown for most traditional organizational constructs such as job satisfaction (Fisher & Locke, 1992) (Sources quoted by Little, 2006).

b) The items used in employee engagement surveys measure aspects of the workplace that are under the control of the local manager. (Little, 2006)

Before going into an in-depth analysis of the concept, it will help in briefly discussing its origins.

1.2.1 Evolution of The Concept

The term employee engagement, in its present usage, was coined by the Gallup Organization, as a result of 25 years of interviewing and surveying employees and managers. Their intent was to create a measure of workplaces that could be used for comparisons. According to Buckingham & Coffman (1999), Gallup spent years refining a set of employee opinion questions that are related to organizational outcomes. The statistically derived items, called the Gallup Workplace Audit (GWA) that measure employee engagement are related to productivity, profitability, employee retention and customer service at the business unit level (hospital, hotel, factory, etc.). They report that employees
who score high on the questions are "emotionally engaged" in the work and the organization (Sources quoted by Little, 2006).

Melcrum Publishing (2005) found that from a global survey of over 1,000 communication and HR practitioners 74% began to formally focus on the issue between 2000 and 2004.

Employee Engagement became a topic of concern in early 2000 when the dotcom bubble burst, 9/11 occurred, the economy dipped, and unemployment rose. At that time, the common response from managers to employees was, “You should be happy you have a job.” Work expectations rose, while companies froze employees’ pay. The result was a disengaged workforce. Employees had been put through so much that when the economic conditions improved they realized that they have choices elsewhere. This caused immense pain to employers who were afraid of losing them. Employers then started doing engagement surveys, engagement studies, and engagement workshops to develop engagement strategies. (Ketter, 2008)

Although the term ‘employee engagement’ has become a buzzword, it is used quite inconsistently by research institutes, corporate houses and consulting firms. It is also used to refer to a number of employee attitudes like satisfaction, motivation, commitment etc. As a result there has been extreme confusion with regards to the construct. The next section discusses the
similarities and differences that employee engagement shares with related constructs.

1.2.2 Construct Identification

Schmitt & Klimoski (1991) define a construct as "a concept that has been deliberately created or adopted for a scientific purpose". A construct cannot be observed; it must be inferred. For example, by observing a set of behaviors one might infer that a person possesses a particular construct, such as maturity. Merely attaching a name to a collection of survey items does not make it a construct. The measure must be validated by comparing and contrasting the construct to similar and different constructs to demonstrate that it is related to those constructs in theoretically predictable ways.

Although a number of studies have demonstrated that job engagement is positively related to desirable organizational and individual outcomes. Surprisingly little research has explicitly examined the construct validity and conceptual distinctions between job engagement and similar affective and cognitive work-related states. As with any new construct, it is important first to establish its place within a nomological network (Cronbach & Meehl, 1955). Of the existing work attitudes that should be included in the nomological network of job engagement are the constructs of job involvement (Brown, 1996; Kanungo, 1982; Lawler & Hall, 1970; Lodahl & Kejner, 1965), job satisfaction (Locke, 1976), and intrinsic motivation (Deci & Ryan, 1980).
**Related Constructs**

One of the problems with the construct is that many of the definitions of employee engagement invoke existing constructs, such as job satisfaction, organizational commitment, organizational citizenship behaviors and job involvement, but they do not demonstrate the relationship of employee engagement to those other constructs.

**a) Job Satisfaction**

Job satisfaction, a widely researched construct, is defined as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences (Locke & Henne, 1986). Positively, it is related to organizational commitment, job involvement, organizational citizenship behaviors and mental health. Negatively, it is related to turnover, perceived stress and pro-union voting (Kreitner & Kinicki, 2004). It has been found that while the relationship between job satisfaction and performance is weak at the individual level, but is stronger at the aggregate level (Ostroff, 1992).

On the other hand, employee engagement does promote increased productivity. Engagement occurs when multiple job factors intersect and it is much more than job satisfaction alone. The confusion comes when we begin to use satisfaction and engagement synonymously (Sheffield, 2010).
Another construct which is confused to be similar to engagement is employee organizational commitment.

b) Employee Organizational Commitment

Organizational commitment is the degree to which an individual identifies with an organization and is committed to its goals. Commitment has been shown to be related to voluntary employee turnover. It is also seen as crucial to individual performance in modern organizations that require greater self-management than in the past (Dessler, 1999).

An early model by Allen and Meyer (1990) identifies three types of commitment:

1. **Affective commitment** – employees feel an emotional attachment towards an organization.

2. **Continuance commitment** – the recognition of the costs involved in leaving an organization.

3. **Normative commitment** – the moral obligation to remain with an organization.

Tamkin (2005) found that not all these forms of commitment are positively associated with superior performance – employees who feel high continuance commitment for whatever reason, but lower levels of affective and normative commitment are unlikely to produce huge benefits for the organization.
The closest relationship with engagement is that of ‘affective’ commitment (Silverman, 2004 - cited in Scottish Executive Social Research, 2007). This type of commitment emphasizes the satisfaction people get from their jobs and their colleagues, and the willingness of employees to go beyond the call of duty for the good of the organization. It also goes some way towards capturing the two-way nature of the engagement relationship, as employers are expected to provide a supportive working environment. Commitment and engagement are not considered to be one and the same. Whilst commitment is an important element of engagement, engagement is considered to be more than just employee commitment. (Little, 2006)

Meere (2005) has expanded the above mentioned point and highlights that organizations must look beyond commitment and strive to improve engagement, as it is engagement that defines employees’ willingness to go above and beyond designated job responsibilities to promote the organization's success.

In the next part one of most common confusions of employee engagement with the construct of organization citizenship behavior will be discussed.

c) Organizational Citizenship Behaviour (OCB)

Organizational citizenship behaviors (OCBs) are discretionary behaviors that are beyond formal obligations. They "lubricate the social machinery of the
organization, reducing friction and/or increasing efficiency” (Podsakoff & MacKenzie, 1997). OCB, an outcome of the attitudes of job satisfaction and organizational commitment, is similar to the definitions in the engagement literature of being respectful of and helpful to colleagues and willingness to go the extra mile (Robinson, 2004), or working longer hours, trying harder, accomplishing more and speaking positively about the organization (Wellins & Concelman, 2005).

Podsakoff and colleagues (2000) has classified 30 different forms of OCBs that have been identified into seven themes:

1. **Helping behaviour** – voluntarily helping others
2. **Sportsmanship** – being able to carry on with a positive attitude in the face of adversity and being willing to set aside personal interests for the good of the group.
3. **Organizational loyalty** – promoting the organization to the outside world, and staying committed to it, even when doing so could involve a personal sacrifice.
4. **Organizational compliance** – following organizational rules even when not being monitored.
5. **Individual initiative** – demonstrating performance over and above what is expected.
6. **Civic virtue** – macro-level interest in the organization as a whole, such as a loyal citizen would display towards their country.
7. **Self-development** – voluntarily improving one’s own knowledge, skills and abilities in such a way as to be helpful to the organization.

OCB links very strongly to employee engagement as it focuses on securing commitment and involvement which lies outside contractual parameters – often referred to as the individual ‘going the extra mile’. (Scottish Executive Social Research, 2007)

d) **Job Involvement**

Job involvement is the degree to which one is cognitively preoccupied with, engaged in and concerned with one's present job (Paullay, et al., 1994). Pfeffer (1994) argues that individuals are being immersed in their work is a primary determinant of organizational effectiveness. In the employee engagement literature, Wellins and Concelman (2005) use the term job ownership as a synonym of engagement.

e) **Motivation**

Sharpley (as cited in Harrad, 2006) also points out that it is important to distinguish between motivation and engagement, as *it is possible to be motivated in one’s job without necessarily feeling an attachment to the organization*. In Sharples’s (as cited in Harrad, 2006) definition of engagement there must be a mutual feeling of support between the employee and the organization.
It appears that engagement, although sharing strong characteristics with each of the concepts discussed is more than any of these discussed individually. Rafferty et al (2005) draw the distinction on the basis that engagement is a two-way mutual process between the employee and the organization.

### 1.2.3 Definitions of Employee Engagement

Most of the literature employs a multidimensional approach to defining employee engagement, where the definition encapsulates several elements required in order to achieve ‘true engagement’. A variety of definitions have been put forth by researchers and consulting companies leading to lack of clarity and understanding about what engagement is all about. It is beyond the scope of the research to consider and discuss all the definition of employee engagement that exists. This section considers some of the definitions that have been used by researchers and consultancy houses and the key points emphasized by each are presented.

Some of the earliest work on engagement was completed by William H. Kahn (1990). He defined 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.”

Further, Harter, Schmidt and Hayes (2002) defined employee engagement as "the individual's involvement and satisfaction with as well as enthusiasm for
work". This definition confuses engagement with employee involvement and satisfaction.

Lucey, Bateman and Hines (2005) interpreted the Gallup Engagement Index as measuring "how each individual employee connects with your company and how each individual employee connects with your customers". They call the opposite of this emotionally unemployed. This definition is very vague as it does not clarify “connect”.

Gallup's Human Sigma website (2005) likens employee engagement to the concept of customer engagement, which has the dimensions of confidence, integrity, pride and passion.

DDI (2005) uses the definition "The extent to which people value, enjoy and believe in what they do". DDI also states that its measure is similar to employee satisfaction and loyalty.

Wellins and Concelman (2005) call employee engagement "the illusive force that motivates employees to higher levels of performance". "This coveted energy" is similar to commitment to the organization, job ownership and pride, more discretionary effort (time and energy), passion and excitement, commitment to execution and the bottom line. They call it "an amalgam of
commitment, loyalty, productivity and ownership”. They also refer to it as "feelings or attitudes employees have toward their jobs and organizations”.

Continuing on similar lines, CIPD (2007a) defined employee engagement as a combination of commitment to the organization and its values plus a willingness to help out colleagues. According to this view, engagement is about more than job satisfaction and is a more complex concept than motivation.

However, Sorenson (2007) pointed to the inconsistent way in which the term engagement had been applied by business leaders and human resource (HR) professionals over the last 20 years. He highlighted the inconsistency of using the term to refer to attitudes or to employee perceptions of specific elements of their work environment or benefits, which he felt, had ‘little’ to do with engagement. Sorenson endorsed a two dimensional definition of engagement provided by Sibson that defined an engaged employee as one who 1) knows what to do at work and 2) wants to do the work. It is their strong view that engagement should always be defined and assessed within the context of productivity, and that the two elements of engagement noted above are necessary for driving productivity (cited by Scottish Executive Social Research, 2007).
Some authors attempted to understand engagement by classifying them into different levels. *Meere (2005)* described three levels of engagement:

1. **Engaged** - employees who work with passion and feel a profound connection to their organization. They drive innovation and move the organization forward.

2. **Not engaged** – employees who attend and participate at work but are timeserving and put no passion or energy into their work.

3. **Disengaged** – employees who are unhappy at work and who act out their unhappiness at work. According to Meere (2005), disengaged employees undermine the work of their engaged colleagues on a daily basis.

Some researchers have tried to relate engagement to the thought processes and emotions involved. *Buchanan (2004)* describes the difference between *rational commitment and emotional commitment*. Rational commitment results when a job serves employees’ financial, developmental or professional self-interest. In contrast, emotional commitment, which has four times the power to affect performance as its more pragmatic counterpart, arises when workers value, enjoy and believe in what they do. According to the figures of the Corporate Leadership Council quoted by Buchanan (2004), about 11% of the workforce are classified as ‘true believers’ and demonstrate very high levels of both commitment types; another 13% at the other end of the normal
distribution curve demonstrate little commitment and are classified as the ‘disaffected’.

The key elements from the definitions discussed above are highlighted in Table 1.1. It is important to note that factors that determine engagement are mainly driven by the organization. Organizational influence on engagement levels is determined by the extent to which an organization addresses these issues. Nevertheless, engagement is a two-way process and whilst engagement is organization-led, it requires inputs from the employee as well.
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<th>Definition Characteristics</th>
<th>Description</th>
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<tr>
<td>Two-way relationship</td>
<td>• “Similarity to the psychological contract – unwritten, underpinned by trust – easy to break.”&lt;br&gt;• “Organisations have to work to engage employees – and may have to put in a lot to reach their goal of a committed, enthusiastic and engaged workforce”&lt;br&gt;• “An important point to note is that engagement is two-way; organisations have to work to achieve it.”</td>
<td>Robinson et al (2004) &lt;br&gt;Robinson et al (2004) &lt;br&gt;CIPD (2005)</td>
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<td>Business appreciation &amp;</td>
<td>• “Employees must understand the context in which the organisation operates. It is insufficient for employees to be committed to their organisation; they also need an element of business appreciation, so that any changes they make to their jobs could be seen to have business benefits.”&lt;br&gt;• “Of course, when you have the right people you have the trouble of creating ways of letting them know what is going on in the business and where they fit in ... ‘line of sight’ – in regards to business goals and objectives.”&lt;br&gt;• “Knowing what to do at work – understanding the organisation’s vision of success and how the employee can contribute to achieving that vision...”&lt;br&gt;• “We also have it confirmed here that communication – knowing what’s going on, what’s planned and why – is crucial.&lt;br&gt;• “The report describes a group of people who receive a clear vision, are inclined to support the organisation’s objectives, and who are also highly engaged.”&lt;br&gt;• “Fundamentally, good internal communications should be about effective transfer of knowledge or meaning within the organisation, so that people understand and support the organisation’s business goals – it’s not just about ‘broadcasting to the troops’.”</td>
<td>Robinson et al (2004) &lt;br&gt;Penna Consulting (2006) &lt;br&gt;Christian, M. et al (2007) &lt;br&gt;Segal/Sibson (2006) &lt;br&gt;CIPD (2006a) &lt;br&gt;CIPD (2006a) &lt;br&gt;Investors in People IIP UK (2006)</td>
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<td>Employee Involvement</td>
<td>• “We talk more about words like ‘involve’, ‘participate’ and ‘respond’ rather than ‘engage’. That means creating shared meaning and understanding in a way that our people actively want to participate.” (BBC case study)&lt;br&gt;• “These are interesting findings and can be taken to emphasise that people want a sense of involvement – or being to some extent in a partnership with their employer.”</td>
<td>Melcrum Publishing (2005) &lt;br&gt;CIPD (2006a)</td>
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<td>‘Elbow room’ / discretionary behaviour</td>
<td>• “...give them lots of opportunities to contribute...”&lt;br&gt;• “...people who have reasonable autonomy in doing their job, sometimes called ‘elbow room’, and who find their job challenging are likely to have high levels of job satisfaction....”</td>
<td>Buchanan (2004) &lt;br&gt;CIPD (2006a)</td>
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<tr>
<td>Effective Communication</td>
<td>• “...employees having a voice – being able to express their opinion upwards to their manager and beyond.”&lt;br&gt;• Ref management style – “...keeps the person in touch with what is going on. Listening to suggestions.”&lt;br&gt;• “The main drivers of employee engagement are: having opportunities to feed your views upwards; and feeling well informed about what is happening in the organisation....”</td>
<td>CIPD (2006a) &lt;br&gt;CIPD (2006a) &lt;br&gt;CIPD (2006b)</td>
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Source: Scottish Executive Social Research, 2007
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<td>Management</td>
<td>“This points to the primacy of the quality of the relationship between employee and supervisor, sometimes called ‘leader-member exchange’.”</td>
<td>IIP UK (2006)</td>
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<td>“Managers themselves have to show commitment to the organisation, what we would call ‘committed leadership’.”</td>
<td>CIPD (2006a)</td>
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<td>“…engagement, which is influenced by …..management capability – reflected in professional, fair and impartial behaviour. It is possible to be motivated in one’s job without necessarily feeling an attachment to the organisation or the management… however, a feeling of engagement requires a wider sense of supporting and being supported by the organisation.”</td>
<td>Sharpley (2006) (as cited in Harrad 2006)</td>
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### Results of engagement/characteristics of an engaged workforce:

| Employee identification with the organisation | “Employees need to believe in its [organisation’s] products and services, and particularly its values” | Robinson et al (2004) |
| Commitment                                  | “Wanting to do the work – obtaining a sense of satisfaction from the job and work content and being inspired by the organisation to perform the work.” | Segal/Sitson (2006) |
|                                             | “Employee engagement, or ‘passion for work’, involves feeling positive about your job, as well as being prepared to go the extra mile to make sure you do the job to the best of your ability.” | CIPD (2006b) |

| Pride & Advocacy | “…people’s commitment, pride and advocacy (what employees say about company products, services and brand).” | Right Management (2006) |
|                 | “We believe that the pride taken in working for their employer, and their willingness to recommend their employer as a place to work to friends, are excellent barometers of engagement and meaning” | Penna (2007) |
|                 | “Engaged employees will help promote the brand and protect the employer from the risks associated with poor levels of service…..similarly, a strong employer brand will help in attracting and retaining employees” | CIPD (2007a) |

**Source:** Scottish Executive Social Research, 2007
1.2.4 Problems with the Construct

1. There is a lack of acceptance on the common factors or drivers that make up the phenomenon of employee engagement.

2. The definitions are not clear as to whether engagement is an attitude or a behavior. Most of the authors do not distinguish between attitudes and behaviors, mixing examples of both in their definitions. For example, Wellins and Concelman (2005) mix commitment, loyalty, productivity and ownership, three attitudes and an outcome into their definition.

3. The relationship or rather the distinction between engagement and other concepts is not clear in the definitions.

4. Some important differentiators of engagement from related constructs are highlighted:

a) Job Satisfaction: Fernandez (2007) shows the distinction between job satisfaction, the well-known construct in management, and engagement contending that employee satisfaction is not the same as employee engagement and since managers cannot rely on employee satisfaction to help retain the best and the brightest, employee engagement becomes a critical concept. Engagement is about passion and commitment - the willingness to invest oneself and expand one's discretionary effort to help the employer succeed, which is beyond simple satisfaction with the employment arrangement or basic loyalty to the employer (Blessing White, 2008; Macey and Schneider, 2008). Thus, making engagement (not satisfaction) as the strongest predictor of organizational performance.
b) A **Committed Employee** may feel loyal and emotionally attached to the organization but may not know the direction in which he need to work for the organization to benefit from it.

c) Employee engagement intends to form a connection between an individual employee’s performance and organizational performance. **Job involvement** as a concept restricts its scope to being immersed in what one is doing without necessarily realizing the impact of the immediate work being done on long term organizational performance.

d) **Organizational Citizenship Behaviour (OCB)** links very strongly to employee engagement as it focuses on securing commitment and involvement which lies outside contractual parameters – often referred to as the individual ‘going the extra mile’. OCB although an important part of employee engagement concept does not cover all aspects of employee engagement. There are many more factors that contribute to an engaged employee in addition to organizational citizenship behavior.
1.2.5 Arriving at an Operational Definition

The popularity that the concept of employee engagement has gained among practitioners is difficult to ignore. The success with which organizations seem to implement employee engagement strategies to deal with various problems of managing their human resources makes it even more important that the ambiguity surrounding the concept be discarded. The problems discussed above are serious issues which need to be considered. Researchers need to arrive at a general understanding of the term and the various facets that it involves.

Till such understanding is arrived at, the definition that will encompass the use of the term for the purpose of the thesis would be:

‘A positive attitude held by the employee towards the organisation and its values. An engaged employee is aware of business context and works with colleagues to improve performance within the job for the benefit of the organisation. The organisation must work to develop and nurture engagement which requires a two-way relationship between employer and employee’. (Robinson et al., 2004)

This definition forwarded by Institute of Employment Studies gives a clear insight that employee engagement is the result of two-way relationship between employer and employee pointing out that there are things to be done
by both sides. The definition has been widely cited in a number of researches conducted till date.

**1.3 EMPLOYEE ATTRITION**

An organization’s human resources are frequently described as its most valuable assets (Coulson-Thomas, 1993) and most companies place a high priority on retaining trained and productive workers (Anderson, 2005). Employee performance affects the quality of customer service and high turnover in an organization results in financial loss associated with recruitment costs and lowered productivity during the time it takes new workers to complete the learning curve (Atchley, 1996). High attrition rates, regionally or nationally also give rise to wage inflation, as salary levels spiral upward in an attempt to retain existing staff and attract new ones (cited in Ho, Downe and Loke, 2010)

It is a known fact that employees do move in search of a good career. Employers, on the other hand, usually want their star performers to be retained in their organization. Most of the HR managers feel that retaining their talented workforce is one of the most challenging tasks, and it is becoming more and more difficult for them to tackle the problem of excessive turnover in their companies and to find ways of retaining their staff.
Attrition can be understood as the unpredictable and uncontrollable, but normal, reduction of workforce due to resignations, retirement, sickness, or death (as cited in www.citehr.com, 2010). It signifies the rate of change in the working staff of a concern during a definite period. In other words, it refers to the shifting of workforce into and out of an organization.

1.3.1 Attrition Rate

There is no standard formula to calculate the attrition rate of a company. This is because of certain factors as: (Dev, 2005)

1. The employee base changes each month. So if a company has 1,000 employees in April 2004 and 2,000 in March 2005, then they may take their base as 2,000 or as 1,500 (average for the year). If the number of employees who left is 300, then the attrition figure could be 15 percent or 20 percent depending on what base you take.

2. Many firms may not include attrition of fresher's who leave because of higher studies or within three months of joining.

3. In some cases, attrition of poor performers may also not be treated as attrition.

$$\text{Employee Attrition} = \frac{\text{No. of Employee who left in the year}}{\text{Average Number of Employees in the year}} \times 100$$

Thus, if the company had 1,000 employees in April 2004, 2,000 in March 2005, and 300 quit in the year, then the average employee strength is 1,500 and attrition is $100 \times (300/1500) = 20$ percent.

*Fig 1.1: Formula to calculate employee attrition rate (Source: TVS Infotech as cited in Dev, 2005)*
There are various other **types of attrition** that should be taken into account.

These are: (Dev, 2005)

1. **Fresher attrition** tells the number of fresher's who left the organization within one year. It tells how many are using the company as a springboard or a launch pad.

2. **Infant mortality** is the percentage of people who left the organization within one year. This indicates the ease with which people adapt to the company.

3. **Critical resource attrition** tells the attrition in terms of key personnel like senior executives leaving the organization.

4. **Low performance attrition** tells the attrition of those who left due to poor performance.

Ideally, attrition should be calculated on a monthly basis for companies that have over 50 employees for the first five years of its business. Subsequently, a quarterly index should be applied till a company’s 10th anniversary. After this, annual attrition figures should be measured and accounted for. This is the optimum within the services industry as companies tend to have different challenges at different stages of their business lifecycle; also, maturity achieves stability around a company’s 10th anniversary (Dev, 2005)
1.4 PUSH & PULL FACTORS AFFECTING EMPLOYEE ATTRITION

Employee attrition is both a straightforward and complex issue. Reasons for employees leaving the organization can be divided into manageable and non-manageable. Reasons like economic and labour market conditions, retirement, mergers and acquisitions, corporate reorganizations are those that are very difficult to be managed, and have been the major reasons in increasing turnover rate in recent years. They are the reasons that occur without the awareness of the organization or which cannot be avoided. More frequently, employees may also leave due to factors within the manager's control. This is the aspect that has to be focused and acted upon by organizations and managers alike.

1.4.1 Push Factors

Push factors create conditions that influence an employee to withdraw from the work situation. *Internal to the job, push factors evolve as a result of unhappiness, or employee mismatch, with job requirements, interpersonal relationships or organizational values* (Capelli & Hamori, 2006). Earlier studies have shown that, push factors had a negative effect on employee job satisfaction that eventually led to a decision to leave the work environment (Atchley, 1996). Push factors most commonly include perceived interference with work family- lifestyle balance, poor relations with co-workers, work stressors, unsatisfactory supervisory relationships and perceived inequity in remuneration or work assignments (Anderson, 2005).
Some aspects that affect turnover intentions of employees and can be taken care of by employers and are under the control of the HR managers of the organization are:

1. High Stress
2. Working conditions
3. Supervision
4. Communication
5. Inability to use core skills
6. Proper organization's goals / mission
7. Inadequate training
8. Employee – employer relationship
9. Balance between work and life
10. Flexible work options
11. Proper reward systems

Given the importance of personal fulfilment to Gen Y employees (Glass, 2007), work life balance has emerged as a factor in employee attrition. Long working hours, work overloads, limited leave and requirements for relocation all have the potential to interfere with employees’ home and lifestyle priorities. The consequence of this interference could either be work-family conflict (Armstrong, 2007) or a work-lifestyle imbalance that eventually contributes to voluntary turn-over (Dunne, 2007).
Conflicting demands and organizational constraints, role ambiguity, and conflict with service managers, teams and customers, lead to job stress among client interfacing employees (Wetzels et al., 1999; and Price, 2001). Unmanageable workloads and inadequate resources, as well as other job-related factors increase the amount of stress at work (Price, 2001). Immediate superiors and co-workers form the social support pillars for employees of an organization. Having an unsatisfactory relationship with supervisors or with peers negatively impacts individuals’ performance and satisfaction and can push them to resign from their workplace (Price, 2001).

1.4.2 Pull Factors

In contrast to push factors, pull factors are external conditions that attract employees away from their work, usually to another job, career or employer. Pull factors offer intrinsic or extrinsic rewards that become available if employees quit their current jobs. Pull factors most commonly include offers of better compensation, more interesting work, better opportunity for promotion, and/or a desire to return to academic studies (Ho, Downe and Loke, 2010).

Attitudes toward money influence turnover intentions (Tang et al., 2000). Taylor and Bain (2003) (cited in Ho, Downe and Loke, 2010) found that an attractive compensation package offered by competitive firms helped lure employees to move from their current employment. The promise of interesting work makes a job seem more worthwhile and binds individuals to new
organizations (Cohen and Prusak, 2001) (cited in Ho, Downe and Loke, 2010). The convergence of various industries, multinational corporations and local businesses has resulted in a ‘flattened world’ and has encouraged the improvisation of new forms of business operation. These new ways of doing business – virtual business, free or less restricted labour mobility and global positioning opportunities – attract employees by giving them greater opportunity to engage in interesting work. An opportunity for promotion and career development elsewhere also encourages staff to leave their current employment (Iverson and Deery, 2007).

According to McBey and Karakowsky (2001), research has largely supported the argument that education is positively related to employee turnover. It is not unexpected that, in this knowledge-based era, skill and academic upgrades promise an individual a competitive advantage and provide opportunities for promotion. Understanding that personal improvement demands more time, effort, and dedication, individuals frequently tend to withdraw themselves temporarily from the workforce in order to pursue academic studies.

**Companies usually turn to increasing the compensation for employees to retain them. This however is no longer helpful in solving the problem as the skilled work force has many opportunities which masses of them give preference to.** Employee attrition costs 12 to 18 months' salary for each leaving manager or professional, and 4 to 6 months' pay for each leaving management
or even hourly employee (Nair, 2008). According to a study by Ipsos–Reid, 30% of employees plan to change jobs in the next two years. Most leaving employees seek opportunities that allow them to use and develop their skills. Leaving employees want more meaning in their work i.e. challenging the challenges. They often indicate that they want to use their qualities and skills in challenging teamwork led by capable leaders (cited by Monga & Srivastava, 2008).

It has been found that different groups of employees cite different reasons for leaving their job. Managerial staff cites "career growth" and "leadership" as the major factors that influence attrition and retention, together with "opportunities for management", "ability of top management" "use of skills and abilities" and "work / family balance". Professional employees cite concerns about "supervisory coaching and counseling," "company direction" and "interesting work"; Clerical employees voice concerns such as "type of work," "use of skills and abilities" and "opportunity to learn"; Hourly employees notice whether they are treated with respect, their "management ability" and "interesting work" (Nair, 2008).

However, it is important to note that employee attrition rate can be never be entirely eradicated. It can only be influenced to keep it in control. The business model on which a subsidiary operation runs is significant in achieving this.
Outsourcing higher end responsibilities that offers challenging tasks to the employees goes a long way in helping to deal with the issue (Nair, 2008).

1.5 ATTRITION AMONG SALES / MARKETING PROFESSIONALS

Employee turnover is an extremely costly and prevalent aspect of sales force formation and management. Futurell and Parasuraman (1984) placed the costs of recruiting, selecting, training, managing a new person and the lost sales associated with an unmanned territory in the range of $50,000 to $75,000. Obviously a firm experiencing multiple departures in a given year can realize sizeable reductions in its bottom line profits. *The ability to manage turnover successfully can have a strong impact on the firm’s financial performance and the career advancement of sales managers, district managers, regional managers and vice presidents of sales / marketing.*

The importance of sales and turnover in these positions has led to a glut of articles on this OB topic. Over 1000 published articles and reports on this topic existed by 1981(Steers and Mowday, 1981). The late 1970’s and early 1980’s saw several major models published that tried to explain the processes involved in voluntary termination (Mobley, Grifetth, Hand and Meglino, 1979, Steers and Mowday 1981). Despite the number of researches conducted in the area turnover remains a poorly understood topic.
1.6 EMPLOYEE ENGAGEMENT IN SALES

Field salespeople often spend more time on the road than in an office with a manager who's down the hall. And it's not unusual for salespeople to function independently within their company, a notion reinforced by commission pay. Their working conditions are typically different from those of other employees, and unlike their colleagues who aren't in sales; their performance is measured by the amount of business they're bringing in. For all these reasons, it's usually assumed that salespeople are difficult to engage, and to a certain extent, this is true. (Robinson, J. 2009)

Sales executives are expected to always be upselling existing customers and finding new customers. They know it is most effective when they are out on the road selling (Handorf, 2011). Fortunately, enterprises have recognized this and are implementing proper initiatives to help sales professionals do their job to the best of their ability. While tools have certainly helped to sell virtually, the method with the highest success rate continues to be face-to-face and it is the sales departments leading the way in adoption. There are a number of factors contributing to the emerging trend of mobile sales. One of the primary issues highlighted by the survey at Big Machines was empowering sales reps with tools that work for them. (Handorf, 2011)
Clues to sales force engagement problems can often be found in one or more of the following areas: (Insler, 2008)

1. A lack of information sharing and collaboration throughout the organization could be the result of uncertainty about the organization's "vision."

2. Nature of work engagement is likely to suffer for employees doing routine, unchallenging work that is not directly connected to the sales process or customer relationships.

3. Rewards and recognition problems will develop if employees are not actively involved in their own performance assessment and do not see superior performance being rewarded.

4. Individual sales performance plateaus can result when representatives with relatively long tenure no longer retain top sales status.

5. High rates of absenteeism are an indication that employees are not fully engaged.

6. High turnover, especially among top performers compared to average performers could be "re-affiliated."
1.7 NEED FOR THE STUDY

In today’s economy, intellectual capital and knowledge management are significant indicators of success (Bogdanowicz & Bailey, 2002). Unfortunately voluntary turnover not only causes a talent gap in an organization, it also often results in employees moving to competing firms, and sharing their skills and knowledge with competitors.

The biggest and most intractable hindrance to growth faced by companies doing business in India is the double-digit rates of attrition among employees. Running at an average of 15% to 20% annually, turnover is as high as 50% to 100% per year in some sectors. Organizations that fail to tackle the retention problem, the consequences can be dire, from poor customer service to slower than planned growth. *High attrition levels can impair a company’s ability to build strong relationships with clients and to run operations efficiently.* Multinationals may also experience the ultimate irony: Due to the high cost of hiring and retraining, they may not be able to reap the cost savings that led them to India in the first place. (Haid, 2008)

As economies develop and there is more choice of employment, organizations will find it increasingly challenging to attract and retain talent and potential. This change in economic conditions would mean being less dependent on manufacturing markets and more focused on service industries. This increases the importance of employees becoming brand ambassadors. Thus, making
employee engagement an essential tool in managing their human capital (Sarah Cook, 2008). Human Resource professionals depending on whether they are operating in manufacturing or services sector would need to focus on the drivers of engagement more important to engaging employees in their respective sectors.

A lot of direction that sales people receive today leaves them overwhelmed, confused and tangled making them an unhappy lot. Leading sales forces today have a single-minded focus that differentiates them from the rest. Untwisting the tangled knot of sales activities requires two big things: a vision for where the sales force is headed and articulation of the steps and behaviors that management deems necessary to get there (Schachter, 2011). To a larger extent the issues discussed by Schachter (2011) in creating an “untangled” sales force points towards implementing employee engagement strategies which will help in reducing turnover and having a more focused group of sales professionals working to meet the business objectives.

Global corporations are aggressively developing sophisticated and highly technical customer – focused systems to assure their global resources are delivered with the personal touch of a local entrepreneur (Grimm, 2001). Sales / Marketing professionals directly affect the bottom line results, thus making it essential for global corporations to focus on developing strategies to engage their front line personnel.
1.8 BENEFITS OF THE STUDY

Today’s organizations appreciate that customer’s purchase decisions are influenced by a number of factors most important being willingness of employees to provide responsive and prompt service. Thus, employee behaviour is the key to developing a long – term relationship with customers. The challenge today for organizations is to attract and engage customer-focused employees who are willing and able to step up to the challenge of the empowered customer. Employee engagement is the key to ensuring that an organization is the one that wins customer loyalty (Cook, 2008).


Sales / Marketing professionals are in the critical position of being the face of the company. While people are often led to believe that sales is an easy job and that great products are all that is needed to achieve sales targets, this is not true. Sales / Marketing employees face problems like other employees too but due to the complex nature of their job, it has a serious effect on their output as well as their satisfaction with the company which in turn leads to higher attrition rate among this group of employees.
The study investigates aspects which might be having an effect on the engagement levels of sales / marketing professionals. Knowing these would help organizations in the future to consider and device engagement strategies accordingly for this group of professionals.

With the increase in global corporations entering the Indian market and rise in the power of customers, it has become extremely critical for organizations to invest their resources in engaging their front line professionals to carve their niche in the competitive market.

The study helps in identifying the focus of organization’s employee engagement strategy at a holistic level. Distinctions in strategy based on nature of industry and size of the organization (in terms of the number of employees) are investigated. This would provide useful hint to companies in the future investing their resources in engaging employees.

The research identified a predictive relationship between employee engagement initiatives by organizations and attrition rate. An understanding of this relationship would benefit organization in being able to guess the impact that their engagement initiatives would have on their overall attrition rate. Finally the effect of mentoring as a tool in engaging sales /marketing professionals is investigated which would further help organizations decide onto the best option available in engaging this group.