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# RESEARCHING EMPLOYEE REACTIONS TO HIGH PERFORMANCE WORK SYSTEMS IN THE INDIAN SOFTWARE INDUSTRY: THE IMPACT ON EMPLOYEE ENGAGEMENT

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## ABSTRACT

*This study investigates the relationship between organisational-level High Performance Work Systems (HPWS) and individual Employee Engagement (EE). The current paper focused on an overview of the different perspectives of the concept of high performance work practices (HPWP), showing how the variable has evolved over time. Research has shown that firms must satisfy both their customers and employees to ensure an easily adaptable work force who are able to meet customer needs in a timely manner. According to the definition of HPWS, it consists of initiatives taken to ensure employee motivation, training, their involvement in decision making, delegation of authority, remuneration based on performance, rewarding loyalty. The effective implementation of HPWP is a daunting task for firms wishing to achieve a sustainable competitive advantage. For the present study, researcher collected data from 320 employees working in software companies. Results showed that there exists a strong positive relationship between high performance work systems and employee engagement. An in-depth analysis found that high performance work systems have a positive impact on attachment, commitment and organizational citizenship dimensions of employee engagement. It was also observed that high performance work systems have a higher level of impact on the attachment dimension of employee engagement compared to commitment and organizational citizenship.*

**KEYWORDS:** *High Performance Work Systems, Employee Engagement, Indian Software Industry*

## INTRODUCTION

India is leaping ahead of the technology maturity curve and is evolving as a digital economy. The sector has demonstrated robust growth during the past few decades and is consistently evolving and fuelling the growth of the country. It is working to build capabilities within the country and position India as an ideal international digital hub, leveraging technology for transformation and driving innovation across all streams. Industry revenues are estimated to increase by 13% in FY2017, to aggregate USD 167 Billion. Software sector, the largest private employer in the country, directly employing nearly 3.6 million and has added a whopping 2,30,000

employees with a focus on skill over scale. The domestic market IT industry is rushing towards the ambitious USD 50 billion mark with an annual growth of 14 per cent. This is much higher than the average industry growth, and is mainly being driven by the booming e-commerce phenomenon. Consistent government with a technology concentrated growth agenda is adding a lot to boosting technology adoption in the domestic market. The future of IT sector looks very promising and the industry is gearing itself well to next phase of challenges posed by digitization, disruptive technologies and innovation. In coming years, the sector is sure make India the global

destination of high value globalized solutions which are transformative and innovative.

For the industry to sustain the above stated pace, it need the support of engaged and motivated workforce. Engaged individuals feel a sense of loyalty towards their companies, investing themselves not only in their role, but in the firm as a whole. These kind of people are more likely to stay with the firm perform much better than their colleagues and act as advocates of the business. The process of engagement can improve bottom-line profit and enable agility of the firm by driving change initiatives. Engaged people invest themselves fully in their work, with improves self-efficacy and a positive effect upon health and well-being, which in turn instils increased employee support for the firm. Employee satisfaction is a much weaker predictor of organizational level outcomes than engagement and is devoid of the two-way reciprocal relationship component of engagement. There is a very strong link between organisational citizenship and engagement, as both concentrates upon going beyond the expected. Both engagement and the psychological contract consist of cognitive and emotional component and can demonstrate the two-way employee-employer relationship. In the present study, efforts are taken to find out the relevance of high performance work systems in enhancing engagement levels displayed by employees.

## LITERATURE REVIEW

### High Performance Work Systems

Literature is rife with studies proving the fact that High performance work practices (HPWP) leads to improved organizational effectiveness by creating situations where individuals become highly involved in the firm and work hard to achieve his objectives, in other words, by increasing their commitment towards the firm and job satisfaction (Eisenberger et al.,1997). Experts have brought in the concept of "high performance work practices" (HPWP), referring to the impact that they have on firm performance. According to Huselid (1995), high performance work system consists of elements such as system management, rewards and incentives, employee involvement. Delaney and Huselid (1996) found positive associations between HPWP, such as recruitment and training, and organizational performance. Pfeffer(1998) gave a different dimension to the term by considering issues such as security of job, selective hiring, the decentralization of decision making process, performance linked to rewards, extensive training, bringing down various existing barriers, relentless exchange of financial and performance information throughout the firm.

### Employee Engagement

In the past, there is no single and widely accepted definition for the construct of employee engagement. A casual glance into the definitions

given by three well-known research firms in human resource area proves this fact. According to Perrin's Global Workforce Study (2003), engagement is the willingness and ability displayed by the employee to help in the success of their organization, largely by giving voluntary effort on a sustainable basis. The study states that engagement is influenced by many emotional and logical relating to work and the overall work experience. Based on the research done by Gallup organization, they have defined employee engagement as the involvement with and enthusiasm for work. Gallup as said by Dernovsek (2008) compares employee engagement to a positive emotional attachment and commitment exhibited by the employees. According to Robinson et al. (2004), employee engagement is a positive attitude held by the individual towards the firm and its value. An engaged employee is aware of context in which organization is operating, and works with co-workers to enhance performance within the job for the benefit of the company. The firm must work to develop and nurture engagement, which requires a two-way communication between employer and employee.

## RESEARCH METHODOLOGY

The current study has adopted an exploratory framework for carrying out research. Researcher tries to explore the association between high performance work systems and employee engagement displayed by employees. For measuring the four dimensions of HPWS such as staffing and recruitment, performance appraisal, compensation and rewards, and training and development, a structured questionnaire developed by Boselie and associates (2005) was employed. Data regarding engagement level of employees were collected using a 12 item questionnaire introduced by Robinson et al., (2004). For the present study, researcher collected data from 320 employees working in software companies with more than one year of work experience in the respective firm. Data was collected in them time period spanning from April 2015 and September 2015. The study was carried out at two Techparks (Technopark, Trivandrum and Infopark, Cochin) belonging to the state of Kerala. Multiple regression was employed with the help of SPSS software to carry out data analysis.

## DATA ANALYSIS

### Impact of high performance work systems on employee engagement

Multiple regression analysis was employed to identify the positive relationship between high performance work systems and employee engagement.

$H_1$  – High performance work systems have a positive impact on employee engagement.

The null hypothesis that high performance work systems have no positive impact on employee engagement was tested using statistical tools.

**Table 1 Multiple regression analysis results on the relationship between high performance work systems and employee engagement**

Variable	Beta value	Std Error	P value	Average Full Collinearity VIF	R <sup>2</sup>
HPWS	0.346	0.038	0.002*	1.229	0.449

Analysis clearly shows that high performance work systems have a strong positive impact on employee engagement with a beta value of 0.346 and R<sup>2</sup> value of 0.449. Therefore, all the values obtained from the analysis were supporting the hypothesis that high performance work systems have a positive impact on employee engagement. Hence H<sub>1</sub> is accepted.

### **Impact of high performance work systems on attachment dimension of employee engagement**

Multiple regression analysis was employed to identify the positive relationship between high performance work systems and attachment dimension of employee engagement.

H<sub>2</sub> – High performance work systems have a positive impact on attachment dimension of employee engagement.

The null hypothesis that high performance work systems have no positive impact on attachment dimension of employee engagement was tested using statistical tools.

**Table 2 Multiple regression analysis results on the relationship between high performance work systems and attachment dimension of employee engagement**

Variable	Beta value	Std Error	P value	Average Full Collinearity VIF	R <sup>2</sup>
HPWS	0.317	0.029	0.001*	1.228	0.318

Analysis clearly shows that high performance work systems have a strong positive impact on attachment dimension of employee engagement with a beta value of 0.317 and R<sup>2</sup> value of 0.318. Therefore, all the values obtained from the analysis were supporting the hypothesis that high performance work systems have a positive impact on attachment dimension employee engagement. Hence H<sub>2</sub> is accepted.

### **Impact of high performance work systems on commitment dimension of employee engagement**

Multiple regression analysis was employed to identify the positive relationship between high performance work systems and commitment dimension of employee engagement.

H<sub>3</sub> – High performance work systems have a positive impact on commitment dimension of employee engagement.

The null hypothesis that high performance work systems have no positive impact on commitment dimension of employee engagement was tested using statistical tools.

**Table 3 Multiple regression analysis results on the relationship between high performance work systems and commitment dimension of employee engagement**

Variable	Beta value	Std Error	P value	Average Full Collinearity VIF	R <sup>2</sup>
HPWS	0.319	0.028	0.000*	1.311	0.398

Analysis clearly shows that innovative human resource practices have a strong positive impact on commitment dimension of employee engagement with a beta value of 0.319 and R<sup>2</sup> value of 0.398. Therefore, all the values obtained from the analysis were supporting the hypothesis that high performance work systems have a positive impact on commitment dimension employee engagement. Hence H<sub>3</sub> is accepted.

### Impact of high performance work systems on organizational citizenship dimension of employee engagement

Multiple regression analysis was employed to identify the positive relationship between high performance work systems and organizational citizenship dimension of employee engagement.

H<sub>4</sub> – High performance work systems have a positive impact on organizational citizenship dimension of employee engagement.

The null hypothesis that high performance work systems have no positive impact on organizational citizenship dimension of employee engagement was tested using statistical tools.

**Table 4 Multiple regression analysis results on the relationship between high performance work systems and organizational citizenship dimension of employee engagement**

Variable	Beta value	Std Error	P value	Average Full Collinearity VIF	R <sup>2</sup>
HPWS	0.309	0.026	0.002*	1.329	0.459

Analysis clearly shows that high performance work systems have a strong positive impact on organizational citizenship dimension of employee engagement with a beta value of 0.309 and R<sup>2</sup> value of 0.459. Therefore, all the values obtained from the analysis were supporting the hypothesis that high performance work systems have a positive impact on organizational citizenship dimension employee engagement. Hence H<sub>4</sub> is accepted.

### FINDINGS AND DISCUSSION

Data analysis shows that high performance work systems have a strong positive effect on employee engagement displayed by individuals working in software industry. An in-depth analysis has shown that high performance work systems are having a positive impact on all the three dimensions of employee engagement. It was also found that high performance work system is having a higher level of impact on the attachment dimension of employee engagement compared to commitment and organizational citizenship. The hypothesized association between dependent and independent constructs were well supported by data analysis. Therefore, the basis hypothesis put forward by the researcher stating the positive effect that high performance work systems have on employee engagement as a whole was proved statistically.

Researchers have done extensive studies to prove the fact that there exists a strong positive relationship between high performance work systems and employee engagement. According to group cohesion theory, people working in groups have an inclination to exhibit organizational

citizenship behaviour towards their co-workers (Becker & O'Hair, 2007). Jackson and Shuler (1985) argued about the importance of role stress experienced by employees in their subsequent performance of extra role behaviours. Proponents of work family conflict theory states that conflict pressurizes individuals to struggle to carry out all their roles due to lack of availability of time and energy (Greenhaus & Beutell, 1985). Research done by Tompson and Werner (1997) have found out that elevated levels of role conflict in work setting are linked with lower levels of employee engagement. Since all these experiences are the result of high performance work systems implemented by the company, it is very evident of its impact on the dependant variable.

### CONCLUSION

For ensuring higher levels of employee engagement to survive in the highly competitive business environment, companies have to ensure that proper high performance work systems are in place within the organization. Experts have come up with reasonable proof to establish the relationship between the two concepts and firm level outcomes. Therefore, it can be deduced that the combined effect of these constructs is greater than each one alone. The main takeaway for practitioners from this study is that they are having wonderful tools like high performance work systems to strengthen employee engagement which are highly desirable for firms. With the implementation of employee friendly and performance enhancing practices, managers could ensure that all employees display enough employee

engagement which finally leads to organizational success.

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