Impact of Employee Engagement on Retention of Employees: A Study of Some Selected Information Technology & Information Technology Enabled Services (IT & ITeS) Companies in Pune City

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Abstract: While this study was in progress, two men at the top of India Inc., Cyrus Mistry and Vishal Sikka made abrupt exits leading to knee-jerk reactions in the corporate circles. Such was the impact of Vishal Sikka's exit that it led to an erosion of around Rs. 22,000 crore of shareholders' wealth on a single day. Uncertainty has not just crept at the top, thousands at the middle and lower level in the IT industry have been handed over the pink slip. This study tries to understand the phenomenon of such disruptions amidst high talks on employee engagement as a part of retention strategies of the HR. Instead of engaging in 'rhetoric but theoretical' investigation, this study attempts a ground level realistic assessment of employee engagement practices at select IT & ITES companies. Who should decide as to what engages an employee? Is it Mr. Narayan Murthy? Or is it Vishal Sikka? Will it be risky if the employees are engaged too much? Should the engagement be only reasonable? Such fundamental and realistic questioning is the framework of this study.

Keywords: Employee engagement, IT & ITES Companies, HR practices, Retention of employees

If what is seen on the left was true indeed why Vishal Sikka left Infosys? Was the gentleman on the extreme right, right or was the one on the extreme left right?

Introduction and Background

Numbers speak for themselves. They are not at the mercy of language for their expression. Have a look at the recent highly expressive numbers of the top four IT companies.

Table 1

Year	WIPRO		TCS		Cognizant		HCL	
	AR	Profits	AR	Profits	AR	Profits	AR	Profits
2012–13	14%	66,696	11%	14076	11%	1,051	18%	732
2013–14	15%	78,405	11%	19332	15%	1,229	17%	1,037
2014–15	17%	87,059	15%	20060	15%	1,439	21%	1,164
2015–16	16%	89,567	16%	24338	19%	1,624	23%	840
2016– There are no sources in the current document.17	16%	85,143	11%	26357	16%	1,553	23%	1,262
Correlation	0.96		0.26		0.90		0.36	

AR = Attrition rates. Profit figures are consistently expressed in the same currency, either Rs. or in USD.

All the companies have shown a consistent rise in the attrition rates and surprisingly, all the companies at the same time have shown a consistent rise in profits as well! We are not talking of number for a year or two. Neither are we talking of numbers for a company or two. Four companies over the last five years have shown a positive correlation (two of them as high as 90% or more) between attrition rates and profits!

So we have on one hand the theory—that is absolutely pleasing to the ears in terms of the nicely coined terms—100% employee engagement, employee engagement is a strategic initiative to check attrition and blah blah. Practice on the other hand is something drastically different. CEO of a company in the morning delivers a lecture to a full house HR conference gathering and sings marvelous songs spelling out the glory of the human capital, its immense value, the need for its meaningful engagement etc. In the afternoon, the same CEO approves of a job-cut in his organization that would render some thousands jobless. No, this is not a fictional story. Tanya Jain (2017) writing for *Data Quest* has given the following numbers: 'Recently, in the sheath of thorough assessment and appraisal process, *Wipro* has churned out more than 500 employees. Officials have claimed it as a process to sack non-performers from the organization. Concurrently, *Tech Mahindra* due to its own share of challenges and business propels may sack around 1500–2000 of its employees. On this, *Tech Mahindra* spokesperson quoted the action as an annual process and stated this year to be no-different. Other major IT organizations including Infosys, Capegemini and Cognizant are also said to walk the same path like their fellow competitors. Cognizant Technology Solutions is said to bring down its employability graph by 5% i.e. a dash of thousands of employees this year. As reported earlier by *Data Quest*, the Aspiring Minds' 'Automata National Programming Report' stated that two-thirds of the IT professionals cannot write codes and so, 95% engineers are not employable.'

Given this scenario, the situation demands that we study some unstudied dimensions of employee engagement. So far, researchers have primarily focused only on one aspect – WHAT engages an employee? Time has come to ask a few more questions – WHO should decide on employee engagement and HOW much should an employee be really engaged?

Objectives of the Full Study: To study the impact of Employee Engagement on Retention of the employees in Information Technology & Information Technology Enabled Services (IT & ITES) companies in Pune city.

Before venturing into a detailed study, a *pilot study* was carried out with the following specifications, data and findings:

1. ***Sample Size:*** 50 employees and 10 HR Managers from select IT companies.

2. ***Method of Sampling:*** E-questionnaire was circulated at select IT companies. HR managers and employees were requested to fill-up the questionnaire. First 50 and 10 responses were chosen as the sample size for conducting pilot study. Neither the name of the respondent nor that of the company was recorded for ensuring confidentiality. In fact, it was only when the company and employees were assured of their confidentiality, they agreed to cooperate.

3. ***Instrument Used:*** A questionnaire was designed in MS Excel. It was divided into following parts:

    a. Demographic profile

    b. Who should decide what engages an employee?

    c. How much an employee should be engaged?

    d. What should really engage an employee?

    e. What factors keep employees engaged?

    f. Impact of employee engagement practices on retention?

The questionnaire had following features:

a. Responses were sought by way of a selection from a drop-down list

b. In seeking agreement or disagreement on a particular issue, the sequence of responses was designed as under:

    0 – No option

    1 – Somewhat agree

    2 – Completely agree

    3 – Somewhat disagree

    4 – Completely disagree

c. 'No option' choice was deliberately kept as the 1st response in order to provide an early exit option to those who either didn't know the answer or didn't want to answer. The purpose of doing this was to ensure that respondents give answers about which they feel that they are confident instead of jumbling around with all the 3 options (no option, agree or disagree) for a while and then ending up in a confused answer. Researcher is hopeful that only genuine and confident responses have been extracted.

Reliability of Questionnaire

Reliability test of all the 5 parts of the questionnaire was done using Cronbach's Alpha and other tests using a MS Excel Calculator. All the parts of the questionnaire yielded Cronbach's Alpha scores in excess of 0.90.

Hypothesis Set

H0₁   There is no impact of retention strategies over the attrition rates

HA₁   There is an impact of retention strategies over attrition rates.

H0₂   Attrition rates have no adverse impact on profitability.

HA₂   Attrition rates do have an adverse impact on profitability.

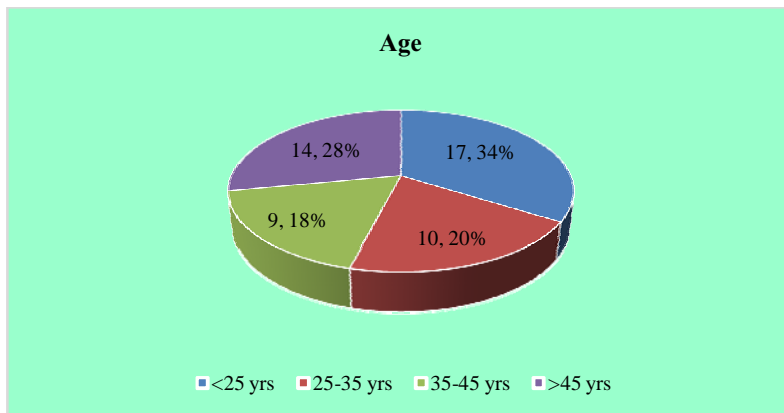**Profile of the Respondents (Employees)**

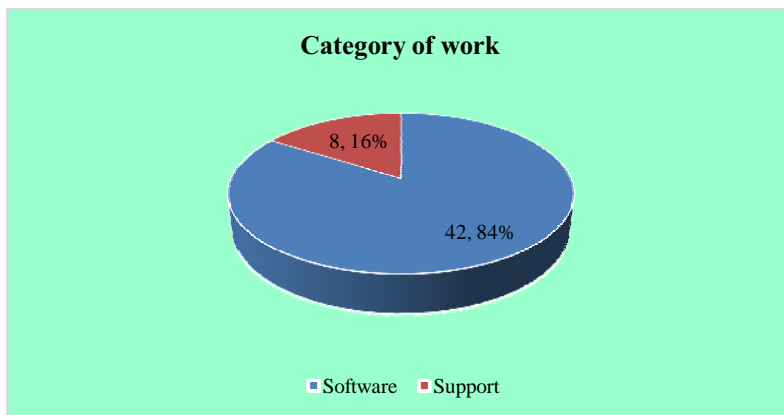**Fig. 1: Age Profile of the 50 IT Company Employees Surveyed**

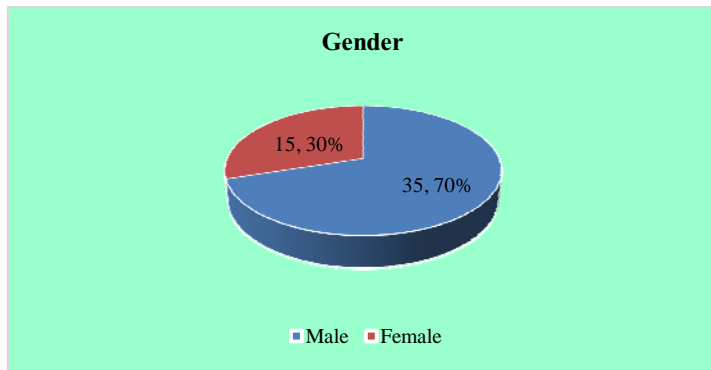**Fig. 2: Functional Profile of the 50 IT Company Employees Surveyed**

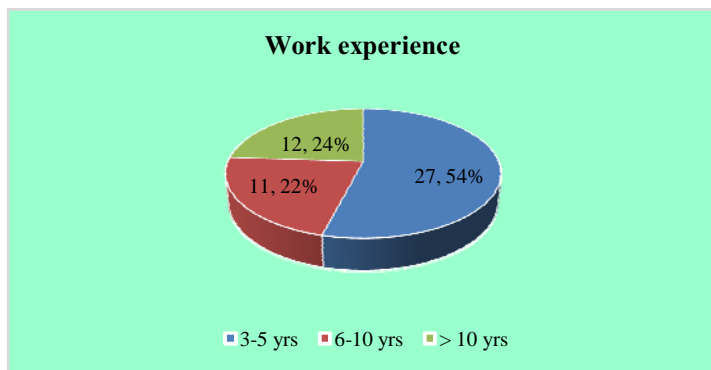**Fig. 3: Gender Profile of the 50 IT Company Employees Surveyed**

Fig. 4: Work Experience Profile of the 50 IT Company Employees Surveyed

Data Analysis

a. Who should decide on employee engagement factors?
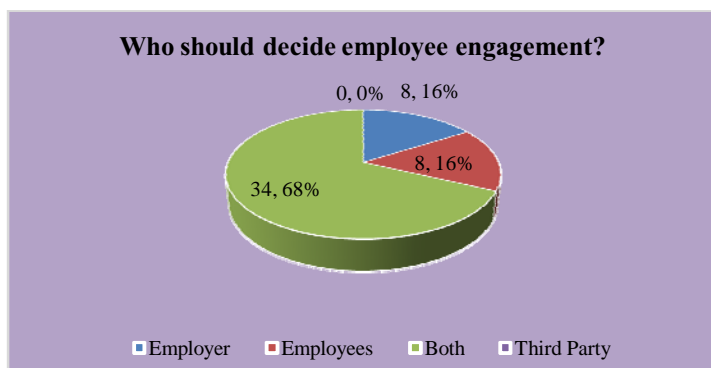
Responses from employees

Fig. 5: Response of Employees on Who should Decide on Employee Engagement?
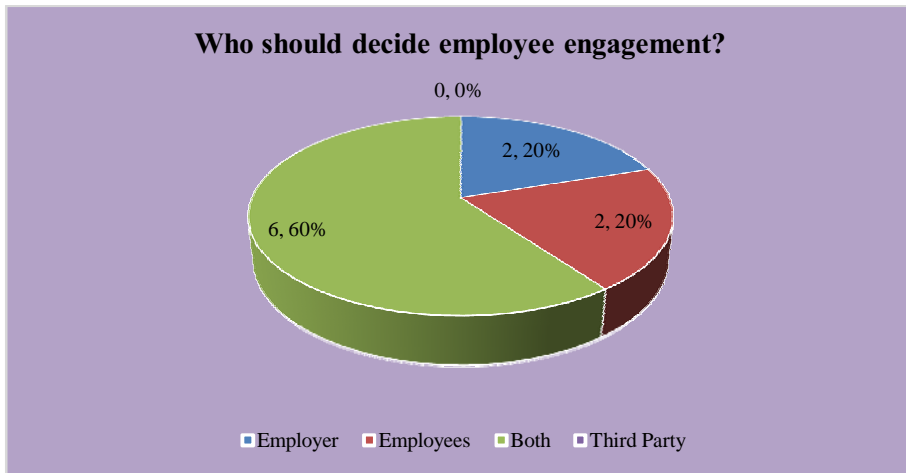
Responses from HR Managers

Fig. 6: Response of HR Managers on who should Decide on Employee Engagement?

Sizable majority from both the groups felt that both the employer and employer should decide the employee engagement factors. – *make it employer and employee*

b. Employee engagement dimensions:

The questionnaire was divided into 5 parts as under:

Table 2: Grouping of the Questionnaire into 5 Groups

Code	Aspect
1	Who should decide on employee engagement factors?
2	How much an employee should be engaged?
3	What should be the employee engagement factors?
4	What factors engages the employees?
5	Impact of employee engagement factors on retention

Weights assigned to responses: While aggregating the responses weights of 1.5 each were assigned to options 2 & 4 – completely agree and completely disagree.

c. Summarized responses –Employees

Table 3: Summary of Responses for the Set of Questions-Employees

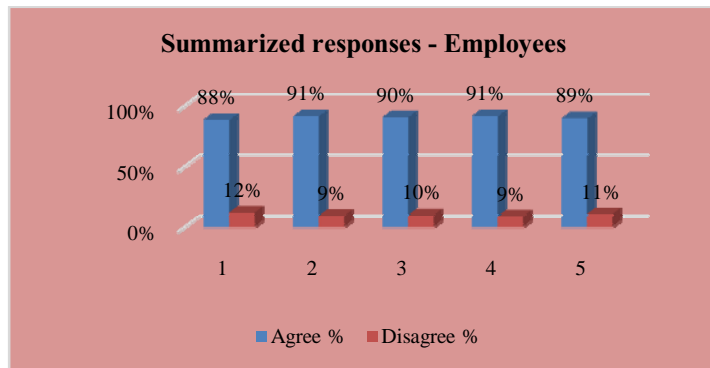|	1	2	3	4	5
Agree	289	293	297	714	294
Disagree	39	29	32	68	35
Agree %	88%	91%	90%	91%	89%
Disagree %	12%	9%	10%	9%	11%

Fig. 7: Summarize Responses to 5 Set of Questions-Employees

HR Managers

Table 4: Summary of Responses for the Set of Questions–HR Managers

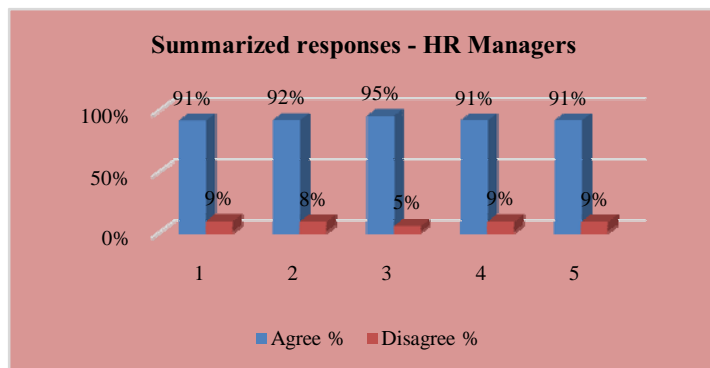|	1	2	3	4	5
Agree	53	55	57	139	54
Disagree	5	5	3	13	5
Agree %	91%	92%	95%	91%	91%
Disagree %	9%	8%	5%	9%	9%

Fig. 8: Summarized Responses to 5 set of Questions–HR Managers

Interpretation

There is an overwhelming agreement on all the 5 dimensions studied from both the groups. It means the following:

1. There is a strong agreement about being real and practical with employee engagement practices, its measurement, its significance etc.

2. There is also a strong agreement that employee engagement practices have a positive impact on employee retention.

Statistical Testing

<div align="center">Table 5: Statistical Testing of Null Hypotheses</div>

		1	2	3	4	5
	Agree	289	293	297	714	294
	Disagree	39	29	32	68	35
	Agree %	88%	91%	90%	91%	89%
	Disagree %	12%	9%	10%	9%	11%
Step	Parameter	Score	Score	Score	Score	Score
1	X Bar (μ)	88%	91%	90%	91%	89%
2	n	50	50	50	50	50
3	STDEV(n)	0.72766	0.72681	0.72283	0.71133	0.71671
4	Ho	50%	50%	50%	50%	50%
5	H1	88%	91%	90%	91%	89%
6	to	3.71	3.99	3.95	4.11	3.90
7	p value	0.0003	0.0001	0.0001	0.0001	0.0001
8	α (5% SL)	0.05	0.05	0.05	0.05	0.05
9	Is p-value< α	Yes	Yes	Yes	Yes	Yes
10	Accept / Reject Ho	Reject Ho	Reject Ho	Reject Ho	Reject Ho	Reject Ho

All the 5 dimensions as discussed earlier were tested at 95% confidence level against a sample average of 50% agreement (meaning that it is assumed that 50% would agree.) In all the cases, the null hypotheses were rejected indicating that the scores from the responses are significant and not by chance.

Conclusion

The study primarily focused on two issues: (a) the need for being realistic and rational when it comes to employee engagement (b)the impact of employee engagement on employee retention. Both the set of respondents, namely, the employees and HR managers overwhelmingly agreed that there is a need to address questions like who should engage, how much should be engaged, what should really engage in addition to what has been engaging the employees in the IT/ITES companies. At the same time, they also strongly agreed to the fact that employee engagement does impacts the attrition rates. The full study will investigate more ground level realities particularly in the light of the stunning developments that are taking place in the HR arena.

References

[1]   Annual Reports of IT Companies–WIPRO, TCS, Cognizant, HCL for the Years 2012/13 to 2016/17.

[2]   *Jain, Tanya (2017), Indian IT Majors may Initiate Job-Cuts for Low and Mid-level Employees,*
       http://www.dqindia.com/indian-it-majors-may-initiate-job-cuts-for-low-and-mid-level-employees/