Chapter 1
Background and Objectives

1.1 Introduction
Economic liberalization, privatization and globalization in India that started in the 1990s resulted in radical and strategic structural change and transformation of the Indian corporate sector. In an era of globalization, technological innovation and pervasiveness of information services, Indian corporations are in a state of constant transformation of their human resource management (HRM) systems. India’s globalization and liberalization policies and changes in economic planning have accelerated the growth of the Indian IT industry. Access to a large pool of skilled talent has made India a cost effective destination for software development and a number of companies from developed countries have outsourced their software development to India. India has seen the influx of a plethora of multinational corporations, who have enthralled management researchers and practitioners alike with their new and improved management techniques, leading to multinationalization of Indian management practices. Indian business culture and technology levels are also edging closer to those of foreign MNCs.

The pervasiveness of knowledge-intensive professions such as Information Technology (IT) has deepened all over the globe. The IT Industry in India has experienced unprecedented growth in the last decade. The National Association for Software and Service Companies (NASSCOM) estimates that in FY2013, IT exports were at $76 billion while domestic sales were USD32 billion. Of the USD32 billion, 12 per cent were hardware and the remaining were software and services. The total IT revenues during the year were USD 108 billion. The industry grew by 10.2 per cent in dollar terms, 10.9 per cent at constant currency and 21-22 per cent in rupee terms.

The Indian IT industry employs almost three million people and added 180,000 net jobs in 2012 and is expected to between 1,30,000 to 1,50,000 jobs in 2013 (NASSCOM, 2013). The industry employs individuals in highly skilled positions varying from architects, programmers, developers, analysts and managers. The entry age of an IT professional is relatively young and the industry offers a multitude of opportunities for growth, professional enhancement and international exposure. Despite the highly skilled nature of IT jobs, the profession attracts individuals from heterogeneous backgrounds such as liberal arts, technical studies
and business management. Coupled with the constant need to learn and grow, the industry sees a high degree of attrition when professionals choose to move across organizations in search of greener pastures. Developments over the last decade have rendered Indian software professionals coveted assets in the global workforce. Expatriate assignments/international placements is a major feature of the IT career which also make IT services a profession of choice for young professionals who desire to broaden their horizons.

IT organizations are people-centric and predominantly employ knowledge workers (KWs). Investment in plants and machinery in the traditional sectors of the economy is replaced by the investment in people in the software sector (Paul and Anantharaman, 2004). Knowledge workers constitute the core competitive advantage of the organizations they are employed in. They identify more with their professional and occupational affiliation(s) rather than their organization. Research suggests that they are better managed with autonomy and involvement as compared to traditional paternalistic supervision (Drucker, 1999; Newell et al., 2001; Ehin, 2008). KWs rightfully own their ‘knowledge’ which is a desirable asset for the organization-an asset that the employees carry with them across different assignments and organizations. The very phenomenon of knowledge work is such that it renders the measurement of knowledge worker performance a difficult task. Knowledge work, which is at the core of the IT industry, is conceptually defined as a continuum. Dimensions of knowledge work include autonomy, structure, tangibility/intangibility, creativity and complexity. The unique characteristics of knowledge work result in employee-employer dynamics particular to knowledge-based professions such as Information Technology and are also reflected in a unique form of psychological contract (PC). The PC impacts and in turn is impacted by HR practices particularly PMS in knowledge-based firms. Being an integrative HR function that has the potential for employee involvement at each stage, PMS can contribute to enhancing organizational commitment if it is so designed and perceived favourably by employees (O’Neill and Adya, 2007).

Human resource practices such as performance management (PM) largely influence employee perceptions of the organization and the organization’s attitude towards its employees. The shared perceptions in turn can influence the psychological meaning of work held by the employee(s) and thereby impact employee motivation, commitment and of course, individual performance. The manner in which the performance management system (PMS) is implemented influences employee perceptions regarding what the organization is
The IT knowledge worker’s intellectual competence is a highly personalized asset which when acquired by the organization, by virtue of the employment contract, becomes a prime source of its competitive advantage. However, the IT knowledge workforce is concerned more with occupational distinctions and position in the professional community as against organizational identification. As a result of this, traditional human resource management practices in vogue in many Indian manufacturing and service industries have been found to be relatively less effective in managing knowledge workers. IT organizations are constantly striving to develop HR practices so as to manage the performance of a highly skilled set of individuals.

Employee performance management systems have been in a state of continuous evolution from what was once a monolithic, bureaucratic and directive function emphasizing on evaluation (appraisal) to a more integrated and supportive function (Armstrong and Baron, 1998; Williams, 2003). Rather than adapt a mechanical set of techniques to be followed rigidly, organizations now embrace a more rounded approach to PMS wherein how the management of performance is carried out is of vital importance and both inputs (how people get things done) and outputs (what gets done) of PMS are given due importance. Traditional performance appraisal systems have been criticised because they are counterproductive by design. The goal of any performance management system should be performance enhancement but traditional performance management is focused on documenting the past and incorporating a fault finding approach. Performance improvement can be encouraged when guidance, training and motivation are provided as contextual inputs to performance and the employee is given feedback pertaining to what is wrong and why it is wrong in the course of developing a realistic action plan for improvement and development (Lee, 2005).

It is expected that effective PMS could accurately identify employee responsibilities and contributions towards an organization, motivate employees and provide valid and important input for personnel decisions. The intentions of most performance management systems are broadly categorised as administrative and developmental. When performance does not meet desired standards it is a cause for concern in any organization. Therein lays a tendency of looking for flaws in the individual being appraised as an explanation for poor performance. An aspect that is often overlooked is how the PMS is being implemented, i.e.,
the degree of efficiency of execution of PM practices and its impact on employee performance. An effective PMS delivers on its intentions. Most models of performance management define an effective PMS as one which ultimately results in desirable employee outcomes such as enhanced performance and learning, job satisfaction, employee commitment, motivation and retention. Studying the statistics, i.e. numerical indices such as productivity estimates or retention/attrition rates, is an incomplete approach to examining the effectiveness of such practices unless these studies are supplemented with a comprehensive exploration of the organizational dynamics and the causal factors behind those statistics. Dimensions of effectiveness as interpreted from the vantage point of the knowledge worker can in turn provide the organization with enhanced perspectives in terms design and implementation aspects of PMS.

1.2 Research Gap

In light of its growing prominence, the Indian IT industry has attracted attention from researchers and professionals alike. The phenomenal growth of the industry has been discussed at length by researchers who have delved into the economic, demographic and structural facets of the industry as a whole (Arora et al., 2001; Athreye, 2005; Bhatnagar, 2006; Ilavarasan, 2007; Nath, 2008 and NASSCOM reports).

Researchers have acknowledged that globalization and liberalization have impacted human resource management practices in India, instilling a need for more innovative human resource strategies (Budhwar and Sparrow, 1997; Singh, 2005; Som, 2006, 2007; Chatterjee, 2007). In light of the growth of the global software community and multinationalization of Indian organizations, Indian IT firms are gradually adapting international management trends and practices. It has been observed that the work culture in such organizations is not too far removed from their western counterparts (Mathew and Jain, 2008; Suri and Abbott, 2009; Stumpf et al., 2010).

The strategic importance of HRM in people-centric and knowledge-intensive IT organizations cannot be ignored and has been discussed at length by researchers in the context of the need for ‘knowledge oriented’ HR systems (Thite, 2004; Paul and Anantharam, 2003; Stumpf et al., 2010; Patil et al., 2011). However, in the area of performance management practices in the IT sector, there has been limited research. Most studies in this area cover limited dimensions of PMS such as normalization and measurement (Ramya, 2005; Singh,
2012), goal setting and organizational culture (Matthew, 2007), justice dimensions and pay satisfaction (Bhal and Gulati, 2007) or awareness of PMS in general (Mahadevan & Sundarajan, 2008). Expatriation, a significant dimension of the Indian IT career, is often neglected in such studies. Dimensions of expatriate assignments add to the complexity of designing PM practices for the IT profession. It is thus necessary to give aspects such as expatriate management practices and the nature of international assignment due consideration while attempting to devise performance improvement strategies (Koteshwari and Bhattacharya, 2007; Gai et al., 2011).

The IT industry in India is growing rapidly, demanding more in terms of productivity/performance of its knowledge workforce. In keeping with the variable personnel demands of knowledge workers, the changing context of work environment and multidimensionality of PMS, the perspectives of the IT knowledge workforce towards prevailing PM practices proves an emerging and significant research area. Though existing studies do not negate the role/effect of PMS in impacting employee behaviour and performance, most of these studies are limited in scope and do not capture how the multiple components of PMS impact desirable employee outcomes. Research in the context of PMS in the Indian IT Industry has been rather segmented and coverage of the same has been somewhat restricted in scope. It should be appreciated that PMS is an integrative process that incorporates goal setting, appraising, developing and rewarding the employee. Studies that do not capture the comprehensiveness of PMS tend to give a rather lopsided insight into the process. The nature of work, distinct occupational commitment and culture and continuous global influence on human resources in the IT sector make it necessary that performance management practices deliver what they promise to. To assess the efficiency of modern day PMS so as to design efficient, relevant and congruent PMS for knowledge workers would be impossible without in-depth research into employee perspectives on PMS.

The present study is an attempt to address the gaps in existing research by presenting a comprehensive look into how IT professional perceive not only PMS (and the components of PMS) as a practice but how they feel PMS impacts and in turn is impacted by other related HR dimensions – both on domestic as well as expatriate fronts.
1.3 Objectives of the Study

In view of the existing gaps in research and generalizations of how PMS should be implemented (inputs and outputs), it is necessary to address the following aspects pertaining to PMS in the IT industry from the perspectives of knowledge workers:

- Which PMS practices actually contribute to perceptions of PMS effectiveness/satisfaction among IT knowledge workers?
- Do expatriate / international assignments cause any variation in perception towards PMS effectiveness? If so, then what factors contribute to PMS satisfaction among expatriates and how are they different from general perceptions?
- In an industry employing knowledge workers who look for autonomy and professional growth, do PM practices contribute desirable employee outcomes such as motivation, learning, job satisfaction, retention and commitment?

In an attempt to address the above issues, the current study aims to

- Identify the different contextual (both distal and proximal) factors of the different phases of PMS (Performance Planning, Review and Linkages/outcomes) that impact PMS satisfaction in the Indian IT sector.
- Explore the contextual factors which impact expatriate performance management satisfaction and compare the same with domestic factors identified.
- Explore the perceived use(s) of appraisals and examine the relationship between perceived uses of appraisals and perceived overall satisfaction with performance appraisal practices.
- Examine the relationship between satisfaction with PMS and desirable employee outcomes- job satisfaction, commitment, team cohesion, motivation and attrition.
- Examine whether and how expatriate management practices impact satisfaction with PMS.
1.4 Composition of the Study

In Chapter 1 the background and necessity for the study are established. Gaps in research are highlighted and the objectives of the study are also outlined.

Chapter 2 comprises the overview of literature beginning with theoretical concepts of performance appraisal and management. The concept of knowledge work is discussed at length, following which, the unique qualities of knowledge workers with special emphasis on IT professionals in the context of the Indian IT Industry are explored.

In Chapter 3 research methodology for the study is described in detail. The research sample(s) are presented for both phases (domestic and expatriate) of research. The variables of the study as well as the hypotheses to be tested are stated and the research instrument is described at length.

Chapter 4 describes the findings of the research study, i.e., the results of all statistical analyses conducted on collected data are presented in detail.

Chapter 5 comprises the conclusion(s) of the study in which the outcome(s) for the tested hypotheses are stated and the resulting contextual factors/variables found to be significant for performance management effectiveness are discussed at length. Managerial implications and contribution of the study are also highlighted. Limitations of the study are mentioned and scope for further research is also discussed in this Chapter.