CHAPTER 1

A WALK THROUGH THE CONCEPT OF MOTIVATION

1.1 Introduction

“Our greatest asset is people. Most managers know perfectly well that of all the resources, people are the least utilized. The manager must treat the people with whom he works as a resource to himself. He has to look to them for guidance regarding his own job” - Peter F Drucker

Human Resources Management now plays a key role in the overall strategy development of organizations. The new generation organizations such as IT and ITES which are people intensive in nature, are driving the top management to look at people as a critical strategic resource that is instrumental for the performance of organizations. It is well regarded in the industry now that people provide organizations with a critical competitive edge.

Understanding and acting on employee work motivation and employee commitment is indicated to bring increased productivity and profitability (Michie, Oughton and Bennion, 2002). Two of the UK based studies (based on the 1990 Workplace Industrial Relations Survey (WIRS))^1 in the 1998 Workplace Employee Relations Survey (WERS)^1 acknowledge a similar linkage to productivity and profitability. They have also hinted at such a linkage to ‘innovation’.

As the people factor is very crucial for organizations to ensure success and growth, keeping this critical resource motivated is vital to achieve the end goal. One of the important result areas for human resources professionals and line managers today is the maintenance of the motivation level of the employees which is instrumental for better productivity, bigger commitment and lesser absenteeism. During budgeting, organizations consider this and today most organizations have substantial budget allocation for various staff motivation programs. Also having deeper insights into work
motivation and work attitude helps organizations in designing motivational programs appropriately, which results in desired organizational performance.

This chapter attempts to walk through the concept of work motivation and the prevailing major theories on motivation. The later part of this chapter briefs about the recent developments in the industrial scenario in India stressing on the phenomenal growth happening in the IT industry. The chapter also makes a mention of the people challenges faced by this industry and also in other industries which are people intensive in nature.

1.2 Definition of Motivation
According to Pinder (1998) work motivation has been described as a set of forces that initiate work related behavior and determine its form, direction, intensity and duration. Motivation is about energy, direction, and persistence which are majorly the aspects of activation and intention, when it comes to the behavior in question. (Sun Young Sung and Jin Nam Choi, 2009).

For this research, the definition of work motivation would be, “It is the internal and external factors that stimulate desire and energy in people, to be continually interested in and committed to a job, role, or subject, and to exert persistent effort in attaining a goal”.

Motivation is the energizer of behavior and the force behind all actions. It results from the interactions among conscious and unconscious factors such as (a) intensity of desire or need, (b) incentive or reward value of the goal, and (c) expectations of the individual and of his or her significant others².

1.3 Work Motivation: The Theoretical Development
A manager’s job in an organization is to influence the people in the organization to achieve the goals and objectives while keeping his eyes fixed on the efficiency and effectiveness. One of the critical concerns of the management and the supervisors of any organization is about understanding motivation and its role in performance (Harry et al, 1986).
Motivation theories attempt to understand the factors that influence behavior. The specific focus of these theories is in understanding the ways in which people respond to the actions of the people and stimuli around them (Harry et al., 1986).

Our social and work environment has been changing over a period of time. From a simple work environment that existed many decades ago, we have come today to a complex social and work environment. The changes in workplace were a rapid post industrial revolution. The ‘dependencies’ among people have increased and so has the ‘diversity’ among people (Kotter, 1985).

Early 1900s was a less complex era as far as the work environment was concerned. During that time, the employer exchanged his purchasing power in wages for the worker’s time, interest, effort and contribution. This kind of a ‘reward’ exchange theory was probably the first theory of motivation. Taylor’s (1912) ‘scientific management theory’ may have had an influence of the above theory. As the environment of work was less complicated then, it was possible to describe worker’s responses much more accurately than it is possible today (Harry et al., 2001).

Passing time has proved that monetary rewards alone cannot buy interest, commitment and motivation of workers continuously. Many new theories of motivation based on behavior sciences took shape post World War II, as a response to the changing environment. The theories proposed by Douglas McGregor (1960), Abraham Maslow(1964), Frederick Herzberg(1966), David McClelland(1961) and John Morse and Jay Lorsch(1970) are the most significant of them all (Harry et al., 2001).

Taylor in his ‘scientific management’ approach talks about the need for formal, well established lines of authority, clearly defined tasks and also about the authority to meet responsibilities. Based on the ‘task’ concept in the ‘scientific management theory’, several methods and ideas were developed for systematically evaluating the task for a worker. ‘Motion study’ to eliminate waste and unwanted movements and ‘time study’ to
define accurately the time needed for each task were done to decide on how much task to be allocated to a worker (Locke, 1978). This approach is suitable in less skilled, blue collar and labor intensive organizations such as manufacturing organizations which are into the manufacturing of simple products.

The above approach of Taylor was not suitable for some organizations. It is here that Douglas McGregor (1960) proposed a different theory. His widely accepted theory is known as ‘Theory X’ and ‘Theory Y’. This theory proposes two distinct views of human beings – one negative (Theory X) and the other positive (Theory Y). ‘Theory X’ explains that an average employee normally dislikes work and will try to avoid it whenever possible. Because of this, employees should be forced, controlled and even punished to elicit productivity. According to ‘Theory X’, an average employee prefers to be directed and wishes to avoid responsibility. His primary concern is ‘security’. This theory is for organizations that have precision in structure, stringent authority-responsibility lines and that are strict in implementation of rules and regulations. An organization with ‘Theory X’ environment will be more like an organization that has implemented the ‘scientific management’ principles of Taylor.

McGregor believes that human behavior cannot be explained mostly with ‘Theory X’. He thus proposes ‘Theory Y’ which is the other side of the coin.

‘Theory Y’ is based on the following assumptions:

- The spending of physical and mental efforts in work is as natural as play or rest.

- External control and the threat of punishment are not the only means for bringing about the achievements of organizational objectives. Man will exercise self-direction and self-control for the objectives to which he is committed.

- Commitment to objectives is a function of the rewards associated with their achievement. The more significant the rewards, (e.g., the satisfaction of ego and
self-actualization needs), the more will be the efforts directed towards achieving such objectives

- The average human being learns under proper conditions. He also accepts and seeks responsibility. Avoidance of responsibility, lack of ambition, and emphasis on security are generally consequences of experience, and are not any inherent human characteristics.

- The ability to exercise a relatively high degree of imagination, ingenuity, and creativity in organizational problems is widely prevalent in the population.

- Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

McGregor recommends ‘Theory Y’ to the managers where in, he suggest to them that they should involve employees in the decision making process to enhance motivation. If the organization gives the employees a clearer picture of the factors that are involved, it will make them more capable and will help them perform more effectively. Though ‘Theory Y’ was what was recommended by McGregor to the practicing managers, they had an issue when it came to the applicability of this theory. They found that in some organizations ‘Theory Y’ failed miserably but ‘Theory X’ was successful. In some other organizations ‘Theory Y’ was successful but not ‘Theory X’.

Morse and Lorsch (1979) tried to resolve this issue of applicability of McGregor’s theory, by suggesting that the organizations should be designed and developed in such a way that they facilitate and are compatible for the tasks to be executed. According to them, organizations with highly predictable tasks will do well with the ‘scientific management’ based design (highly formalized with hierarchical management structure). They add that for organizations that deal with highly uncertain tasks that require extensive problem solving, a less formal organizational design would be more suitable.
According to McGregor, both ‘satisfaction’ and ‘inactivity’ were regarded normal. However, a few years later Abraham Maslow proposed ‘Theory of need hierarchy’, where he says that individuals are in a complete motivational state but the motivational state is on continuous change (Maslow, 1964).

According to Maslow, within each human, there lies a hierarchy of five needs which he has termed as:

1. Physiological needs (such as need for food, water and sex)
2. Safety needs (such as need for stability, peace and order)
3. Social needs (such as need for love and friendship)
4. Ego needs (such as need for status and respect from others)
5. Self-actualization needs (such as need to do something creative)

‘Physiological need’ is the need for bodily requirements such as hunger, thirst and sex. ‘Safety need’ is the requirement to get protection from physical and emotional harm. ‘Social need’, on the other hand, is the requirement for affection, belongingness, acceptance and friendship. ‘Esteem need’ is a higher order need for internal factors such as self respect, autonomy, achievement, and external factors such as status, recognition and attention. ‘Self-actualization need’ is the need to do creative things, etc.

He also classifies these needs as ‘lower order’ and ‘higher order’ needs. ‘Physiological’, ‘safety’ and ‘social’ needs are lower order needs according to him, while ‘esteem’ and ‘self-actualization’ needs are higher order needs.

Though this theory is popular among practicing managers, the theory lacks research support. When factor analysis was attempted, the five needs weren’t found to group as separate factors. In some studies the lower order and higher order needs have grouped separately. Though the theory lacks research support in most aspects, the theory is not completely invalid. The reason for this tricky situation is partly the nature of the theory.
which defies empirical testing and partly the conceptual, methodological and measurement problems of the research (Wahba and Bridwell, 1976).

Also according to Maslow, when each need is substantially satisfied, human beings move to the next level of need in the ‘need hierarchy’. He adds that gratification of one need and its consequent removal from the centre of the stage does not bring about a state of rest, but paves the way for the emergence of another, higher need (Malsow, 1964).

Practicing managers faced issues of applicability for his theory as well. Among some groups in some of the organizations (e.g.: R and D), it seemed that some people were motivated by social needs, ego needs and self-fulfillment needs simultaneously. This clearly demanded a review or modification for ‘theory of need hierarchy’.

In the third critical theory, the ‘two-factor theory’ of motivation, which is also called ‘motivation-hygiene theory’, proposed by Herzberg (1966), he asked the employees ‘What do employees want from work?’. Amongst the answers that he received ‘when they felt good’, was different from the answers he received ‘when they felt bad’. His conclusion was that there are ‘motivators’ and there are ‘hygiene factors’. Employees are motivated when the ‘motivators’ are present. They are factors such as achievement, work itself, recognition, growth, etc. However, there are another set of factors called ‘hygiene factors’. The presence of ‘hygiene factors’ does not motivate people but their absence brings ‘hostility’.

According to him, the opposite of job satisfaction is not job dissatisfaction but ‘NO-satisfaction’. Similarly, the opposite of job dissatisfaction is not job satisfaction but ‘NO-dissatisfaction’. When the employee gets the opportunity to satisfy the higher order needs (in the current scenario, most organizations take care of employees’ lower order needs), he is motivated to perform better. But if he doesn’t get such an opportunity, it may not lead to ‘job dissatisfaction’ but will only lead to ‘job attitude neutrality’.
Clayton Alderfer’s (1969), ‘ERG theory’ (Existence, Relatedness and Growth) is a revised version of Maslow’s ‘theory of need hierarchy’. His attempt was to align the theory more closely to empirical research. (Robbins, 2001. According to Alderfer, as far as people are concerned, there are three main groups of needs and they are a) existence needs b) relatedness needs and c) growth needs. What were Maslow’s ‘physiological’ and ‘safety’ needs are the ‘existence’ needs for Alderfer. ‘Relatedness’ is the need to interact with others for social and status purposes. Maslow’s ‘social’ need as well as external aspect of ‘esteem’ need has been covered by Alderfer in his ‘relatedness’ needs. ‘Growth’ needs as for Alderfer is the ‘intrinsic’ desire for personal development. The ‘intrinsic’ component of ‘esteem’ needs and also the ‘self-actualization’ needs of Maslow are covered here in the ‘growth’ needs postulated by Alderfer. While Maslow’s theory proposes a rigid hierarchy of needs which says that the lower order needs are to be substantially satisfied before moving on to higher order needs, ‘ERG’ theory is relatively flexible. It says that more than one need can exist simultaneously for individuals.

Yet another need theory that took shape during this period, is McClelland’s theory, in which he talks about three major needs which are ‘need for achievement’, ‘need for power’ and ‘need for affiliation’ McClelland (1961). He believed that there was a psychological dichotomy in the world where a minority of people were willing to achieve and were challenged by problems and oppositions, as well as a majority of people who just did not care very much. He spoke of the minority as ‘motive A’ people who preferred to work at a problem rather than leaving it to chance or to someone else, who habitually spent time thinking about doing things better, and who calculated situations where they could obtain a sense of mastery.

According to McClelland, when the employee is achievement oriented his main focus will be task. Such people will be motivated when rewarded for a good job done. He also mentions that when an employee has the ‘need for affiliation’, his focus will be in building inter personal relationships. So is the case also when he is driven by the ‘power’ need. Building right and influential connections is important for people who are ‘power’ motivated. It is also interesting to note that there is a lot of emphasis on ‘networking’ in
today’s management practice. Networking is considered critical for personal and organizational success.

McClelland’s (1966) publication, *That Urge to Achieve*, represented 20 years of work on the idea of ‘nAch’ (need for achievement). It resulted in a Harvard class that tried to develop ‘nAch’ through four goals: teaching people to think, talk, and act like a person with high ‘nAch’; setting higher work goals; learning about themselves; and, developing group bonding through learning from each other’s aspirations and successes.

It can be seen that all the theories discussed here have linkage to each other. For example, The ‘dissatisfiers’ of Herzeberg are similar to the ‘physiological’ and ‘safety’ needs of Maslow. Some element of ‘socializing’ need is also covered by the ‘dissatisfiers’. These ‘dissatisfiers’ are related to the autocratic management style of ‘scientific management’ (of Taylor) and ‘Theory X’ (of McGregor). Morse and Lorsch proposed that this autocratic style is appropriate for routine styled organizations. Similarly, Herzeberg’s ‘satisfiers’ are Maslow’s top three levels of needs- social, esteem and self-actualization. Also McClelland’s ‘need for achievement’ and ‘need for power’ are similar to Maslow’s top three needs (Harry et al, 2001).

It is quite evident that motivation is a concept which cannot be explained completely based on any one theory. Our society and work environment is ever changing and is becoming more complex and diverse with each passing day. While some of the theories are discussed based on ‘designing of the structure of the organizations’ based on tasks they deal with (which the theories assume would motivate the employees), the other theories are discussed based on ‘individual needs’ as the fundamental aspect in dealing with employee motivation.

India is rapidly changing when it comes to the industrial scene, where it is witnessing growth and diversification of existing industries and also witnessing the emergence of new type industries. The size and diversity of people employed cannot be compared with what it was a few years ago. In such a complex environment, it is difficult to address the
needs of employees individually, especially when the organizations employ a large number of people. If the employees can be grouped based on their needs, (where some groups would have common motivational needs) addressing motivational issues and administering motivational programs would be easier. This research has thus looked at ‘demographic factors’ as the common grouping criteria. This study focuses on how demographic factors such as ‘age’, ‘gender’, ‘level in the organization’, etc., influence work motivation.

The following section discusses ‘performance taxonomy’ of motivation and leads to the taxonomical approach this study has considered.

1.4. Performance Taxonomy of Motivation

Many models of motivation are designed around ‘taxonomies of motivation’ because most theories of motivation identify and classify the content of motivation. With this approach such researches explain taxonomies of variables and not the process of motivation (Ronen, Kraut, Lingoes and Aranya, 1979).

As for the taxonomical factors, they primarily apply to the two different theoretical schools- the ‘performance’ based and the ‘individual need’ based. We have already discussed many popular motivational theories which are need based. This section briefly discusses the ‘performance’ based taxonomy of motivation.

The Performance based approach stresses on ‘intrinsic’ and ‘extrinsic’ motivation. When people perform certain kinds of work and get engaged in certain kinds of activity just for the fun of it, it can be said that the driving motive here is the intrinsic process. “While extrinsic motivation influences behavior due to the reinforcement value of outcomes, intrinsic motivation refers to the performance of an activity for no apparent reinforcement other than the process of performing an activity per se” (Davis et al, 1992, p. 1112).

Intrinsic motivation is the ‘outcome’ or the result of a work situation that people enjoy because they are in charge, they have the opportunity to acquire new skills and abilities to
match a different challenge, or they are part of a successful team. Intrinsic motivation is all about the performance of an activity for no apparent reinforcement other than the process of performing an activity per se. According to Barbuto and Scholl (1998), work is a motivating force as the employee enjoys it.

‘Extrinsic’ motivation comes from outside of the performer. ‘Extrinsic’ motivation was defined as: “the performance of an activity because it is perceived to be instrumental in achieving valued outcomes that are distinct from the activity itself, such as improved job performance, pay, or promotions” (Davis et al., 1992, p. 1112). While competing, the crowd may cheer the performer, which may motivate him or her to do well. Trophies are also extrinsic incentives. Money is one of the most obvious examples of extrinsic motivation. However, it’s not always the carrot but also the whip which acts as the extrinsic motivating factor such as the threat of punishments. Though the ‘carrot and stick’ approach is practiced by organizations of different countries, it need not be as effective as one perceives it to be.

Harry Levinson in an article titled ‘asinine attitudes towards motivation’ narrates his experience. When he asks the executives this question ‘what is the dominant philosophy of motivation in American management?’ the answer he gets invariably is ‘carrot and stick philosophy’. This means ‘reward and punishment approach’. The next instruction from him is to close their eyes for a moment, and to form a picture in their mind’s eye with a carrot at one end and a stick at the other. ‘Most frequently the central image they see is that of a jackass’ (Kerr, 1997, p. 8).

According to Levinson, the carrot and stick approach leads to a kind of self-fulfilling prophecy - the more one tries to drive people by manipulating their behavior with rewards and punishment, the more they will try to resist it by doing things like forming unions and sabotaging management efforts (Kerr, 1997, p. 9). When employees sense that they are being viewed as jackasses, they will automatically see management’s messages as manipulative, and they will resist them, no matter how clear the type or how pretty the pictures’ (Kerr, 1997, p.8).
Very often, ‘money’ plays the role of carrot in the ‘carrot and stick’ approach. Though we witness the fact that organizations hurry into designing motivation programs around money, the actual impact money has on long term motivation is not thoroughly proved. “The first thing management thinks about as a way to reward employees is with money, but the last thing it does with money is to use it as an effective reward for anything but attendance” (Schneider et al, 1995, p. 153).

"Just because too little money can irritate and de-motivate it does not mean that more and more money will bring about increased satisfaction, much less increased motivation" (Kerr, 1997, p. 19).

There are literatures, which evidence that, the primary motivation of the paycheck is to get one to come to the work place for the job every day. "There is no firm basis for the assumption that paying people more will encourage them to do better work or even, in the long run, more work" (Kerr, 1997,p. 19).

According to Schneider in ‘Winning the Service Game’, paychecks and other cash incentives fail the following motivation tests (Schneider, 1995, p. 155).

1. Availability - the company may not have cash available for this purpose
2. Flexibility - paychecks cannot easily be varied from week to week according to performance
3. Reversibility - once given, cash cannot be taken away
4. Performance- level of pay is a better predictor of management level or seniority than performance
5. Visibility - cash transactions are one-to-one only
6. Timeliness - bonuses do not immediately follow the performance of desired behaviors
7. Durability- the impact of motivation is short-term at best
However, we cannot rule out the role money plays in one’s life today. It is possible to link the importance of money to the four bottom level needs of ‘Maslow’s theory of hierarchy’. Money is today important to satisfy physiological, safety, social and esteem (certain aspect of esteem need such as ‘status’) needs to a great extent. If we link it to Herzberg’s theory, money would be a ‘hygiene’ factor and not essentially a ‘motivator’. In this study, the researcher wishes examine, for which demographic group money acts as a motivator in comparison to the other groups.

According to Schneider (1995) when organizations think about extrinsic rewards, they have to focus beyond just monetary rewards. He suggests the following three critical areas to focus on to make extrinsic motivation more effective and long focused.

- The content of the job
- Recognition and feedback from superiors, co-workers and customers
- Setting and accomplishing goals that are challenging and meaningful

‘Intrinsic’ motivation in a way can be linked to Maslow’s ‘need for self-actualization’ where he is talking about ‘self- fulfillment needs’. ‘Creativity’ can be seen as a ‘self-actualization’ need which also can be connected to the ‘intrinsic’ side of motivation.

According to a research study conducted by Professor Teresa Amabile of Harvard University, ‘creativity’ will be the highest when there is strong intrinsic motivation (Haasen, 1997).

Sun Young Sung and Jin Nam Choi (2009) in their research on ‘creativity and five personality traits (extraversion, agreeableness, emotional stability, openness to experience and conscientiousness),’ emphasize that, ‘big five personality traits and creativity relationship’ becomes stronger with the co-presence of another pertinent disposition which would boost the relationship between the two. (Barrik, Parks and Mount, 2005). The finding reveals that the co-presence of motivation, especially ‘intrinsic’ motivation, boosts this relationship between ‘trait’ and creativity.
Based on leadership, empowerment and creativity - a research was done and tested on empowering ‘leadership’ with ‘creativity’ via several intervening variables. This study conducted in China, proved that empowering leadership positively affected psychological empowerment, which in turn resulted in intrinsic motivation and creative process engagement. These two later variables then had an influence on creativity (Bartol and Zhang, 2010).

India has been witnessing a massive industrial change for the past decade or two. IT has evolved as crucial player in the industrial space in terms of employment and revenue. Industries other than IT industry are also undergoing many changes. In the changing Indian industry scenario re-examining motivational concepts is important. This research is aimed at understanding the influence demographic factors have on work motivation. One of the objectives of this research is in understanding the influence of ‘intrinsic’ and ‘extrinsic’ motivation on various demographic groups.

1.5 A Brief Overview of the Indian Industrial Scenario
The above portion of this chapter has covered discussions about various motivational theories evolved over time. The major reason for this evolution is the changing needs the industries faced at various times. Also not any one theory was fool proof when it came to implementation.

India’s business paradigm has shifted. The way Indian business organizations conducted business is undergoing a sea change. One of the most critical changes India has witnessed is the evolution of the IT industry. IT industry is the most talked about industry today for its growth rate, global coverage and the revenue that it brings to the table. From a sector started by a few software enthusiasts who envisioned an opportunity in software services, IT has grown as a giant industry, with India currently enjoying a good piece of the pie in the global IT market. This industry has grown more than 30% every year for more than 20 years and is an industry now impacting economy and policy changes of the country. It
is a fact that India is a powerful IT services destination and is an emerging economy inspired by techno savvy manpower (Bhatnagar, 2006).

Many in lower strata of the society may not have felt the impact of the IT Industry. The unemployment scene in India generally is still bad. But IT has brought in innumerable employment opportunities for technically qualified people. Also the outsourcing industry which operates at the ‘customer service’ and ‘data processing’ verticals are employing lesser qualified individuals who have basic computer and English speaking/writing skills. India began with low cost programming overseas and later moved into providing comprehensive software development services from here for the client’s abroad. India which had many technical and management institutes was able to respond immediately to the global shortage of technical hands. Availability of resources with technical knowledge, English speaking capability of the educated Indian youth, trainability and logical skills and love for earning more income, made Indian firms send people to client sites easily and quickly. Next in the value chain was to get the work outsourced to India and the country has been exceptionally successful in building up outsourcing practices.

In this amazing growth story, the IT industry has grown from the $ 50 million export revenue of the late 80s to more than $ 200 million by 1993. During the mid and late 90s, which were the real boom years of the IT industry, it has had an amazing 50-60% growth. Now this has sort of stabilized to around 30% annual growth. Table 1, table 2 and table 3, shown below tell this remarkable growth story of the IT industry in figures for the years through 2005-2008.

**Table 1.1 Revenue from IT Services industry over the years** *

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<tbody>
<tr>
<td>Exports</td>
<td>10</td>
<td>13.3</td>
<td>17.8</td>
<td>23.1</td>
<td>26.9</td>
</tr>
<tr>
<td>Domestic</td>
<td>3.5</td>
<td>4.5</td>
<td>5.5</td>
<td>7.9</td>
<td>8.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13.5</td>
<td>17.8</td>
<td>23.3</td>
<td>31</td>
<td>35.2</td>
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<tr>
<td>BPO Revenue</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>4.6</td>
<td>6.3</td>
<td>8.4</td>
<td>10.9</td>
<td>12.8</td>
</tr>
</tbody>
</table>
### Table 1.2 Revenue from IT Hardware industry over the years

<table>
<thead>
<tr>
<th>IT Hardware Revenue</th>
<th>FY 2005</th>
<th>FY 2006</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
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<tbody>
<tr>
<td>Exports</td>
<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Domestic</td>
<td>5.1</td>
<td>6.5</td>
<td>8.0</td>
<td>11.5</td>
<td>11.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5.6</td>
<td>7.1</td>
<td>8.5</td>
<td>12.0</td>
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### Table 1.3 Total revenue from IT industry over the years (IT Services and Hardware)

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<tbody>
<tr>
<td>Exports</td>
<td>18.2</td>
<td>24.2</td>
<td>39.36</td>
<td>40.9</td>
<td>47.3</td>
</tr>
<tr>
<td>Domestic</td>
<td>9.9</td>
<td>13.2</td>
<td>8.5</td>
<td>23.1</td>
<td>24.4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>28.1</td>
<td>37.4</td>
<td>47.8</td>
<td>64.0</td>
<td>71.7</td>
</tr>
</tbody>
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*Note: a) Figures in table1.1, table1.2 and table1.3 in USD Billion b) Source of information NASSCOM*

IT initially was an opportunity tapped by a few curious individuals. Later the Indian Government realized the growth potential and played a key role in transforming this opportunity into a huge industry vertical itself. Initial Government support was through a handful of visionary civil servants who let the industry grow by giving exemptions.
wherever possible. Later policy changes were introduced which have supported the growth of even small IT organizations. Also initiations such as formation of NASSCOM, introduction of Software Technology Parks (STPs), etc. have been major turning points which facilitated the growth of this sector.

The industry, which has grown from a ‘body shopping service provider to a ‘complete provider of value added software solutions’, has a global market in its forte today. The Americas still are the prime market for India followed by the geographical areas of Europe. The industry is penetrating more into the European market which can be seen from table 1.4.

**Table 1.4 Geographical areas that IT industry of India services**

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<tbody>
<tr>
<td>Americas</td>
<td>68.3%</td>
<td>67.18%</td>
<td>61.4%</td>
<td>60%</td>
</tr>
<tr>
<td>Europe (including the UK)</td>
<td>23.1%</td>
<td>25.13%</td>
<td>30.1%</td>
<td>31%</td>
</tr>
<tr>
<td>Rest of the world (including APAC)</td>
<td>8.6%</td>
<td>7.69%</td>
<td>8.5%</td>
<td>9%</td>
</tr>
</tbody>
</table>

*Source: NASSCOM Fact sheet 2009*

Parallel to the huge export market, the domestic IT market is also growing slowly. Domestic IT market (including hardware) reached USD 24.3 billion in FY2009 as against USD 23.1 billion in FY2008 (5.3 per cent growth). Hardware grew at 2.6 per cent, while software and services spending grew by almost 8 per cent.

One of the major reasons why the IT industry was able to grow quickly was the human resources factor. Indian’s investment in technical education that started in the 1960s has created a good number of quality engineers in India. Five IITs (Indian Institute of Technology) and two IIMs (Indian Institute of Management) were set up during that time. The admission procedure was so tough that only one in a hundred of the applicants got admission in the IITs, IIMs and RECs (Regional Engineering College). This created
Engineers and Management professionals of excellent quality. But the opportunities that they had were limited. These professionals played the back bone roles during the early IT revolution.

India’s education system is quite well established and it has two hundred and fifty three (253) Universities and nearly 13,000 colleges. This produces 2.5 million graduates every year. Approximately 3,00,000 graduates (both Engineering and other streams) enter into the workforce every year.

The IT industry is people intensive and it recruits a huge number of people. Table 1.5 below gives the figures of people who were employed in the IT industry through 2005-2009.

Table 1.5 Knowledge professionals employed in the IT industry

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>IT services Export</td>
<td>3,90,000</td>
<td>513,000</td>
<td>690,000</td>
<td>860,000</td>
<td>946,809</td>
</tr>
<tr>
<td>BPO Export</td>
<td>3,16,000</td>
<td>415,000</td>
<td>553,000</td>
<td>7,00,000</td>
<td>789,806</td>
</tr>
<tr>
<td>Domestic Market</td>
<td>3,52,000</td>
<td>365,000</td>
<td>378,000</td>
<td>450,000</td>
<td>5,00,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,058,000</td>
<td>1,293,000</td>
<td>1,621,000</td>
<td>2,010,000</td>
<td>2,236,614</td>
</tr>
</tbody>
</table>

There are already more than twenty two (22) lacs of knowledge employees in the IT industry in India and some of the forecasts by NASSCOM say that the number will only be growing in the years ahead.

Some of the forecasts in this industry vouch for further growth and diversification of this industry. As per the 2009 fact sheet of NASSCOM, the following are the forecasts:

1. The industry will further diversify into new geographies, verticals and service lines.
2. By 2012, services and software segments are estimated to cross USD 1.2 trillion.
3. The lack of working age population in developed economies and a significant long term cost arbitrage hint at India’s sustained growth.

This means that the IT industry is in the pink of its health and it is going to stay and grow in the years to come. This also hint at the fact that the industry will continue to face people challenges, even more vehemently.

The cost and quality factors of people are the major reasons why India is attracting outsourcing from organizations of the Western world. However, in this space, India is facing stiff competition from countries like China and Philippines. To maintain an edge over other countries who are in the outsourcing business and also to ensure that the Western countries get the cost and quality advantage, India needs to work harder with respect to its human resources. One of the major people challenges that way will be to ensure desired productivity with optimized human resources. Employee motivation is critical here as it can drive productivity and commitment.

The industrial changes in the Indian business scenario cannot be explained just with the IT industry boom. There are visible changes in the other sectors too. The growth that is being visible to us for the last 15 years in all the sectors is because of the several reform programs at the Government level such as lifting the restrictions on foreign investments and industrial de-licensing. The EXIM policy was also tailored to promote exports. Also the import duties were aligned to meet the WTO commitments.

Existing industries are expanding and new industries are emerging. There are many non-IT organizations which are people intensive and which employ knowledge workers. Banking, consulting, insurance and telecom industries are some examples for this. ‘People’ are the critical resources for all these industries.
1.6 Research Context

India’s long term attractiveness with respect to the IT industry is the favorable demographic profile. India has around 60% of the population between 15-59 age group. And half of them are below 25 years of age.

While many things are favorable for this industry to grow and thrive, there are people related challenges and the most critical of them is attrition and retention of talent. This is a people intensive industry and the major investment is in people. The margins from the business depend hugely on productivity which in turn is people dependent. When people leave, the recruiting and training costs go up. This means more cost for the organizations. If the cost is not attractive, the Western countries that outsource their work to India might re-consider the arrangement. So attracting, retaining and motivating people have a very big role in ensuring the survival of this industry.

Delivering consistent performance and providing cost effective solutions to the clients are very important for this industry to sustain and grow. It is the ‘cost of the people’ that is forcing the American and European organizations to outsource IT and ITES services to India. There’s acute competition in this space for India from countries like China and Philippines when it comes to the ‘people cost’ factor. However, the English speaking skills, logical skills and the patience of our manpower are giving us an edge.

One of the studies reveals that the critical micro level problem this industry is going to face is the very high level of employee turnover (Kuruvila, 2008). Many organizations hesitate to reveal their actual attrition rate in the fear that it might impact client perception on the organization’s stability in delivering seamless service and also the general image on the governance of the organization.

The average attrition rate in the IT services industry is around 20% and that of the Business Process Outsourcing industry is 50%-60%. Another factor that causes worry to this industry is the decrease in the average tenure of employees. To manage this challenge, most of the organizations do lateral hiring and ultimately they end up
indulging in the unhealthy ‘poaching practices’ (Kuruvila, 2008). When this movement of employees happens from one organization to another, they move to competing organizations with the knowledge and business secrets acquired from their former employers. This creates a very challenging scenario for the organizations (Abassi and Hollman, 2000).

Research reveals that (Abassi and Hollman, 2000; Hewitts Associates, 2006; Sherman et al, 2006) some reasons for employee attrition include hiring practices, managerial style, lack of recognition, lack of competitive compensation system and toxic workplace environment. Some other reasons are lack of interesting work, lack of job security, lack of promotion and inadequate training and development opportunities, amongst others. These are both intrinsic and extrinsic motivational factors which can help managers to influence employee retention in their organizations.

In a study conducted to check if retention could be influenced through some selected combinations of intrinsic and extrinsic motivational variables, it was found to have a significant influence. The variables which are being talked about are ‘training and development’, ‘challenging/interesting work’, ‘freedom for innovative thinking’ and ‘job security’ (Samuel and Chipunza, 2009). This shows that further research is needed in this area. More insights on demographic factors and its influence on ‘intrinsic’ and ‘extrinsic’ preferences of motivation would be highly useful for practicing managers.

To sum up, the rapid growth of the IT industry in India predicts that this industry will be one of the key engines which would steer India’s economic growth. However, people related challenges will be the major concerns for this industry in future. Low cost has been a key advantage for India's outsourcing industry so far. Raising HR cost can be detrimental for the industry to survive in the long run. To continue having the competitive advantage over the other global competitors, and to be the catalysts for the growth of this industry, the people of this industry need to be knowledgeable and motivated. Motivated employees contribute to be effective and efficient for the organization. This is true also for the other industries which are people intensive.
More insights into the factors that motivate people of different demographic groups would help the top Management, HR heads and line managers to take appropriate decisions and plan and execute interventions of motivation more effectively.

1.7 Need for the Study

The opening up of the economic policies in the early 90s paved the way for the sudden rise of the industrial activities in India. This has facilitated the flow of foreign investments to India. Multinationals opened their shops in India while some of the Indian organizations opened their shops abroad. There are many new generation industries which have started and expanded in this country in the past few years. Finance, insurance, banking, hospitality, telecom etc., are some examples for this.

India also has witnessed the growth of the IT industry which has re-written Indian’s position in the global industry map. The IT industry includes software, hardware and outsourcing industries. The rapid growth both in IT and non-IT industries paved the way for mobility of labour, capital and technology.

The need for people is compelling organizations to tap various demographic groups for employment which are sort of ‘invisible’ (house wives, retired hands, ex-service men, returned NRIs, etc.). One of the major challenges today for the organizations is to get the employees motivated and retained. In the days to come, ‘attrition’ is supposed to be the most critical determinant for the success of the IT industry. This could be the case for many non-IT industries too.

According to Fitz-enz (1997) an average organization loses approximately $1 million with every ten (10) managerial and professional employees who leave the organization. When we consider the direct and indirect costs, the total cost of an exited employee could be anything between a year to two years’ pay and benefits. An ‘employee exit’ has a significant economical impact on the organization, especially when it is a critical resource that leaves.
Research evidences are there which say that motivated employees are critical for organizational success. Motivated employees are more committed and more productive.

This study has been initiated to check the relationship between some of the demographic factors (such as age, gender, marital status, level in the organization, tenure) and the impact these factors have on work motivation. The study also conducts an exploration to find out whether there are differences for the motivational factors with regard to IT and non-IT industries. This research also seeks to find out how extrinsic and intrinsic motivational factors play their roles with regard to the demographic factors of employees.

Further, this study is quite timely, because there are, however, not many research studies available in India which assess the relationship between various demographic factors and work motivation. Most of the available studies have been conducted in firms that are in the geographical areas of the Americas or Europe.

1.8 Chapterization of the Thesis
The entire thesis has been divided into nine chapters. The first chapter is a general introduction to the concepts of motivation and the theoretical evolution of the same. The chapter also briefly covers the industrial scenario and the people factor in India with specific stress on the IT industry which is an evolving high growth industry. The chapter sets the research context and the need for the study. The closure of the chapter is by summarizing the other chapters in the thesis.

The second chapter is mostly the literature excerpts from various secondary sources. The chapter discusses in detail various studies done on the demographic factors and work motivation. It also touches on the work motivational studies done in India. It states the problem and objectives of the study and concludes with the hypotheses.

The third chapter contains the methodology which portrays the details and order of the study conducted. The chapter talks about the various statistical tools used as well. Fourth,
fifth, sixth, seventh and eighth chapters are about the presentation and analysis of the data. The data are presented and analyzed in these chapters. The last chapter summarizes the findings of the study.