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Psychological Contract and Psychological Empowerment as Employee Engagement Drivers in Indian IT Sector

Naman Sharma¹ and Pratibha Garg²

¹ Assistant Professor, FMS, Amity University, Sec 125, Noida, U.P

² Assistant Professor, FMS, Amity University, Sec 125, Noida, U.P

Abstract: This study aims to explore the contribution of psychological contract and psychological empowerment towards employee engagement with in Indian IT sector. Research hypotheses were evaluated using multiple regression analysis. Findings indicated that both the variables i.e. psychological contract and psychological empowerment are crucial drivers for employee engagement in IT sector with employees feeling more connected with the organization when drawing a positive psychological contract from it and believed to be empowered from it and its members. In the end, managerial implications for fostering psychological contract and psychological empowerment are provided and suitable avenues for future research are suggested.

Keywords: Employee Engagement, Indian IT Sector, Psychological Contract and Psychological Empowerment.

INTRODUCTION

In these times of a dynamic employee-organization relationship (Coyle-Shapiro & Shore, 2007) during past few years, Organizations across the globe are increasingly relying on three factors including employee productivity, profits and customer satisfaction for their success. All three of which are acknowledged to be increased through employee engagement (Harter, Schmidt & Hayes, 2002). With talented employees as one factor which cannot be duplicated by the competitor firms, their engagement with the organization becomes an even more important concern for human resource managers (Anitha, 2014). Engaged employees are additionally productive and are open to new ideas leading to vital business outcomes (Joo and Mclean, 2006; Srivastava *et al.*, 2014). Organizations acknowledge that employee engagement leads to operational and process enhancement further leading to heightened organization's performance (Harter *et al.*, 2002; Markos & Sridevi, 2010).

In developing countries like India, employee engagement can be used by firms to increase its competitive advantage (Srivastava *et al.*, 2014). Due to above mentioned reasons; employee engagement has become

one of the popular areas for research now (Choo *et al.*, 2013). Practitioners are leaving no stones unturned to identify the various factors that promote employee engagement in organizations today. The current study is thus an attempt to study employee engagement in Indian settings more specific to the IT sector which is considered as one of major drivers of Indian economy today.

IMPORTANCE OF THE STUDY

Although extant organizational studies have shown keen inclination towards employee engagement, most of it has been directed to meet the practical ends for the organizations, giving little or no focus to contribute towards the theoretical and empirical research (Saks, 2006; Shuck & Wollard, 2010). Gallup (2013) in a research conducted on South Asia including India, Afghanistan, Bangladesh, Nepal, Pakistan and Sri Lanka established employee engagement as predictor of vital job creation. However, such studies conducted in Indian settings are very few. One of the objectives of current study is to answer this particular research gap. Secondly, efforts have been made in this research to discuss the relationship of employee engagement with psychological contract and psychological empowerment for the employees. These relationships have not been studied and discussed thoroughly in past research and hence it will be a valuable addition to employee engagement studies.

Keeping this foregoing discussion in mind, the current study explores employee engagement in Indian IT sector and establishing its relationship with psychological contracts (that employer share with its employees) and psychological empowerment in Indian settings.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Researchers and practitioners in their respective studies have defined the term ‘employee engagement’ differently from each other due to which sometimes it is also confusingly misunderstood as some other similar terms like organizational commitment and organizational citizenship behavior (Robinson *et al.*, 2004). Hence, general consensus on defining the term is thus lacking.

One of the earliest accepted definitions of employee engagement was given by Kahn (1990) who believed an engaged employees represent him/herself emotionally, physically and cognitively through his/her job performance. Later researches focused more on the emotional and cognitive (intellectual) commitment and viewed as a sign of engagement (Baumruk, 2004; Richman, 2006). While other researchers suggest that employee engagement is not just commitment but it is one step further to commitment (e.g. Robinson *et al.*, 2004; Saks, 2006). Truss *et al.* (2006) asserted that employee engagement is driven only through the passion of an employee towards his/her work. Dvir *et al.* (2002) also characterized employee engagement as “High levels of activity, initiative, and responsibility” taken by the employees. Other researchers acknowledged engagement to be motivational state of fulfillment (e.g. Maslach *et al.*, 2001a; Colbert *et al.*, 2004). Some of the recent researches have defined employee engagement as “an active, fulfilling and work-related state of mind that includes a strong identification with the organization and self-expression” (Rothbard & Patil, 2010; Albrecht, & Leiter, 2011).

Reviewing all these different definitions, one common ground can be build that employee engagement overall favors the organization and its employees. A widely accepted definition for employee engagement thus is given by Bakker and Salanove (2006) describing it as “Positive fulfilling work related state of mind that is characterized by vigor, dedication and absorption”. Current study also makes use of these three characteristics while measuring and describing the employee engagement in selected Indian IT companies.

Employee engagement in Indian IT sector

Indian IT sector is one of the biggest contributors to the GDP of country in recent times. Human resource management section from annual reports of Indian IT sector companies such as Infosys Ltd. and Tata Consultancy Services Ltd. provides reference of the employee engagement practices in this sector (Srivastava & Suresh, 2014). Importance of employee engagement in Indian IT sector has been established through various studies in past few years (Swathi, 2012; Pandey & David, 2013). Few researches have studied Indian IT sector specifically to establish impact of employee engagement on variables like job satisfaction (Thakur, 2014), productivity and retention (David & Bose, 2014).

But overall it has been observed that employee engagement in Indian organizations (including IT sector) has not been investigated much in a detailed manner (Bhatnagar, 2007). There is a dearth of exhaustive research that identifies the antecedents for employee engagement in organizations. There are only few empirical studies which provide details on the predictors of employee engagement. Most of these studies concerning employee engagement have used variables such as job characteristics, rewards and recognition, distributive and procedural justice, organizational and supervisor's support, job satisfaction, organizational commitment, organizational citizenship behavior etc. to predict it. Psychological contracts and psychological empowerment as predictors of employee engagement are rarely considered in these studies.

Psychological contract

Rousseau (1989) defined psychological contract as "an individual's beliefs concerning the mutual obligations that exist between him/herself and the employer". Psychological contracts are developed through an individual's schema build over time right from his/her childhood (Rousseau, 2001; Morrison & Robinson, 2004). This psychological contract that an individual has while joining the organization changes/reshapes or completes after spending some time in the organization (Tekleab & Taylor, 2003). This happens generally through the process of socialization (Tekleab & Taylor, 2003). A newcomer's proactivity and socialization influence their evaluation of psychological contract with the employer during the first year of their employment (Dulac, Coyle-Shapiro & Delobbe, 2006). Kickul, Neuman, Parker, and Finkl (2001) asserted that organizations from time to time need to maintain the psychological contract by delivering on its promises such as career advancement and providing new opportunities etc. to its employees.

It has been well established through various studies that breach of psychological contract negatively affects the employee commitment and trust (e.g. Coyle-Shapiro & Kessler, 2000; Dulac, Coyle-Shapiro, Henderson & Wayne, 2006; Lester, Turnley, Bloodgood & Bolino, 2002). On the basis of above studies, it can be said that if psychological contract is maintained in an organization, its employees are more likely to be engaged in that setting. Therefore, we hypothesize that:

H1: Psychological contract positively affects the engagement of employees.

Psychological empowerment

Early researches defined empowerment as a removal of such conditions that foster powerlessness (Conger & Kanungo, 1988). This can be done through enhancing the employee's self-efficacy (Conger & Kanungo, 1988). Later researches claimed that empowerment can be derived through intrinsic motivation (Spreitzer, 1995). Job satisfaction, innovative behaviour, managerial effectiveness, and decreased stress are some of

the factors that influence psychological empowerment in employees (Spreitzer, 1995). Knol and Van Linge (2009) suggest that empowerment occurs when employees are convinced about their roles in the organization.

Employees when experience settings that empower them by providing a balance between their expectations and their working conditions, they are more likely to be engaged in their work (Greco, Laschinger & Wong, 2006). Based on above findings, we hypothesize that:

H2: Psychological empowerment positively affects the engagement of employees.

RESEARCH METHODOLOGY

Research Instruments

Employee Engagement

Employee engagement for its three dimensions (vigor, dedication and absorption) was measured using the 9-items Utrecht Work Engagement Scale (UWES-9) validated by Schaufeli *et al.* (2006). This seven-point rating scale ranges from 0 (never) to 6 (always) and contains three items each for all three dimensions. The Cronbach's α for the same in present study was 0.83.

Psychological Contract

Psychological Contract was measured using five items scale of Kickul, Neuman, Parker, and Finkl (2001). These items measured the degree to which the organization kept its promises with regard to 'providing opportunities', 'career advancement' etc. on a five point Likert scale ranging from 1 (completely unfulfilled) to 5 (completely fulfilled). The Cronbach's α for the same in present study was 0.81.

Psychological Empowerment

We used a twelve-item scale formulated by Spreitzer's (1995) in this study for measuring the psychological empowerment in IT employees. The items were registered on a five-point Likert scale with responses ranging from 1 (completely disagree) to 5 (completely agree). The reported Cronbach's α for the present study was 0.83.

Sample

The authors distributed questionnaires by email and face-to-face to employees in three major IT organizations (Birla Soft, Tata Consultancy Services and HCL Technologies ltd.) located in Delhi-NCR. A total of 180 questionnaires (60 for each company) were distributed, and 126 completed questionnaires were received back, making 70 per cent response rate over a period of two months. The final sample obtained was composed of mainly males (n=89) and only 29% females (n=37) were part of the study.

Validity test

We used principal component analysis to measure the construct validity of the instruments (Cavana *et al.*, 2001). Before administering the principal component analysis, Bartlett test of sphericity was found to be significant ($p=0.000$) and the value of KMO (0.794) was also found to be in the acceptable range. Varimax procedure for the orthogonal rotation was used in the factor analysis and it was found that eigenvalues for all the constructs were greater than the prescribed value of 1.0. The eigenvalues for our constructs ranged

from lowest 1.178 to highest 6.065 making the total variance explained by the factors extracted to be 64.721 percent. The convergent validity of the instruments were also established as all the factor loadings were greater than 0.50. Further since, there was no overlapping of factor loadings for any of the constructs the issue of discriminant validity also ruled out for the questionnaire.

ANALYSIS

Respondents' profile and descriptive statistics

As mentioned above most of the respondents of the study are male respondents. Almost 80% of these respondents fell into age group 21-30 years. While only 9.52% respondents were found to be aged 41+ years. 78.5% (n=99) respondents were graduates while remaining 21.4% (n=27) were post graduates in their academic qualification. This shows that a majority of workforce in IT sector is young and the academic qualification necessary to enter IT industry in India is graduation (Bachelor of Technology).

Table 1 below shows the correlations, means, and standard deviations for the variables used in our study. It is clear from the table that both psychological contract (0.29) and psychological empowerment (0.38) had a positive correlation with employee engagement. Both these correlation figures provide support for the proposed hypotheses of the study. To further establish this observation, regression statistics were used.

Table 1
Descriptive statistics and correlations

<i>Variables</i>	<i>1</i>	<i>2</i>	<i>3</i>
Employee Engagement	(0.81)		
Psychological contract	0.29*	(0.78)	
Psychological empowerment	0.38**	0.59	(0.83)
Mean	2.78	3.15	3.01
Standard Deviation	0.81	0.76	0.77

n= 126 **p<0.01, *p<0.05

Multiple Regression Analysis

To test the proposed relations in two hypotheses developed earlier in the study, we subjected the data to multiple regression analysis using IBM SPSS. Table 2 below shows the value for psychological contract and psychological empowerment with respect to employee engagement.

Table 2
Summary Multiple regression

<i>Variables</i>	<i>Employee Engagement</i>
Psychological contract	0.11
Psychological empowerment	0.62*
R ²	0.37
F	8.76*

n= 126*p<0.001

It is clear from the values that psychological empowerment is a significant predictor for employee engagement ($\beta = 0.62, p=0.001$). hence H2 was accepted on the basis of data interpretation. Psychological contract ($\beta= 0.11, p=0.001$) was found to be a weak but positive predictor of employee engagement and hence H1 was also accepted.

DISCUSSION

One important objective of this research was to study the employee engagement practices in Indian IT sector. Out of 126 employees who were included in the study, 73 (57.9%) employees agreed that their job inspires them. 64 (50.7%) employees also agreed that they are proud of their jobs. This shows that dedication component of employee engagement is satisfied for Indian IT sector employees. When asked whether they are immersed in their work at job, 97 employees (76.9%) agreed to it while 67 (53.1%) employees agreed to the statement that they feel happy when they are working intensely. This establishes the absorption component of employee engagement as well. When we checked the vigor component of employee engagement, it was found that only 49 employees reported to feel like bursting with energy at work. While 72 employees agreed that they feel strong and vigorous at work. The organizations are thus advised to address this component of employee engagement.

Another important focal point of this research was to determine the contribution of psychological contract and psychological empowerment in employee engagement. Statistical findings from the tables above validated the influence of these variables on employee engagement. Especially psychological empowerment was found to be a significant contributor towards employee engagement. This establishes that organizations which empower their employees and instills confidence in them are more successful in engaging these employees.

Also it was found that psychological contract was a weak but positive contributor towards employee engagement. Based on this finding, it can be suggested that an organization which maintains strong psychological contracts with their employees (i.e. Interpersonal relationship between employer-employee) registers slightly better employee engagement.

It is clear from the above findings that employee engagement is now taken as a serious HR initiative in Indian IT industry. With employees satisfied with the dedication and absorption component of employee engagement, the strategies to keep employees engaged in IT sector seems to be fruitful. However, these companies need to work on their vigor component also to harness the benefits of fully engaged employees. The importance of psychological contract despite of the weak relationship found in the study must not be overlooked as there might be an indirect contribution be present which was not taken into account. Psychological empowerment is definitely a significant contributor in employee engagement and the result obtained have established this notion in IT sector of India.

MANAGERIAL IMPLICATIONS

Current study contributes significantly to both practice and theory of employee engagement. Psychological contracts and empowerment of employees increase their engagement with the organization. Thus the organizations that wish to increase their employees' engagement with them shall focus on strengthening the psychological contract that is being shared with the employees while also focusing on empowering

these employees. In addition to this significant research finding, the results of this research should also have practical significance for Indian IT sector. As discussed before the Indian IT sector is fast paced highly competitive industry which is continuously contributing towards higher economic goals for the country as well. In order to excel in such competitive situations, IT companies are always on their toes to retain and engage their talented employee pool. There are various ways through which these companies are engaging employees. Current study suggests that if focus will be given on maintain psychological contracts and empowering the employees, employee engagement will further enhanced in the organization.

Managers must employ individualistic approach towards strengthening the employer employee psychological contract. Since each employee has his own individual parameters which provides him confidence and empowers him, custom HRM approach towards these employee is most suited in organizations. Once these personal objectives of employee will be fulfilled, there will better engagement in organization. Maintaining a good organizational culture serving individual goals promotes better compliance among employees towards organizational goals and objectives (Kundu and Gahlawat, 2016; Becker and Huselid, 1999).

LIMITATIONS & FUTURE RESEARCH

Like all empirical studies, current research also has few limitations. The first limitation is related to the data collected for the study. Data for current study was only collected for IT sector in India. Future efforts must be made to incorporate respondents from other sectors/industry also. This will further help to generalize the results for Indian settings in a better way. Second major limitation for the study would be that although it aims to check the impact of psychological contract & empowerment on employee engagement, study does not includes its impact in presence of other predictors. Future research may include such variables which may potentially highlight or inhibit the impact of psychological contract & empowerment on employee engagement.

One other limitation is related to the location of these respondents. All three IT companies used in the study were located in the Delhi-NCR region which may or may not represent all IT sector employees in India. Future research may focus on different regions in the country while studying employee engagement or related variables.

CONCLUSION

Employee engagement is necessary human resource tool to run a successful organization in today's cutthroat competitive corporate world. Indian IT sector understands this need and there are instances from their annual reports which support the notion that employee engagement practices are used by these companies. The results of the study suggest that employee engagement in IT Sector is reinforced through maintenance of psychological contract and empowerment of these employees.

Finally, employee engagement is a necessity for every organization today. Our results recommend that employee can be engaged through empowering them while maintaining the psychological contract between them and the employer. This employee engagement is vital for IT companies today and often contributes in the success of these companies. Results from this study have practical implications for practitioners and provide a strong base for future research as well.

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