CHAPTER ONE

INTRODUCTION

1.1 Introduction

Employee Engagement is a topic of enormous interest to both management practitioners and academicians alike as building an engaged employee base is the biggest differentiator for businesses, more so in the service domain. As jobs get more and more ambiguous having a set of employees who ‘go beyond their brief’ and show ‘discretionary efforts’ for the betterment of the organization is no longer a luxury but bare necessity for organizations to survive. “The challenge today is not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives” (Lockwood, 2007).

Chapter 1 provides the background to the research problem, the importance of the research and the objectives of this research. Beginning with a brief discussion about employee engagement, the chapter goes on to discuss the IT Industry in India, the challenges the industry faces, and how engaging employees is a key opportunity for the industry. The chapter also discusses the scope of this research, the purpose of the research and the research questions the researcher is trying to answer through this study.

1.2 Background to the Research Problem

In India, employment numbers in industry and services is expected to grow from 223 M in 2010 to 319 M by 2020 as per the India Economic Survey 2012 - 2013. For this large number of employees, work can be more than simply a place to do the job and earn a living. A person needs to be
motivated to 'go beyond his/her brief' and 'step up'. To get to that stage, which is the level of employee engagement, it becomes important to look at aspects of work that tells us how someone experiences her or his work rather than look only at job satisfaction. Such experiences that drive an employee to be engaged have become really important for organizations to retain talent in a highly competitive world where there is a 'war for talent'. Employee engagement is defined as a 'distinct and unique construct consisting of cognitive, emotional and behavioural components............associated with an individual's role performance (Saks, 2006). Engaged employees come to work every day feeling a connection to their organization, have a high level of enthusiasm for their work (Buckingham & Coffman, 1999), and consistently impact organizational performance measures such as profitability, revenue growth and employee turnover (Harter et al., 2002, 2009).

India has built a strong identity as an IT powerhouse, armed with its large English speaking, technical, and analytical talent base. Over the last two decades, its IT industry has powered India's economy and earned the country precious foreign exchange earnings through the export of software and related services. Software and services have not only grown over the years to contribute significantly to the GDP growth of India, but have also been the largest employment generator. Indian IT industry has become the growth engine for the Indian economy (NASSCOM, 2012), and the Indian software exports industry is one among the most successful industries in the world (Dossani, 2005). In this context, engaging employees is one of the key challenges for any organization, especially for the Indian IT industry, which is on an upward slope of continuous growth and opportunities to scale.
The term, Employee engagement has been used fairly loosely among management practitioners and consulting firms to indicate a number of things, such as employee satisfaction, employee commitment, involvement in one’s job, organizational citizenship behaviour and loyalty to the organization. For organizations today, employee engagement is a very important concept leading to the employee’s putting in discretionary efforts and the best foot forward for the organization’s success. Academics have defined employee engagement more precisely compared to practitioners and consulting firms. This study examines all definitions and models of employee engagement before exploring it further in the Indian IT industry. In addition to understanding employee engagement, this study discusses what organizations can do to increase the employee engagement through management focus and measured interventions.

1.3 Employee Engagement

Employee engagement plays a critical role in both organizational success and individual wellbeing. High employee engagement levels have been associated with higher quality, greater innovation, lower levels of absenteeism, lower turnover, and increased advocacy of the organization. Academic research in this area has lagged behind the interest shown by HR practitioners and consultants. However, the latter have used the construct of employee engagement fairly broadly, corrupting the construct with elements of employee satisfaction, employee commitment, involvement in one’s job, organizational citizenship behaviour and loyalty to the organization.

Engaged employees have an optimistic outlook towards the work and the organization. Purcell et al. (2003), has said that the level of employee engagement results in employees taking responsibility for the well being of
the organization and takes it up to themselves to have a partnership with the management. In a survey conducted by CIPD it was seen that engaged employees lend a voice that impact the performance of the organization (Truss et al., 2006). CIPD defined employee engagement as: "being positively present during the performance of work by willingly contributing intellectual effort, experiencing positive emotions and meaningful connections to others. One of the key drivers of employee engagement has been the opportunity of employees to raise their opinions, not only to their fellow employees but also to the management. This was validated by Truss et al. (2006) who established the importance of employees to have a voice for them to feel engaged and be part of the organization. Subsequent studies by Konrad (2006) suggest that work practices encouraging greater involvement could develop the optimistic attitudes and beliefs related to employee engagement and that these practices could produce the types of discretionary behaviours that lead to enriched performance.

1.4 Indian IT Industry: An Overview

India's Information Technology (IT) and Information Technology Enabled Services (ITES) have emerged as one of the most dynamic and vibrant sectors contributing and propelling the growth of Indian economy. As per NASSCOM, the Indian IT/ITES industry is expected to grow by 11-14% in FY2013. NASSCOM has also envisaged the Indian IT/ITES industry to achieve a revenue target of USD 225 billion by 2020, for which the industry needs to grow by 13% on a year on year basis in the next eight years. The projected growth of the Information Technology (IT) and Information Technology Enabled Services (ITES) is really important for the country from an employment generation point of view as well.
The Government of India has set the promotion of IT as one of its top priorities. IT is also a key foreign direct investment (FDI) focus area. The IT/ITES industry has a ripple effect on the rest of the economy and is, therefore, very strategic. Currently, India accounts for less than 5% of the global technology spending, and this provides a huge opportunity for the growth of the industry, both in terms of moving up the value chain, as well as growing the sector. The industry, however, needs to overcome several challenges to make the best of this growth opportunity, and attrition is one of its key challenges, as people are the most important resource in this industry.

1.4.1 Attrition Rates in the Indian IT Industry

Among the many challenges the Indian IT/ITES industry faces, talent is one of the greatest. The attrition rates in the industry are higher than in other industries, and there is always competition for talent. Any attrition, for whatever reason, brings huge costs to the organization, as it incurs up-front costs in recruiting, selecting, inducting, training and deploying the resource. In the IT/ITES industry, attrition also means loss of that much institutional knowledge, even if the firm has great knowledge management procedures. Within the IT/ITES sector, attrition rates are the highest in the BPO space, followed by Services and then the Product space.

Organizations have been focusing a great deal on efforts to reduce attrition. Intention to Quit as a construct has been receiving a lot of attention in the context of employee attrition. Progressive organizations have started tracking ‘Employee Engagement’ initiatives and projected attrition. They continue doing interventions based on the periodic inputs they receive from employees through town halls, feedback mechanisms like the 360-degree feedback and climate surveys. These firms have invested in efforts to make
the work environment better, provide more resources, make available learning and growth opportunities, and keep employees engaged so that the Intention to Quit is kept low.

1.4.2 Engaging Employees in the Indian IT Industry

To achieve its ambitious growth targets and realize its full potential, the Indian IT/ITES industry clearly needs, in addition to the policy push from the government, employees who are ‘engaged’. Overwhelmingly, it is becoming clear that engaged employees are great for an organization. They contribute more (therefore, are more productive), remove roadblocks, show traits of stewardship, and do not leave the organization (have more desire to stay with the organization). The greater the employee engagement, the greater the employee’s inclination to ‘go the extra mile’ and put in the extra effort for the benefit of the organization. Further, engaged employees being more committed to the organization are more inclined to stay.

What the IT industry needs to realize its potential and make the most of the immense opportunity that lies ahead of them is to focus on creating ‘Engaged’ employees.

1.5 Research Background

It is estimated that only 30% of those who work are engaged (Buckingham & Coffman, 1999; Harter et al., 2009) and engaged employees bring several attractive and important benefits to the organization (Crabtree, 2004). Engaged employees average 27% less physical absenteeism (Harter et al., 2009) than their peers and are five times less likely to leave than employees who are not engaged (Vance, 2004). It was seen that an engaged employee increases individual performance by 20% (Buchanan, 2004) and has fewer accidents on the job (Harter et al., 2009) reducing compensation claims.
They also score 34% higher on customer satisfaction-rating scales (Vance, 2004). Moreover, there is evidence of a direct linkage between employee engagement and profits. It is seen that having a higher proportion of engaged employees has a positive correlation with a company’s profit margin (Ketter, 2008; Harter et al., 2009).

It has been seen that research on employee engagement has been mostly led by consultants/practitioners (Baumruk et al., 2006; Gallup Management Journal, 2006) rather than academicians. Employee engagement is therefore an area in which a deeper and more exact academic analysis is needed (Macey & Schneider, 2008). Most consultants/practitioners see engagement as ‘a workplace approach designed to ensure that employees are committed to their organization’s goals and values, motivated to contribute to organizational success, and able at the same time to enhance their own sense of well-being’ (MacLeod and Clarke, 2009). Academicians have looked at engagement as something that is experienced by the individuals. Hence the state of being engaged is something that can be influenced by the right approach and management strategies.

Research by Robinson, Perryman and Hayday (2004) notes that practitioners have spotlighted Employee Engagement, but it has been hugely destabilized in educational literature. Even though Saks (2006) and Bhatnagar (2007) have attempted to offer a tangible conceptual explanation of the construct of employee engagement, the studies expose the repeated corruption of the definition and conceptualization of the construct by its identification with further outcome components, such as intrinsic motivation, organizational citizenship behaviour, job involvement, organizational commitment and employee loyalty.
According to Souptata (2005), firms struggle to establish the excellence of their enterprise. From this perspective, procedures such as employee relations, employee communication, and their development and learning play an important role in the performance of employees and their attachment to their organization and job. From this perspective, employee engagement is considered an authoritative construct that results in attachment of employees to their organizations and jobs. Xanthopoulou et al. (2009) reports that the process of motivation in the Job Demands-Resources Model (Bakker & Demerouti, 2007) identifies the resources of a job as major initiators of work engagement of the employees and accordingly of their improved performance. The resources of a job refer to the social, organizational and physical characteristics of the job that help in efficiently attaining the goals related to work, diminish demands and related costs, and motivate personal development and growth (Bakker & Demerouti 2007). As inherent motivators, the resources of a job accomplish a fundamental need of humans—the need to belong—and promote the development of individuals (Deci & Ryan, 1985). Like extrinsic motivators, they persuade employees to give their best to the job (Gagne' & Deci, 2005). In both the cases, employees may become more involved in their work since they obtain a sense of accomplishment from it (Schaufeli & Bakker, 2004), and this, in turn, motivates them to execute better (Bakker 2009).

Over the past decade or more, several empirical studies have upheld the view that psychological agreement is a significant motivator of employees (for example, Rousseau, 2004; Sturges et al, 2005). Rousseau (2004) emphasizes that individuals recognize a breach of assurances by their employer; the employees' commitment to the firm and motivation diminish, and their intention to quit their jobs increases (Bhatnagar, 2009).
environment an organization or manager creates hence becomes really important in engaging employees.

The current study also deals with the antecedents of employee engagement. This is important for two reasons—1. to understand what lever and factors contribute to building an engaged workforce and 2. to develop support strategies that facilitate an engagement building culture. Kahn (1990), for example, says that the meaningfulness of a job is an important component to building engagement. Similarly, this study seeks to understand what variables contribute to employee engagement. These levers will help us predict the greater performance of the firm and reduce the individual’s Intention to Quit.

Even though there is an obvious association between retention and engagement, it is significant to differentiate these two components. Employees who are engaged may be less likely to quit the firm, but all sections of the population of employees—irrespective of their engagement levels—are (to a greater or lesser degree) likely to quit at any point in time. This association permits us to differentiate two trends. Firstly, the policies of retention have to be distinct based on the engagement level of any one individual—for example, the policies of retention, such as when to make a counter-offer, must be based on how critical the individual’s contribution has been to the success of the organization and also how sustainable such an attempt is. For example, the retention of an employee who is departing because they are displeased with their existing job conditions simply by summiting to their demands for a higher salary will have no impact in the longer term unless the conditions of the job are also changed.
Secondly, the stated intent to quit the firm is not a forecaster of definite departure. It could be a display of how hard an individual will be performing to assist the firm in attaining its goals and how much effort may be expended on other actions (Blessing White & Anexi, 2008). This is an important aspect that this study will look into. This research looks into the intention to quit rather than hard attrition figures, as the former is more appropriate when thinking of attrition in the context of Employee Engagement.

As shown in Table 1.1, compared to the rest of the world, about 34 percent of the employees in India are completely engaged and about 13 percent are really disengaged. India stands out in terms of possessing one of the highly focused workforces in the world, but even then only 34% of the employees here are fully engaged (See Figure 1.1).

<table>
<thead>
<tr>
<th>Region</th>
<th>Disengaged</th>
<th>Honeymooners &amp; Hamsters</th>
<th>Crash &amp; Burn</th>
<th>Almost Engaged</th>
<th>Fully Engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>13%</td>
<td>13%</td>
<td>11%</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>South AF</td>
<td>11%</td>
<td>14%</td>
<td>18%</td>
<td>26%</td>
<td>31%</td>
</tr>
<tr>
<td>NA</td>
<td>19%</td>
<td>12%</td>
<td>13%</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>AU NZ</td>
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<td>12%</td>
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<td>15%</td>
<td>13%</td>
<td>28%</td>
<td>23%</td>
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<tr>
<td>SEA</td>
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<td>9%</td>
<td>18%</td>
<td>31%</td>
<td>22%</td>
</tr>
<tr>
<td>China</td>
<td>33%</td>
<td>9%</td>
<td>16%</td>
<td>32%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>36%</td>
<td>7%</td>
<td>7%</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>18%</td>
<td>12%</td>
<td>13%</td>
<td>28%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: Blessing White & Anexi (2008)
While organizational focus is centered on employee engagement, not much has changed since the first report on employee engagement in 2003. On the whole, Indian organizations have benefited from rapid development and the dynamic nature of the workforce in India. The Blessing Engagement survey certainly has become established to a great extent, even institutionalized, but interviews and findings point out that organizations still struggle to make these reports actionable.

Numerous studies have reliably determined that the Indian working population is greatly engaged in terms of both assisting firms attain their stated strategic objectives and attaining their own personal goals of meaningful, interesting, and rewarding work (Blessing White & Anexi, 2008). Figure 1.2 depicts the industry-wise levels of engagement of employees in India.
The levels of engagement of the workers in India differ from one industry to another. However, with the exclusion of the Government/public sector (it has comparatively low levels of engagement in all countries), there is no obvious sketch of the kinds of industries in which the levels of engagement are the strongest. In some of the high-tech industries, such as biotechnology and pharmaceuticals, the scores of engagement are low, whereas in some of the service-focused industries, such as consumer products and retail, the scores are high. In the technology sector, employee engagement is neither high nor low; it is average.

Figure 1.3 depicts the levels of engagement on the basis of the various levels within firms (Blessing White & Anexi, 2008).
As expected, the higher the levels in the organization, the greater the employees' levels of engagement. This is hardly astonishing as per the research report, as they are nearer to the centers of decision-making, possess a greater say in the direction of the firm, and apparently have been endorsed at least moderately on their capability to distribute against the goals of the organization. This tendency is more progressive in India compared to other parts of the world, where it has been observed that there is a greater drop in engagement past the level of vice president. Still, with only about half of the vice presidents of India and other C level executives completely engaged in the pursuit of the success of the organization, there is a huge of room for enhancement even at the very senior levels (Blessing White & Anexi, 2008). The engagement levels of employees in India is marginally better, but it does not give a cause to celebrate yet as the overall
engagement levels are still fairly low compared to what is possible to achieve.

1.6 Problem Statement

Employee engagement has appeared only fairly recently in academic literature (for instance, Maslach, Schaufeli, & Leiter 2001; Schaufeli, Bakker, & Salanova, 2005; Kahn, 1990), but it is much more widely found in consulting literature (Tower-Perrin, 2003; Buckingham & Coffman, 1999). As the construct is relatively new, there is a deficiency of information regarding employee engagement, particularly regarding the conditions that result in employee engagement (Macey & Schneider, 2008), its measurements, employee engagement antecedents, and the association between the intention to quit and employee engagement.

As defined by Schaufeli (2002), engagement is the fulfilling, positive, work-associated state of mind that is categorized by dedication, absorption, and vigour. Across geographies and across organizations, managers are attempting resolve the issue of gaining highly engaged employees. Obviously, no one needs employees who are detached or indifferent towards their work. Until now, most of the studies in India on engagement variables have been done from the point of view of consulting firms, and these studies have looked at employee satisfaction, job involvement, or employee commitment as employee engagement.

In short, organizations are increasingly focusing on employee engagement as a promising strategy to increase retention (Lookwood, 2007). However, as mentioned earlier, there is a surprising shortage of research on employee engagement in the academic literature (Macey & Schneider, 2008; Saks, 2006). While human resource managers have been asked to build strategies
and action items to build more employee engagement, little research actually exists into what the antecedents for engagement are, how those relate to engagement, and how engagement affects the intention to quit as an outcome variable. Moreover, these have not been studied in the Indian IT industry to further understand employee engagement and what can be done to build greater employee engagement across the board. Most of what has already been written regarding employee engagement is from the perspectives of either a practitioner or a consulting firm, where the concepts around employee engagement have their foundations in practice rather than empirical research and theory.

The insights that are gained from this study could offer important and relevant information for the formulation of interventions intended to increase employee engagement to greater levels and also shed light on the degree to which different degree impact upon employee engagement in the Indian IT industry. Moreover, relatively very little is known about how employee engagement can be influenced by organizational factors and management, and that will be a huge step forward, which this study is attempting to take.

1.7 Purpose of the Research

The purpose of this study is to examine a hypothesized employee engagement model by exploring the antecedents of employee engagement, the intention to quit as an outcome variable, and the relationship of the antecedents and intention to quit with employee engagement. This is explored in the context of the Indian IT industry.
1.8 Research Objectives

The research objectives of this study are the following

i. To understand the basic concept of employee engagement and its measurement

ii. To identify the antecedents that contribute to employee engagement in the Indian IT industry.

iii. To examine the relationship of the antecedents of employee engagement to employee engagement in the Indian IT industry.

iv. To examine the relationship between employee engagement and employee intention to quit in the Indian IT industry.

v. To suggest effective employee engagement strategies for organization to practice to facilitate the creation of engaged employees in the Indian IT industry.

1.9 Research Questions

To achieve the research objectives the following research questions are to be answered through this research.

i. What is employee engagement?

ii. How can employee engagement be effectively measured?

i. What are the antecedents of employee engagement in Indian IT industry?

iii. How are the antecedents related to employee engagement in Indian IT industry?

iv. In what way is employee engagement related to the employees' intention to quit in Indian IT industry?
v. How can one create an IT organization where employees are engaged?

1.10 Importance of the Research

The knowledge generated through this study will further the theory building related to employee engagement. This research will build upon the current theoretical frameworks and test those in the Indian IT industry. The antecedents of employee engagement and their relationship with employee engagement are explored, and the intention to quit is considered as an outcome variable. In the absence of any empirical research on employee engagement in the Indian context, this study is expected to open up further areas of potential research.

Creating a set of engaged employees is key to any organization's success. This is especially true for human capital-intensive industries like the IT industry. In an environment where the industry itself is growing fast and there is a huge amount of scaling up that the industry has to do, understanding how to create engaged employees is going to be a key differentiator for organizations. Employee engagement is the extent to which an employee applies himself/herself at work to meet both planned and unplanned situations. Employees who are engaged with the firm and its values are not only planning to stick with the firm, but are also happy and proud to be related with the firm. Hence, employee engagement is very important for a firm to make sure that their employees bring their complete skills to the job. The importance of this study is that it deals with employee engagement from the perspective of an individual and provides avenues for the organization to build more engaged employees. An employee who is engaged is conscious of the context of business and works with his/her colleagues/supervisors to create the biggest impact in favour of the firm.
This study aims to understand employee engagement as a construct where employees go beyond their immediate job descriptions in the Indian IT industry. What motivates such behaviour may be the environment, personality, team, and job characteristics, and knowing what factor contributes to employee engagement is an important part of this study. Finally, from the perspective of an organization, knowing employee engagement, what impacts engagement, and how an organization can be created that breeds engaged employees is extremely important. In an environment where the India IT industry has to move up the value chain in terms of creating successful products, this study provides a framework that can specifically be applied to the IT industry.

1.11 Conclusion

This chapter looked at the basic concept of employee engagement and scoped out the research problem. Also, a discussion of the IT industry in India and the argument that it is really important for the IT industry to have engaged employees to scale up and move up the value chain was put forth. The framework established in this chapter helps us to focus on parts of the literature and practice that one has to look further and deeper to understand the existing research gap in line with the research objectives established in this introductory chapter.