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EMPLOYEE ENGAGEMENT: A TOOL FOR TALENT MANAGEMENT, RETENTION AND EMPLOYEE SATISFACTION IN THE IT/ITES COMPANIES IN INDIA

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ABSTRACT

Successful organisations are aware about the importance of employee engagement as a tool for talent management, employee satisfaction and the consequent reduction in attrition. This study was conducted to understand the theoretical underpinnings of the concept of employee engagement. The study started by looking at how talent shortage is shaping the HR discourse around the world and the role played by employee engagement in the process of talent management. Thereafter, to understand the current work going on in the discipline of employee engagement, literature review was conducted where studies from both the academic as well as the practitioner's perspective were looked at. A conceptual framework with respect to employee engagement was thereafter explored which demonstrated that it is a multidimensional construct where employees can be engaged physically, cognitively or emotionally. The study ends by providing a set of suggestions for HR managers for increasing employee engagement in organisations.

KEYWORDS

employee engagement, talent management, employee satisfaction, attrition.

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1. INTRODUCTION

Talent management is quickly gaining traction in organisations around the globe. War for talent, talent raids, various trends with respect to talent management, talent shortage, various concerns for talent strategy and the talent metrics retention have been a subject of study across the developed as well as developing countries like UK, USA, Australia, China, Japan, Indian and various other nations across Asia (Dunn, 2006; Chugh and Bhatnagar, 2006; Yeung, 2006; Branham, 2005; Lewis and Heckman, 2006; Ruppe, 2006). Talent management was designed initially to make the process of recruitment better and also to develop people with the appropriate skills and knowledge to meet the current organisational needs. The different aspects of talent management include selection, on-boarding, recruitment, performance management, leadership development, career planning, replacement planning and reward and recognition system (Heinen & O'Neill, 2004). Lack of availability of talent and skill among employees make finding and retaining such people has become a major priority for organisations (Fegley, 2006). In order to be able to attract and retain the best people which exist anywhere in the world, an organisation needs to have a positive and strong employer brand (Brewster et al., 2005). Recent research has indicated that talent management is one of the key agenda on the minds of HR executives post 2007 (HR Focus 2006; HR Focus 2007). A key differentiator between organisations currently which is difficult to replicate is the talent which exists and which further acts as a source of sustainable competitive advantage. One of the key roles which HRM is currently playing in firms today is talent management thus changing the role of HR from just being a functional department to one playing a more strategic role in the organisations (Bhatnagar, 2004). Contemporary research has indicated that the intense war for talent is happening primarily because of labour market shortages (Boudreau and Ramstad, 2005; Sparrow, 2004; Branham, 2005). Sutton & Pfeffer (2006) have identified the fact that the old HRM way of looking at performance as a way to evaluate ability leads to lower performance and consequently unhappy staff who are not able to fulfill the potential and thus thereby reflect lower engagement of talent.

Employee engagement is a critical dimension in the process of retention of talent (Glen, 2006). This is an area where the lead in the research process has been taken over by the practitioners (Baumruk et al., 2006; Parsley, 2006) with academicians lacking behind (Joo and Mclean, 2006; Cartwright and Holmes, 2006). It is an extremely important variable where there are barely studies that have been conducted in the Indian context. Fegley (2006) has outlined some trends in the advanced economies which even the HR community in India needs to go through. Given the relevance of the concept in the contemporary work environment, the concept demands attention in terms of academic research and hence this study has been undertaken.

After the process of liberalisation that was undertaken in early 1990s, there has been an opening of the economy in terms of trade, competition and finance. There are very few barriers for any foreign organisation to set up their operations in the country and this has led to immense pressure on the domestic enterprises. The companies which were not efficient in their operations had to close down while the others had to reinvent their processes to compete. All the functional departments of the organisation have to reorient their processes in order to survive the competitive onslaught (Budhwar et al., 2006; Bhatnagar, 2007). There has been ample indication that competencies, strategies and capabilities need to be built among the managerial cadre which can happen through proper employee engagement activities (Bhatnagar & Sharma, 2005). There has been an attempt made in this paper to look into employee engagement as a tool for management of talent, employee retention and employee satisfaction in IT/ITES companies in India.

2. OBJECTIVES OF THE STUDY

There were two broad objectives of this study:

1. To understand the present status of ITES sector in India.
2. To understand the concept of employee engagement.

3. RESEARCH METHODOLOGY

The methodology of this study involved using secondary sources of data namely research reports and published papers in the area of the study. A literature search was undertaken to identify the research papers which would be relevant for this study.

4. THE CURRENT STATUS OF ITES SECTOR IN INDIA

There have been some studies which have been conducted in the West focusing on the ITES sector/BPO (Mehta et al., 2006; Venkatraman, 2004). The competitive advantage offered by India has made it an attractive destination for setting up back end operations. The huge number of engineering graduates that come out of the colleges in the country acts as a source of abundant skilled manpower. Lot of these engineers get employed in the call centres for providing services such as technical support and troubleshooting (A.T. Kerney, 2007). India also boasts of one of the largest English speaking pool of talent in the world. Close of sixty percent of the technical workforce in the country has work experience greater than 4 years (Pandeya & Bali, 2006). An A.T. Kerney Report (2007) in their Global Services Location Index has claimed that among all the countries which are considered to be the hubs of the BPO activity, India occupies the first position followed by countries like China and Malaysia. To create this Index, the company conducted a survey in over 50 countries for various aspects related to outsourced services like financial attractiveness, people skills and business environment. India maintains a comfortable lead over China. Although the industry has seen rise in compensation costs due to the high economic growth which the country has observed, this rise has been suitably matched by increase in the workforce supply levels and other quality indicators. Although India ranks high due to its superior quality of manpower, there are two dimensions namely business environment and financial attractiveness where the country lags behind.

McMillan (2006) has pointed out that U.S accounts for the majority of the total investment which takes place in the ITES/BPO industry in India accounting for 59% of the total global investment with major areas being logistics, legal and customer care. Europe accounts for the second place in terms of overseas investment in areas such as finance, purchasing, accounting and HR. The third place is occupied by Asia/Pacific region with the revenue share being at 15% typically including areas such as accounting, purchasing and finance. A report by ICRA has pointed out that the fears of backlash are by developed countries is overstated and in the longer term, this trend of outsourcing the non-core jobs will lead to newer jobs being created in the developing countries like India which will however require higher level of skills and increase in real wages. According to a report by NASSCOM (NASSCOM, 2006), if wants to appropriately utilise the growing set of opportunities in ITES space, it will have to direct its attention on skill development of the graduates that are coming out of colleges.

While recruitment is becoming a point of concern in the BPO industry, employee attrition in the sector is creating problems relating to employee engagement. Although has a huge pool of talent, but majority of them are not equipped with the necessary practical skills to be able to get directly absorbed in the industries. Thus although there is large swathe of population for entry level processes like voice but there is a clear dearth of talent at the middle and top level of management. This has led to a talent crunch at these levels with demand clearly outnumbering the supply which had led to rising levels of attrition with attrition levels being close to around 30-35% (Phukan, 2007).

Over the course of last few years, there have been number of studies related to human resource management in the outsourcing industry. However, the majority of the studies relate to developed countries (Holtgreve et al., 2002; Deery and Kinnie, 2004). They provide the theoretical background for analysis of employee engagement in the context of HR practices. A framework for engagement of employee in the BPO sector can provide the practitioners to plan their training interventions in such a manner that can help in increasing the employee engagement with the organisation improve employee satisfaction and consequently increase employee retention. The next sections look at the conceptual framework and literature survey in this area.

5. LITERATURE SURVEY ON EMPLOYEE ENGAGEMENT

As discussed earlier, the discipline of employee engagement is dominated by practitioners and there are very few academic studies (Schaufeli & Bakker, 2004; May et al., 2004; Rothbard, 2001). This paper looks at studies in both the domains starting first with practitioner driven studies and followed by academic research in this area. According to the Hewitt Best Employers Survey (2004), the biggest challenge that is faced by the CEOs with respect to people management is to build very strong employer brand equity and one of the most important ways to so is to retain employees. This would however be possible only if the organisations are able to provide them with a passionate work culture and environment where they can show the best of their abilities and thereby creating a sustainable competitive advantage which is difficult to replicate. Managers form an important party in this situation (Lockwood, 2006; Baumruk et al., 2006). Also, a good employer always recruits talent and engages with them through the use of practices which address both the tangibles as well as the intangibles in any organisation focusing on short term as well as long term are tailor made with respect to the needs of that organisation (Branham, 2005). A survey conducted among the HR professionals in the Western countries has found that the most important issues in the time to come would be employee satisfaction and employee retention (HR Focus, 2006). A presence of effective talent management practices reflects commitment of the organisation towards developing human capital which results in employees being more engaged with the organisation and consequently lower employee turnover. As a consequence, we can observe that in organisations with more employee engagement policies, there are higher levels of employee satisfaction which can further lead to the growth and development of the organisation or bring down the organisation (Lockwood, 2006). Martel (2003) has opined that in order to get high performance and intangible work that needs speed, innovation and flexibility, there is a need for employers to engage their employees. Engagement of employees through provision of participation, trust and freedom will have them achieve the levels of self-actualization and self realisation.

The data on performance across the biggest of companies in the United States show that the targets are met in functional areas where employee engagement is high while it is likely not to be achieved where the engagement falls short. To measure employee engagement, number of studies has been conducted (Coleman, 2005). SHRM conference (2006) has highlighted the results of a global engagement study which shows that there is a huge difference in the bottom line of those companies where the employees are highly engaged as compared to those organisations where the employee engagement is low. Employee engagement as a process starts with on-boarding programme and is a component of the talent pipeline.

A study conducted by White (2011) in India found that around 37% of employees were engaged. These numbers varied across job functions, gender, size and structure of the organisations. Older employees along with the employees who were married were found to be more engaged as compared to the younger ones. An association between the industry in which people work and their engagement was also observed. People in chemical and healthcare industry were found to be more engaged as compared to banking. According to the study, three factors which lead to the highest levels of employee engagement included: Training and career development activities, more opportunities for doing the kind of work which one does best to his abilities and more challenging work environment.

It has been further observed that when employees are satisfied, it becomes beneficial for the management of the organisation to improve employee engagement through the introduction of a new programme. Organisational commitment has also been found to have an impact on the employee engagement. With the increase in the commitment, the employee engagement also correspondingly increases (Schaufeli & Salanova, 2007). This leads to overall job satisfaction, better performance and lower attrition levels for the organisation. According to Konrad (2006), engaged employees are the employees who are a part of the creation of workplace processes and change. He also found that employee engagement led to lower employee turnover (Konrad, 2006). There are number of other factors like proper employee selection and training, sharing of information, power sharing and appropriate reward systems (Vance & Mathieu, 1999).

6. EMPLOYEE ENGAGEMENT: A CONCEPTUAL FRAMEWORK

Employee engagement acts as a source of competitive advantage for the firm as described by the resource based view of the firm (Joo & Mclean, 2006) and hence there is a need for constant employee engagement programmes. The resource based view postulates that organisational and human resources as compared to financial, physical or technical resources are able to create sustainable competitive advantage for the firm as they are difficult to copy (Wright & McMahan, 1992; Lado & Wilson, 1994). The resource based view of the firm provides that organisations can create sustainable competitive advantage only through the creation of resources in a manner that is not easy for the competitors to replicate (Grant, 1991). The requirement of this approach, however, is that a firm should not be seen as a merely through the activities which it performs in the product market but also as a unique combination of resources that are dynamic and intangible (De Saa' Pe' rez & Garcí a-Falco' n, 2002). Joo and Mclean (2006) argue that employees who are engaged with an organisation act as a source of sustained competitive advantage and also a strategic asset. It is difficult to imitate these employees and is a unique proposition for the organisation.

Employee engagement as a construct is multidimensional in nature. Employees can get engaged physically, cognitively or emotionally. Kahn (1990) proposed that employees need not be engaged on all the dimensions together. They can be engaged on one dimension and not on the other. However, the more the employee engagement on each of the dimensions, the more is his/her total personal engagement. On the other side, Rothbard (2001) posits that engagement may look at

enrichment or depletion in multiple roles. Schaufeli & Bakker (2004) has looked at engagement from positive state of mind which is work related and is characterised by absorption, vigor and dedication. They have further highlighted that engagement is not a temporary state but it is a more pervasive state which is not focused upon any specific event, individual or behaviour (Schaufeli & Bakker, 2004).

Kahn (1990) has suggested that employees go through the dimensions of engagement or disengagement during the daily performance of their task. Yet Kahn (1990) has noted that disengagement is dependent upon cognitive and social withdrawal and is a reflection of deficient role performance.

7. CONCLUSION

Employee engagement and a better strategy for management of talent, their satisfaction and retention provide a certain set interventions which can be used in the BPO/ITES industry in India. The first involves identification of workforce at all the levels in the organisation which has high levels of engagement and is passionate about learning new things and facing challenges. The second draws from the first to design suitable set of interventions which can keep these employees engaged with the organisation. The third is to work upon creating a strong psychological relationship with the employee rather than one which is based only upon transactions. The fourth would be to create mentors in the organisations for such employees who can take care of their needs especially at an emotional level. These measures will increase the engagement of the employees with the organisation which will help in retaining the best of talent through higher employee satisfaction and consequently reducing the attrition rate.

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