

Executive Summary

This report outlines the main findings and methodology of a survey conducted in 2016 by the Postgraduate Institute of Management to produce industry information about “Employee Engagement in the Information Technology (IT)/ IT Enabled Services (ITES) and Knowledge Process Outsourcing (KPO) / Business Process Outsourcing Services (BPO) Industries in Sri Lanka”

The modern business world constantly demands adapting to the changing business environment. Successful organizations are determined by how fast it can respond to change. Therefore, Human Resources (HR) undoubtedly becomes the most important competitive resource in an organization. Globally, organizations face significant changes in their policies, especially in HR function, due to challenges in attracting and retaining talent. As pointed out in surveys engagement has become a crucial factor and a challenge to human resources practitioners. A prestigious management consultancy firm, Deloitte, reports that the global workforce would consist of 50% millennial by 2020, and 75% by 2025 as per their Deloitte Millennial Survey (Deloitte, 2014). Millennial are persons born between 1980 -2000, who are gradually taking over the workforce and whose expectations differ from the previous generations. Thus, it becomes important; to identify their needs and what drives them, for HR policies and procedures to be effective in managing them in organizations.

Sri Lanka has become an attractive location for the offshoring industry, and is ranked 14th at A T Kearney global services location index 2016. IT and BPM sector is identified as a key strategic growth industry and has achieved year on year growth. In the Knowledge Services sector employee engagement becomes more crucial, because the level of psychological investment is high, and the level of employee engagement directly attributes to the level of performance. Organizations need to utilize their employees to their full potential as in the knowledge intensive sectors, economic value is found more in intangibles than in tangibles. In order to derive benefits through engaged employees, organizations must first measure the level of engagement, thereafter take necessary measures to address any issues. A study by MTI Consulting on the KPO/BPO Value chain in Sri Lanka (2015), has indicated that there is significant staff turnover within the KPO/BPO industry. Similar studies have shown that employee retention and brain drain as the significant challenge for IT and ITES industry. From the perspective of organizations, this leads to wasted resources,

low turnaround times and higher staff costs. As such, it is important that the organizations invest and nurture employees who are “engaged”.

According to scholars, employee engagement has been associated with higher levels of profit, overall revenue generation, and growth. Presence of high levels of employee engagement is also thought to enhance job performance, task performance, and organizational citizenship behaviors, productivity, discretionary effort, affective and continuance commitment, levels of psychological climate, and customer service. Presence of higher levels of employee engagement also significantly reduces turnover intention. Therefore, the researchers of this survey have focused the survey on the study of drivers of employee engagement, which is the need of the hour of this industry.

The team of researchers comprising of 6 members undertook to measure employee engagement in Apparel and IT, ITES and KPO, BPO sector. Total population reached was 17,113 of which 10,766 responses were collected. 10,412 valid responses were reached after rejecting 354 achieving a response rate of 62.9%. 3 members reached a population of 8065 in the IT, ITES and KPO, BPO sector through printed questionnaire and online form. A sample of 6050 valid responses were generated, while 175 being rejected. Team 3, of which is this report, reached a total number of 3506 responses, of which 95 was rejected thereby reaching a response rate of 69.2%.

The key findings of this survey indicated that overall Employee engagement level in the IT, ITES and KPO, BPO sector in Sri Lanka is 31%. Male employees are more engaged than Female employees in both these sectors. 50%, of the male employees in KPO, BPO industry demonstrated a low engagement level. 39%, of IT sector employees are highly engaged in their job, and 16% show low engagement whereas 26% of KPO, BPO employees are highly engaged in their job and 33% show low engagement. Overall, IT sector employees are more engaged than KPO, BPO sector employees. The findings indicate that managers show lower level of engagement than the non-management employees.

On a more positive note 83% of employees between 20-30 years of age in the IT sector say that they know what is expected from them at work. 77%, of IT sector employees stated that they are not afraid to be themselves at work. Further, IT sector employees experience a significant meaningfulness in their work. 86% believe that their work is personally

important to them and 81% believe that the job activities are personally meaningful to them. Overall, the IT sector employees demonstrate higher level of job engagement.

On the contrary, 38% of IT employees above 30 years say that the company does not encourage and support them in their career development. Further, majority of the IT sector employees disagree that organizational procedures are free of bias (Disagree 23%, Neutral 35%).

The findings of the KPO, BPO industry show that 46% of employees do not trust the Senior leadership of the organization. In addition, majority of the KPO, BPO employees say that their working relationship with their leader is not effective (47%). Employees in this sector demonstrate a low sense of belonging with their organization (47%) which may be the reason that majority of KPO, BPO employees say that their opinions do not count at work (35% low, and 35% neutral). In a more depressing note 35% of employees, say that they are not motivated to contribute 100% to the organization, whereas another 23% say that they do not know what is expected from them at work, which is three times higher in comparison to IT employees. Further, these employees say that the performance evaluations do not reflect their effort. (34% disagree and 36.8% remain neutral). However, this sector has shown more positive response towards co-worker social support.

The implications of this survey to the industry upholds that in order to drive employee engagement levels in the IT sector, more career development opportunities must be available to employees who are over 30 years. In order to drive engagement levels in the KPO, BPO sector, the organizations should take measures to improve dialogue with the senior management and the employees. More improvement to increase organizational procedures and HRD practices are necessary in this sector. Using stringent selection methods to select the best managers and improving teamwork through co-worker social support could drive employee engagement levels in this sector.