CHAPTER I

1 INTRODUCTION

There are only three measurements that tell you nearly everything you need to know about your organization’s overall performance; employee engagement, customer satisfaction and cash flow. It goes without saying that no company, small or large, can win over in the long run without energized employees who believe in the mission and understand how to achieve it.

Jack Welch, former CEO of GE

Employee Engagement is a top of the mind issue for business leaders like Jack Welch and human resource professionals for some time now. India is witnessing an economic growth miracle and given the role it plays in the global business scenario, we are in the right place to explore how HR drives employee engagement so that our organizations remain relevant, competitive and successful. Never in the history of Indian Human Resource practice, have we faced a greater need to retain our best talent, our people so that we can continue to ensure that they are engaged to help business succeed in a volatile, uncertain, complex and ambiguous Indian IT scenario.

This chapter introduces the history of growth of IT industry in India. The rationale behind the research problem is documented in detail. The focus is on challenges faced by human resource professionals at Chennai IT product organizations to increase employee engagement levels and reduce turnover intentions. A good understanding of the dynamic interplay of these factors during constant change management initiatives is vital in HR practice. Thus the role of Key HR Drivers, Employee Engagement and Turnover Intention as dynamic constructs are clearly documented in this preliminary chapter.

The concluding remarks include the research problem and proposed conceptual model for testing. The significance of the study with regard to theoretical and practical application is documented in detail. Hence the findings and recommendations of the research solutions to People Management issues is documented in the final chapter for application in the Corporate Space.
1.1 India - A Rising Growth Story

The Goldman Sachs report by J O’Neill, titled “Building Better Global Economic BRICS” (2001) states that “100 million Indians will enter the labour force by 2020”. The Tamil Nadu Government Industries Department website (www.investingintamilnadu.com) further states that India may be rightly considered the poster boy for transformation in the global business scenario today. During 1770, India was the second largest economy in the world contributing more than 20% of world output. After two centuries of economic decline during 1970’s, her share of 3% had fallen to its lowest in recorded history. Post 1947, India followed regulatory focused economic policies which severely restricted trade resulting in low growth. Post 1991, liberalization reforms gradually removed obstacles to economic freedom and India began catch up, steadily re-integrating into the global economy. Thus a sleeping giant has been awakened, scripting a remarkable economic turnaround story.

The Indian Information Technology Industry has played a significant role in this economic turnaround in the last few decades. The proof of the pudding can be found in the NASSCOM Annual Report (2014-2015) where Mr. Mohandas Pai from Manipal Global stated that “NASSCOM pioneered the Indian IT industry and helped create a global colossus with USD 125 billion revenue, USD 100 billion exports, 3.5 million employed in a short period of 25 years.” The profession of Human Resource practice has played a significant role in the Hiring, Training and Engaging of the 3.5 million employees as part of their IT career history. Thus the role of HR Drivers is very critical as strategic interventions in HR have contributed in a major way in scripting this phenomenal growth story.

1.2 Historical Background of the Indian IT industry

We need to go back in time to understand how this transformation story began in the late 1970’s. American organizations looked outward to Ireland, Israel and India to develop software products at an optimal cost, given the widespread knowledge of English and availability of relatively low cost programmers. This led to the creation of the present software industry by migrating technical knowledge from a mature complex business environment to a less developed country such as India. There was a further boost when the government started to fund research contracts to provide IT
services to Defence industry. As a result, Product IT firms mushroomed but the protectionist government policies did not provide much opportunities to the Private Sector.

Under Foreign Exchange Regulation Act-1973, a foreign firm could operate in India only with a minority interest. IT firms like IBM soon closed their Indian operations, citing concerns about the protection of Intellectual property. Soon other organizations including domestic players found an innovative solution to their problem. Since software development could not come to India, Indian programmers were sent directly to the global centres based in US cities. One example is mainframe solution provider, Burroughs, asking its Indian counterpart Tata Consultancy Services (TCS), to despatch programmers for installing system software for a US client. Other firms followed, and soon there was a growing pool of Indian programmers working for global IT organizations.

Thus companies like IBM started reaping benefits in cost advantages and their market share began to see exponential growth. The major impact was seen in clients in the US from the Banking Industry who were highly dependent on software for automation. The irony in the situation was that Government did not regulate the industry quickly to meet client needs as import tariffs were high and “software” was not even classified as an Industry. This meant that Indian IT export firms were ineligible for Bank Finance. A major breakthrough was when the Indian IT industry began a unique process of upgrading skills such as technical and industry knowledge of programmers to make them more competent in handling international client requests. These programmers were in great demand in the US as they began to deliver significant impact in ensuring a competitive advantage to the clients.

The government soon changed to a supportive stance with the arrival of the Rajiv Gandhi government’s new Computer Policy (NCP-1984), ushering in India’s digital revolution. It ensured reduced import tariffs on hardware and software as well as recognition of software exports as a “delicensed industry”. This masterstroke ensured that that banks could sanction loans resulting in the infusion of capital which was necessary for exponential growth. The next major change that swept the country was the permission for foreign firms to set up wholly-owned, export dedicated units.
The multinational organization Texas Instruments was one of the first to take advantage and this move has gained cult status. General Electric (GE) was one of the first to scout for land in Gurgaon and set up its captive unit, giving birth to an employment revolution in India. Thus the knowledge based industries in the form of Information Technology and Information Technology Enabled Services (IT/ITES) began to experience phenomenal growth.

Government projects were initiated to set up a chain of software parks to offer high quality low cost infrastructure. The icing on the cake was the tax breaks provided to support the growth of the Information Technology industry. This resulted in the next breakthrough of more relocation of work to India. Organizations rushed to set up Research and Development centres to develop product software for Hewlett Packard or custom software for Citigroup. Domestic firms such as TCS shifted from outsourcing programmers to outsourcing custom software and others like Wipro, Infosys, Satyam, and Polaris started their own Product Development Centres across Indian cities.

The outsourcing boon that began in the 1990’s grew by in leaps and bounds in 1999 due to the Y2K problem resulting in more multi-nationals joining the bandwagon to set up their captive centres outside American shores. Another example is Cognizant, which was the technology arm of Dun and Bradstreet who took off as a major player in IT by hiring a larger pool of employees to set up its largest IT base in Chennai outside America. A significant Global IT workforce with a base in India became the buzzword. Employees in the West ably supported by teams operating in a different time zone like India, created a twenty four hour global workforce helping business optimize and succeed at a lower cost.

More and more Business Process Outsourcing to India became a standard business practice as part of business reengineering. IT companies like IBM, Accenture, Oracle and Dell also joined the bandwagon by setting up shop in India. After a few years their Indian counterparts like Infosys, TCS and Wipro began to catch up with great speed to seal the great Indian Information Technology global revolution.
1.3 Research Problem

The Social Exchange Theory proposed by Saks, A.M (2006) highlights that a cycle of obligations create a working environment of interdependence between employer and employee. This theory explains why some employees choose to be more engaged and others are less engaged in the same organization. As a result, the concept of employee engagement has gained considerable recognition among human resources management professionals. So understanding the key drivers that influence Employee Engagement is critical for business success today.

According to Gebauer et al (2008), Lockwood, N. R., (2007), Bassi, L., McMurrer, D (2007) employee perceptions of Human resource practices are crucial since it influences employees’ contribution to achieve organizational goals. Thus a review of relevant literature defines there are multiple antecedents such as workplace culture, organizational communication, managerial styles, leadership, company reputation, leadership practices, knowledge accessibility, workforce optimization, learning capacity. Thus the concept of employee engagement has received a lot of attention but evidence based research from an Indian context is limited.

IT organizations are choosing the route of mergers and demergers to stay alive and relevant in a highly competitive IT industry. For evidence we need to look up the Newspapers headlines drawing attention to the same. Times of India dated April 6, 2016 draws attention to Blackstone acquiring Hewlett Packards’ stake in Mphasis or Capgemini’s acquisition of iGate (Appendix 7.3.6) HR professionals driving these change management initiatives look up to employee engagement initiatives as a people management strategy to reduce attrition to competition.

Some of the studies are focused on the impact of employee engagement on positive outcomes like employee performance, trust, loyalty or negative outcomes such as lack of employee commitment or organization citizenship behaviour. Thus the focus of the empirical studies is either the antecedents or the consequences. Thus there is a need to sift the literature and focus on theoretical models that predict the role of antecedents and consequences like HR Drivers and Turnover Intention based on empirical research and not mere opinions.
The focus should be on deriving a holistic conceptual model to support HR professionals to sift the engaged from the disengaged, to understand present day factors encouraging employees to quit organizations and to improve the right HR practices relevant to the information technology industry. There is need to review how employees cope with organizational changes in periods of job insecurity due to impending merger or demerger. There is a need to view employee engagement not as a single paradigm but as a mediator of organizational outcomes influenced by HR Drivers. Thus the present study focuses on perceptions of HR Drivers as antecedents to employee engagement and aims to confirm the role of employee engagement as a mediator influencing turnover intention of employees from an India context based on empirical research.

1.4 Proposed Conceptual Model

The proposed model describes the potential relationship between key HR Drivers, Employee Engagement and Employee Turnover Intention in IT product industries where employee engagement and retention needs to be achieved in the context of change management initiatives. A) Explores employee perceptions of key HR Drivers such as Leadership Connect, Work-life Balance, Job Enablement, Managerial Credibility, Career Development, Organization Brand and Recognition and Benefits as antecedents of Employee Engagement. B) Describes the role of engagement as a mediator of the relationship in the Chennai context between HR Drivers and Turnover Intention.

![Proposed Conceptual Model](image)

**Figure 1.4.1 Proposed Conceptual Model**

The results of the proposed conceptual model on the interplay of antecedents and mediation of employee engagement on Turnover Intention will be used to derive
a model towards effective human resource management and practice. (Figure 5.7.1
HR Strategic Model for Intervention)

1.5 Role of Human Resources as Drivers of Employee Engagement

The field of HR practice is a world in itself. Critical HR Drivers have been identified from existing literature and the seven Factors used in the study are described in detail as follows.

1.5.1 HR Drivers - Leadership Connect

As per Dicke, C., Holwerda, J. and Kontakos, M. (2007) “Highly engaged employees receive communication from their supervisor and senior management far more frequently than low engagement employees”. Thus it is very important to make sure Senior Management understand HR issues and periodically communicates with employees. In IT firms like CSC, the India Managing Director can be periodically seen having Town Halls with group of employees or managers in small groups as part of the Employee Engagement Strategy. So frequent focus group sessions, emails to employees and casual chats between Leadership Team and employees over coffee, go a long way in reinforcing the Leadership connect with employees.

1.5.2 HR Drivers - Work-life Balance

The IT career is synonymous with 24/7 operations. Employees work odd hours to ensure that clients around the world are supported at all times. This virtual world brings a lot of stress to the workplace. Fixed work time is a blurred concept and no longer relevant. Working late and working from home has taken a new meaning blurring the lines of family time and work time. Work Space as a concept itself has undergone a sea change. Having an office at home has its advantages and with it comes the boundaries that are broken. These concepts have become a boon for employees who have to travel long distances and hence save time on transportation. Women on maternity have been able to balance child care and work when they are provided work from home opportunities. Thus Work-life Balance driven as a HR policy is critical for employee retention.
We are also experiencing a backlash with these policies. The CEO of Yahoo Ms. Marissa Meyers has announced the withdrawing of the work from home policy. Companies like IBM has also taken a similar stand due to the misuse of the policy. The work expectations of scrum requires employees across locations having more personal interactions. Stiff competition and constant need to upgrade the skills means that employees need to be on their toes to meet the constant changing demands due to the change in technology. Many employees are feeling overwhelmed. High workload levels and demands on their personal time in the absence of suitable family support is taking a toll on their careers and health. Career longevity of many an employee has been affected significantly by Work-life Balance issues. The Employee Engagement Study by Towers Watson (2012) reinforces the need for HR interventions to relieve stress and workload.

1.5.3 HR Driver - Managerial Credibility

Managers are a critical cog in the organizational machinery. They play a dual role. They play the role of employee who also report to a Manager as well as play the critical role of supervising the day to day responsibilities of the employees reporting to them. The Manager is someone who has everyday interaction with the employee. The employee experiences of the organization is captured by relationship with manager. The manager is “go to person” for meeting the employee needs. It is the Manager who determines the job responsibility and guides the employee on completion of tasks. Managers provide critical feedback during performance evaluation. They also suggest improvements and take the onus to guide the employee with regard to development. The critical factors of determining the compensation increases, organizational benefits and recognition are also decided by them. They are also responsible for identifying negative performers and taking suitable action. Thus the employee experiences the organization through the eyes of the Manager.

The level of Supervisor care received by the employee is a reflection of the HR policies driven by the Organization. The level of engagement with the organization is also reflected in the quality of supervisory relationship. This ultimately influences how employees feel about organizational stress, their workload and their growth opportunities and helps them make a decision on continuing or discontinuing their
services within the same organization. Thus the HR policy expects that Managers take onus to enhance employee performance, set boundaries on job roles, share organizational goals, distribute workload, reward exemplary performance, reinforce career development and also improve internal branding with the employee.

1.5.4 HR Drivers - Organization Brand

Brand as defined by Sartain, L. and Schumann, M. (2006) is “how a business builds and packages its identity from its origins and values. What it promises to deliver is to emotionally connect employees with organisation so that they in turn deliver what the business promises to customers.”

One clear example is how Mr. Narayana Murthy post retirement from Infosys continues to play the role of visionary or mentor to the organization. Mr. Murthy has not only been the founder but has played a pivotal role in building Infosys brand with both the customer and employee. By sharing the company profits with his employees, he not only created a large base of IT millionaires, but he was one of the pioneers in ensuring that brands need to be built within the organization as well as be appealing to the customer. He ensured that Infosys stood head to shoulder with its largest competitor Tata Consultancy Services, which had taken so many years to build a brand known for quality and trust. As a result Infosys began to be perceived as the brand of choice for an IT career. Rewards for work in terms of employee stocks propelled the company as a leader in engaging with its employees. Even today, his successor Dr. Vishal Sikka, the present CEO continues to promote Employee Engagement as a sound practice to reinforce the Brand of Infosys which had taken a beating while under performing in the last two years.

An unclear organization vision will affect the goals and mission of the organization in a negative manner. Clarity on the goals and objectives need to be done from inside the organization and this is translated as organizational results. The Times of India, 24 Feb, 2016 highlights the Infosys success story. “The Management under the leadership of Dr. Vishal Sikka has drawn up goals for revenue, margins and people productivity for the financial year 2020-2021, which are expected to be progressively achieved in the next five years. Infosys shares have risen 35% since he
was appointed, which is among the highest returns during this period.” The employer brand defines the value proposition of the company to the outside world. The brand contributes to the identity of the organization and thus organization reputation plays an important role in attracting employees.

1.5.5 HR Drivers - Recognition and Benefits

Organizations today encourage their Managers to engage with their employees more because compensation has become performance driven and incentivised. In some organizations, employees work with HR closely and provide suggestions and recommendations towards building a Total Reward system with a focus on recognizing good performance. Employee understanding of compensation based on the fundamental principle of fairness provides a foundation for engaging with employees. The need of the hour is just not reward but recognizing them in front of their co-workers or even their family. There are organizations like PayPal who organize programs where children and family are invited to the organization to understand more about the work culture. The spouse gets a feel of the place where the employee spends commendable hours away from the family. It is usually planned as a fun filled day where children receive gifts.

In iSoft, employee of the month and other awards are distributed in the work floor in front of the working team as a recognizing and motivating factor. Scott, D. and McMullen, T. (2010) from the Hay’s group have clearly documented the impact of Reward programs on Employee Engagement. Thus “Motivating employees and recognizing that top talent may leave for better opportunities has created the new corporate battle cry for more employee engagement.”

1.5.6 HR Drivers - Job Enablers

Enablement refers to an approach which provides support to the employee to enable them to do work to the best of their abilities. This includes the availability of a Job Description to employees when they join. This helps them have a clear understanding of what needs to be accomplished on the job. Another significant factor is the cascading of the mission and vision of the organization across all levels so that
employees work as a team to help achieve the goals for the year. There is need for Onboarding rigor to ensure that employees are provided computers on the first day of joining. Onboarding presentations about the various department functions helps them get oriented to the larger organization. Getting familiar with key people from the organization is important so that employees are familiar with the leadership structure and core team.

Some organizations assign buddies to help new joiners get adjusted faster to corporate life. A big component of enablement is getting access and familiarity to company policies with regard to Administration and HR functioning e.g. leave policies etc. The most important aspect would be building relationship with Supervisor and becoming familiar with the team including global employees so that there is a clear understanding of job responsibilities and what need to be accomplished as a team in the fastest time possible.

1.5.7 HR Drivers - Career Development

When employees join the organization, they have convinced the HR Manager and themselves that their own skills and goals match with what the organization needs and wants. Soon they are likely to envision a future for themselves. All throughout their career, the onus to develop themselves always lies with the employee. Hence HR Department provides a supporting role in building a strong career framework and policies to guide employees to achieve their career goals. The career paths are well defined and skilled employees are rewarded through growth opportunities. Hence career development is a key driver that plays a significant role in employee deciding to remain with the organization or make a decision to find an alternate career opportunity outside the present organization.

A study by Craig, E and DeSimone, L (2011) “What executives really need to know about Employee Engagement” clearly found that “employees who believe that their organization is a good fit for them are more likely to be engaged than workers who do not feel like they identify with their organizations.” People who believe that their career aspirations can be met by their current employer and not some other organization, tend to be highly engaged.
1.6 Employee Engagement

Schaufeli, W. B., Bakker, A. B., and Salanova, M. (2006) defined “Engagement as a positive, fulfilling, work related state of mind that is characterized by Vigor, Dedication and Absorption. Rather than a momentary and specific state, engagement refers to a more persistent and pervasive affective - cognitive state”.

Vigor is characterized by “high levels of energy and mental resilience while working. It is also characterised by the willingness to invest effort in one’s work, and persistence even in the face of difficulties”. Dedication refers to “being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge”. Absorption is characterized by “being fully concentrated and happily engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from work”.

In recent years, there is a great interest in employee engagement. As technology has become part of our daily life, targets are clearly visible to all and rewards are tuned to performance based incentives so that employees are driven to deliver more at a lower cost. Many of the studies have shown that employee engagement helps to increase productivity and improve business results. IT organizations are constantly competing with each other to provide a competitive edge over the other as technology disruptions are a constant threat to the organizations. The technology of today is obsolete and no longer relevant. As a result employees are forced to constantly reinvent themselves. Employees with high job insecurity are the first to be disengaged as there is a constant threat of the loss of job. They are more likely to be actively searching for another employment.

Thus disengaged employees are a threat to the organizational culture. There is a visible loss in energy and morale among such employees. Their attitude and behaviour is distinct and there is a danger that the negatively will catch on amongst other employees too. Hence, there is a lot of research by various HR consultants like Gallup which contribute to the existing literature on identifying disengagement contributing factors within an organization. HR Drivers play an important role in driving engagement. Gallup, a research organization in the field of employee
engagement has worked with organizations around the world to measure employee engagement among the employees. The pioneering study by Gallup has trickled into multi-dimensional employee engagement surveys resulting in metrics to measure the employee engagement levels. HR department works closely with Management to interpret these scores and drive action plans to improve employee engagement levels.

Today, employee engagement is one of the productivity measures of HR services in an organization. Companies hire employee engagement specialists to take responsibility to drive the employee engagement programmes across the organization.

1.7 Employee Turnover Intention

Turnover Intention refers “to an individual’s behavioural intention to leave the organization” Bigliardi, B., Petroni, A., Ivo Dormio, A., (2005). It has implications for both the individual and the organization in terms of avoidable people costs Lee, T. W., and Mitchell, T. R. (1994). Numerous research support the notion that the most important and immediate antecedent and predictor to actual turnover is turnover intention. Martin, A. and Roodt, G. (2008).

The decision to leave an organization can be attributed to a number of reasons. It could be that the employee is not happy with the salary or there is too much stress at work. The employee may have stopped enjoying job and does not see career growth over a long period of time. In some cases, the employee leaves because of an unhappy relationship with the supervisor. A common example observed is the employee who is unhappy with the performance appraisal or increment received. Women employees also leave the organization citing long commute or inability to balance home and work post maternity break. Another reason is health issues or psychological issues like burnout.

Whatever be the reason for Turnover Intention it is vital that organizations through the HR department have established processes for documentation of exit interviews to gather data on exits. Turnover Intention is distinct as it requires mature HR systems like employee engagement surveys to identify areas of discomfort among employees at the earliest. This should happen even before the employee acts on
intention to quit the organization in search of greener pastures. Opportunities to discuss career gaps or developmental needs is a good starting point to identify career aspirations. These gaps give a clear picture of why the employee plans to leave the organization as there is some need that is being unmet at the present organization. As employees search for better prospects they hope to find other employers who can meet the needs that are not met at the present organization. Hence, it is the responsibility of the Manager and HR to find ways to nip the issues in the bud and encourage retention instead of attrition.

1.8 Significance of the Study

This study has both theoretical and practical application. Organizations like IBM, CSC, and Accenture have their largest demographic segment of work population based out of India. Employee Engagement is a relatively new concept in India and this is one of the few studies on Employee Engagement in the Indian context with specific reference to organizations from Chennai.

The newspaper article on May 5, 2016 in Times of India draws light on the present trend of mergers and demergers to help organizations stay relevant due to technology disruptions which are changing the nature of the IT business. Mr. Arun Jain CEO, focusing on Product Innovation has sold the Services wing of IT major Polaris to Virtusa and has started his Product organization ‘Intellect’ post the demerger (Appendix 7.3.11). In such a scenario HR professionals need to take a keen interest to ensure that employees are engaged at the highest levels. Hence, studies that empirically validate the role of HR as antecedents to employee engagement will add sufficient knowledge to the existing construct of employee engagement.

This study has practical significance as this is one of the few studies on Turnover Intention with specific reference to IT Product industry. Measurement of attrition are extremely valuable in the cut throat information technology organisations where industry attrition levels are 15% to 20% during change management. In the IT industry people are the biggest resources and assets. The focus on attrition measurement involves exits which is too reactive as the employee has already accepted the offer from another organization. On the other hand, turnover intention
measurement provides an opportunity to retain employee by addressing needs to prevent them from exiting the organization.

Perception studies reflect the true voice of the employees. Organizational support through relevant HR practices is critical since it relates to overall employee perceptions about how well the organization is responding to its needs, which can impact the level of engagement. There are very few research studies that are presently available exploring this context of mediation by employee engagement. Thus, the research will play a significant role in improving HR practices in live settings by using the knowledge derived from the perception of employees across significant HR Drivers, mediatory role of Employee Engagement and its impact on Turnover Intention.

The findings of the study will be used to create a conceptual model to assist HR and management professionals in gaining an understanding of the linkages between HR Drivers, Employee Engagement and Turnover Intention which will be relevant for theory and HR practice.