CHAPTER - I
INTRODUCTION
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1.1 Background

Liberalization of the Indian economy has been followed by restructuring, economic transition to an open market, and increased competition. Subsequently the corporations have been profound changes in all functions of organizations due to such competitive pressure. General needs among the managerial cadre have changed macro as well as micro HRM activities. Indian Industry also realized that technology, IT infrastructure, large scale operations and capital are no more an entry criteria and competitive tools to any organizations. The competitive edge will come from a company’s ability to innovate, create and use the entrepreneurial energies of its people. These energies will be utilized only when they are engaged and empowered.

It has often been said that the most important asset of any business is its employees. Indeed, people and the management of people are increasingly seen as key elements of competitive advantage (Allen and Wright, 2007; Boxall and Purcell, 2003). Unlike traditional views on competitive advantage which emphasized such barriers to entry as economies of scale, access to capital, and regulated competition, more recent views have highlighted an organization’s strategic management of its human resources as a source of competitive advantage, which cannot easily be acquired or imitated. The importance of people management as a critical source of competitive advantage has been highlighted because of the increasingly competitive global marketplace facing organizations, and the ease with which other sources of competitive advantage such as technology, manufacturing processes, structure, and business strategy, can easily be acquired or imitated. Organizations are therefore seeking to understand how their human resources can be managed for sustainable competitive advantage (Dyer and Reeves, 1995).

Proper attention on strategic human resource management (SHRM) refers to the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. It involves all of the activities that are implemented by an organization to affect the behaviour of individuals in an effort to implement the strategic needs of business
SHRM focuses on explicating the strategic role that HR can play in enhancing organizational effectiveness through the impact of HRM practices on individual-level outcomes such as task performance, absenteeism and turnover.

Much of the most current writing on employee empowerment suggests that one-dimensional approaches are not enough. For empowerment to be effective it must be multi-dimensional. Vogt and Murrell (1990) identify six dimensions to empowerment: educating, leading, mentoring/supporting, providing, structuring, and one that incorporates all of the above. Empowerment in their perspective may be initiated by oneself or by others. In an empowered organization, employees are able to fully participate as partners, they take initiative, work in teams as well as individually, and have the authority to make strategic decisions. Management’s job from this perspective is to create a culture of participation by providing a compelling mission, a structure that emphasizes flexibility and autonomy, rewards for participation and a lack of punishment for risk taking, as well as ongoing involvement programmes and support for the integration of employees’ work and family lives. From a corporate perspective, it was important that the managers must provide positive feedback, information, resources, supportive policies, and a stress-minimized working environment.

Macy et al., (1995) identify the major components of high performing organizations to be very similar to those found in the literature on empowering organizations. They include activities such as multi-skilling, cross training, self-directed work teams, and horizontal design; human resource systems such as learning and development, job enrichment/enlargement, peer review, and innovative compensation plans; and total quality management that involves line employees such as statistical process control techniques, just-in-time inventory and delivery, and formalized supplier/vendor partnerships. In addition to the empowering aspects, they identify the use of technology as a key component of engagement and high performance through individual empowerment.

The empowering organizations have a wide span of control which leads to more autonomy for the employee. Empowered employees feel that their organization provides them socio-political support, that they have greater access to information and resources than in traditional organizations, and that their work climate is participatory. “Employees often think
of empowerment in terms of self-empowerment. They lose sight of the fact that teamwork and cooperation depend on each element in the system working in concert with every other element” (Landes, 1994). Empowerment from this perspective is “an act of building, developing, and increasing power through cooperating, sharing, and working together” (Rothstein, 1995). In other word empowerment means managing organizations of collaboration where workers have a voice and creates the culture of self engagement (Gorden, 1995).

In the post liberalization, privatization, globalization (LPG) era and technological changes, today’s employee in the organization is treated more than an “Employee” and they are treated as valuable assets. The concepts like employee empowerment and employee engagement are rapidly gaining popularity in the workplace. In the 21st century, many companies and research firms see engagement as a powerful source of sustainable competitive advantage. For organizational excellence, employee engagement is the mantra of success to achieve organizational goals and vision. Employee engagement is a winning formula for making organizational excellence. Organizations today are increasingly dependent on knowledge creation and human development for their optimal and sustainable growth. To meet the challenges resulting from global competitiveness, they need to demonstrate world class performance, reexamine the drivers of organizational performance through employee engagement. Human capital is a key distinctly different from other assets of the firms. It consists of employee's skills, competencies, commitment, motivation and loyalty, problem solving capability, innovation, knowledge and attitude. The human capital, if developed and nurtured appropriately by the organization also drives the organization towards developing other assets or capabilities necessary for the organizational growth and development in recent times.

In the post globalization scenario, employee engagement (EE) is a pivotal mechanism for nurturing a high performance culture to drive the organization towards success. EE is about building a truly great relationship with the workforce. Any organization that embraces fine management philosophy, recognition of employees’ talent, potential and is committed to providing enriching professional experiences are bound to succeed. The employee is one of the key assets of an organization and today’s employee’ in the organization is treated more than an
‘employee’ (Rajgopal and Abraham, 2007). So EE is directly linked with the company’s growth and development and contribute towards the core competencies of a successful organization by retaining its key talents.

Employee engagement as a key to the retention of talent (Glen, 2006) is an area in which the lead has been taken by practitioners. Effective talent management policies and practices demonstrate commitment to human capital, resulting in more engaged employees and lower turnover. Consequently, employee engagement has a substantial impact on employee productivity and talent retention. Employee engagement, in fact, can make or break the bottom line (Lockwood, 2006).

Employees’ feelings with respect to the existing practices may lead towards psychological well-being involves feeling good. More recent work in the area of positive psychology also supports the idea of purpose and positive emotion, as the key ingredients of psychological well-being. Faragher et al., (2004) report on a means of measuring the aspects of the workplace if absent, then these will block well-being and limit potential engagement levels. The key factors which are enhancing the level of engagement are: work relationships; work-life balance; work overload; job security; control/autonomy; resources and communications; pay and benefits; and job satisfaction. Bhatnagar (2007) in her study reflected that five factors such as: exciting work; career growth; workplace relationships; fair pay; and supportive management are highly visible and have significant impact on retention. Engaged employees are also more likely to have a high-quality relationship with their employer leading them to also have more positive attitudes and intended to stay longer in the organization.

The prime objective behind this study is to test the impact of employee empowerment and engagement initiatives on employee retention as an outcome of the empowerment and engagement process. In relation to this it can be assumed that the perceived level of the engagement drivers is contributing towards employee retention.
1.2 Relevance of the Study

Due to economic liberalization the giant multinationals and private sectors are very much interested to take up their industrial undertakings in India. In the competitive environment, the most competitive organization has become prominently visible since introduction of new economic policy. The compulsion to be competitive makes organization to think about the effectiveness and utmost utilization of existing human resource for their survival and growth. So competitive environment requires for strategic changes to be made for excellence of resource through well developed human resource strategies for training and retraining for proper performance management system and feedback mechanism, employee empowerment and involvement, small group participation, teamwork, multi-skilling of employees, individual recognition and commitment, adequate wage and salary structure, employee reward system, interpersonal relations, labour management, cooperation, healthy industrial relations scenario, etc. for existence of the organization in the world of competition. Definitely these measures are contributing a lot for effective utilization of human resource in order to achieve the ultimate goal in the competitive environment.

Employee empowerment has significant relationship with degree of engagement. Empowerment recognizes that individuals usually are competent in what they do. It affects the quality of human decisions by establishing authority for employees within their workplaces. The absence of fear eliminates negative motivation. It appears that leadership inclusion of these points within an organization’s code of conduct would provide for a stronger link between the culture, the code of conduct and leaders ethics and values and would build employee engagement. The determinants of employee empowerment and engagement connote a healthy working atmosphere that reflects on the social impact created by the organization. Employees would enjoy considerable attention in terms of the determinants being addressed. Special focus and effort are required specifically on the factors like, working-environment and team and co-worker relationship as they have shown a significantly higher impact on employee engagement and hence employee performance. Organizations shall focus on presenting a great environment for employees to work and promote programmes that would enhance peer relationships (Anitha.2014).
Evidently, there is no easy way to empower and engage employees, but there are methods that can increase the degree of empowerment and engagement levels. In addition, organizations are relating the importance of encouraging two-way communication that is seen as a key driver of empowerment and engagement. It is also vital that organizations recognize and celebrate success at individual, team and organizational levels (Mc. Basin 2007).

Several research studies highlighted for the optimum utilization of human resource through well developed human resource strategies. Definitely these measures are contributing a lot for effective utilization of human resource in order to achieve the ultimate goal in the structural transformation process. Therefore the main concern of this study is how the management takes care of the successful implementation of proactive measures towards empowerment, engagement and retention of human capital.

The study is based on empirical data, to know the impact of empowerment and engagement strategies for their retention for optimum utilization of human capital towards organization survival and sustainability. This study will definitely throw some light to others for further research and other organizations to adopt the outcomes of the study.

1.3 Scope of the Study

The study is an analytical one which concentrates on the impact of employee empowerment and engagement strategies for retention of employees of the National Aluminium Company Limited (NALCO). The NALCO has been selected for the purpose of the study to draw a clear picture on the impact of empowerment and engagement measures towards retention of employees and their contributions on organizational success. The selected case for the research is National Aluminium Company Limited (NALCO), which was incorporated in 1981 as a public sector enterprise of the Government of India and Asia’s largest integrated aluminium complex encompassing bauxite mining, alumina refining, aluminium smelting and captive power plant and rail and port operations. Its production units are situated in different parts of Odisha such as; Bauxite Mines – Panchpatmali, Alumina Plant – Damanjodi, Smelter Plant- Angul, Captive Power Plant – Angul. NALCO is taking port facilities from Paradeep, Visakhapatnam, and Calcutta for export and import of products. The demand scenario in both domestic and international markets had continued to be good and
value addition has also taken place in alumina segment, with production of specialty alumina and zeolite. The annual turnover is 724 crore and employs around 7555 employees.

The vision of NALCO is to be a company of global repute in the aluminium industry. Mission is to achieve growth in business with a global competitive edge in providing satisfaction to the customers, employees, shareholders and the community at large.

As privatization is a global phenomenon, the corporate leaders of NALCO were seriously thinking about to escape from this situation by enhancing the productivity and profitability of the organization. In order to achieve the corporate objectives, the NALCO management has to take necessary steps and effective care for tapping of existing human resource by formulating and implementing proactive empowerment and engagement strategies successfully.

1.4 Formulation of Research Problem

Strategic HRM research focuses on explicating the strategic role that HR can play in enhancing organizational effectiveness. While HRM researchers have a long tradition of examining the impact of HRM practices on individual-level outcomes such as empowerment, engagement, retention, and task performance (Harrison & Martocchio, 1998). HRM research has traditionally had an individual-level focus; in contrast, strategic HRM research is typically conducted at the business-unit or organizational level of analysis. Reflecting this orientation, is a growing consensus that a system of HRM practices, rather than HRM practices in isolation, is a more appropriate focus for understanding how HRM impacts important performance outcomes (Lepak et al., 2006). For instance, “recent HR research has focused on high-performance work systems (HPWS), a term used to denote a system of HR practices designed to enhance employees’ skills, commitment, and productivity in such a way that employees become a source of competitive advantage” (Datta et al., 2005).

Consequently, research has since been concerned to identify the relationship between employee empowerment, engagement, and retention measures and their impact on organizational performance for survival. Although much is now known about the processes that underlie the relationship between these. But, there are still gaps or problems in terms of
the solidity of the knowledge. The general conclusion on the impact of empowerment and engagement measures is still far from a complete evidence. The lack of research on these limits our understanding of the empowerment and engagement processes through which the organizations can retain their key talents.

The research questions which are formulated on the basis of the gaps identified in the works of earlier researchers and the objectives of the study. The key research questions framed to carry the future work in proper direction are:

- What are the key facilitators of employee empowerment?
- Does engagement of employees depend on specific factors?
- How employee empowerment measures will influence the degree of engagement?
- Does a sense of empowerment by the employees will motivate the employees to stay longer?
- Is there any relationship between employee engagement strategies and retention of the talents?
- Does employee retention as the combined effect of empowerment and engagement initiatives?

1.5 Statement of Objectives

This prime focus of the study was to find out the degree of relationship between empowerment and engagement strategies adopted by NALCO with retention of employees to gain competitive advantage and organizational success. The objectives which are set for the study are mentioned below:

- To determine the key facilitators of employee empowerment climate.
- To identify the relevant factors of employee engagement.
- To find out the impact of empowerment measures on engagement of employees.
- To establish a relationship between empowerment and retention of employees with the help of some key variables.
- To clarify the degree of relationship between engagement of employees and intend to stay longer in the organization.
- To develop a concrete evidence of the combined effort of empowerment and engagement for retention of employees.
1.6 Theoretical Contributions

The existing literature on empowerment, engagement and retention of employees has acknowledged the importance of empowerment and engagement initiatives and their positive effects on retention of employees. Consequently, there is much to be gained from the understanding of how executives of an organisation benefit from the appropriate identification of specific measures relating to empowerment and engagement of the talents. Despite decades of scientific research on various empowerment and engagement drives for organisational growth through retention of people, it lacks in developing a comprehensive model, which can allow an organisation a degree of flexibility to account both for organisational and individual specific elements. There is major concern about the lack of conceptualisation of strategic empowerment and engagement measures which are to be experienced by the organizations for talent retention to gain competitive advantage, whereas the importance of such measures have been acknowledged by various organisational scholars. Through this study, it has been devised as a comprehensive research model, which can address the relevant issues of empowerment and engagement for effective retention of employees. This model also provides the flexibility to introduce organisations and individual specific elements so that there can be lasting implication for workers, executives and organisations alike. Some of the major contributions of this thesis are summarised below:

- Add clarity to leadership, vision and direction.
- Organizational practices will be streamlined to increase perceived employee empowerment and engagement and thereby it will yield intention to stay longer with the organization.
- Created domino effect on HR practices by enhancing the meaning of the task through empowerment and involvement of employees.
- The findings would be suggesting HR interventions underpinning strategy and objective of the organization.
- Practitioners and academics can gain from this study by creating an engaged workforce. The data and argument that will be presented will be compelling one. This would like to sort out the query that why leaders need to make employee engagement one of their priorities.
1.7 Outline of the Thesis

The thesis is organised into eight chapters. The detailed plan and contents of the proposed study will deal with the following chapters such as:

Chapter 1 is the introductory one which contains background, relevance and scope of the study, research problem and objectives, contributions of the study, and thesis structure.

Chapter 2 reviews the theoretical perspectives along with several models derived from the earlier researchers relating to empowerment, engagement and retention of employees. The central components of these theories, their appropriateness, and how they informed the choices of variables are discussed.

Chapter 3 reflects in detail about theoretical background and historical development concerning the research scope and objectives. This chapter also illustrates the hypotheses formulated based on the existing literature and a hypothesized model derived based on research setting.

Chapter 4 illustrates in detail about the organisation which was selected for the purpose of this empirical study. The organization selected for this study was National Aluminium Company Ltd. (NALCO).

Chapter 5 reflects a clear picture relating to descriptive research design, application of case study and survey method, sampling technique and determination of sample size, data sources, tools of data collection, and the multivariate techniques which have been adopted for validation of the study.

Chapter 6 clarifies about organisational practices toward strategic HRM in general and specific actions on empowerment and engagement of employees in general. The available information from the secondary source collected from the organisation was also analysed and evidenced the actions taken by the organization towards this end.
Chapter 7 has given an inclusive picture on employee empowerment, engagement and retention in the selected research unit, based on opinion surveys of respondents as well as illustrated a detailed analysis to extract the resultant findings. It presents results of the descriptive statistics, correlations among variables and regression analysis that provide support for the degree relationships between several sets of dependent and independent variables. Second, it presents the results of the tests of hypotheses.

Chapter 8 recaps the objectives of the study and locates the study within the larger context of innovative and proactive HRM. Specifically, it summarizes the summary and findings, recommendations, and implications of the study. It further discusses the limitations of the study, concluding remarks, and highlights the scope for future research.
References:


