Impact of Employee Retention within Indian IT Sector

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Abstract

Information technology is not just one of the fastest growing industry in India but it also plays a major role in driving the nation's economy onto a positive growth curve and has highly contributed in changing India's image from a sluggish developing economy to a global leader in technology on which many countries can rely for world class technology solutions. With a highly competitive market and a big requirement of IT professional it becomes very important for an organization to retain their best talent to main the sustainability and productivity of the organization. There are two types of Employee Turnover – functional and dysfunctional. When productive employees leave the organization, it is said to be dysfunctional turnover and when the poor performers leave, it is called functional turnover. The focus of this study was dysfunctional turnover. Dysfunctional turnover is the concern of HR managers. When an employee leaves, it takes approximately eight weeks for this position to be replaced and in the meantime, productivity suffers. Causes and consequences of the Employee Turnover are mentioned in detail in this study. This study is an attempt to understand the impact of Retention Strategies on Employee Turnover. Results of the study showed that Retention Strategies has an impact on Employee Turnover. Other variables such as Welfare Benefits, Personal Satisfaction and Organization Culture, which are said to be associated with the Employee Turnover, were also investigated as a part of this study.

Keywords: Employee turnover, organizational performance, sustainable growth Retention strategies, Employee Retention, Attrition rate.

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INTRODUCTION

According to NASSCOM, $ 130 Billion can be reached by India in IT revenue by 2015, with CAGR of 14%. With this, its contribution of annual GDP would be 7% which would create 14.3 million employment opportunities. The companiesrecruit potential candidates, provide them with good facilities and a good pay but still face difficulty in retaining them. A huge amount of money is spent every year on HR policies and Employee benefits so as to provide job satisfaction, but still many big companies have high attrition rate. This study tries to find various reasons of high attrition and different strategies that can be successful for Employee retention. The major objectives of the study are to determine: whether retention management plays a positive part in retaining employees; contribution on lack of talent management on employee attrition; and impact of various retention drivers.

Collectively the study indicates that retention strategies can only work well if the right candidate is hired at the first place and also different retention need to be worked on carefully for different group of employees at all levels.

Today, the constantly changing environment, global competition, the nature of work made companies to realize the importance of talent in the success of organization. Now-days the competitive advantage of most companies on global market lies in the ability to create a profit driven not only by cost efficiency, but by the ideas and intellectual know-how. The networked and knowledge-based environment made the intangible assets like skills, relations and reputations of highest value (Bryan, Lowell L. 2007). In average across all industries, only around twenty to thirty percent of value is given to tangible assets (Cheese P., Thormas R. J, Craig E., 2008). The greatest part of a typical company's value comes from intangibles, including unique knowledge, ideas, customers, people, time, reputation etc. The intangible assets in the organization are created by talented people, whom company needs to attract, develop and retain. Thus talent management is —the implementation of integrated strategies or systems designed to improve processes for recruiting, developing and retaining people with the required skills and aptitude to meet current and future organizational needs‖ (Snell, 2007). The result of taking talent management as a strategic issue is mainly delivery performance improvements.

The term "turnover" is defined by Price (1977) as: "The ratio of the employees of organization who left in a particular period of time with the average number of employees in that organization during the same period of time".

FUNCTIONAL TURNOVER: Functional turnover occurs when people leaving the firm are underperformers. This is common in large consulting, accounting and law firms that employ an "up or out" philosophy. Employees in such a company must develop and improve to move up in the ranks. Those who are unable to progress are let go. Consequently, these firms have high turnover, but the employees who remain are the best and brightest.

DYSFUNCTIONAL TURNOVER: Dysfunctional turnover is the exact opposite of functional turnover, as the best employees leave. This can happen for a variety of reasons, but a common cause is low potential to advance. If, for example, a company fills its management positions with external candidates and does not offer them to internal employees, employees are likely to seek external opportunities for advancement.

HOW CAN ORGANIZATION INCREASE PERFORMANCE BY ENGAGINGEMPLOYEES IN SUSTAINABILITY

Companies are usually in one or more stages of the sustainability process, and employee engagement, at any given time. Several stages may occur simultaneously—some guidelines and tips for making each stage, shown in the diagram below, a success.

STAGES OF ENGAGEMENT

Source: BrownFlynn
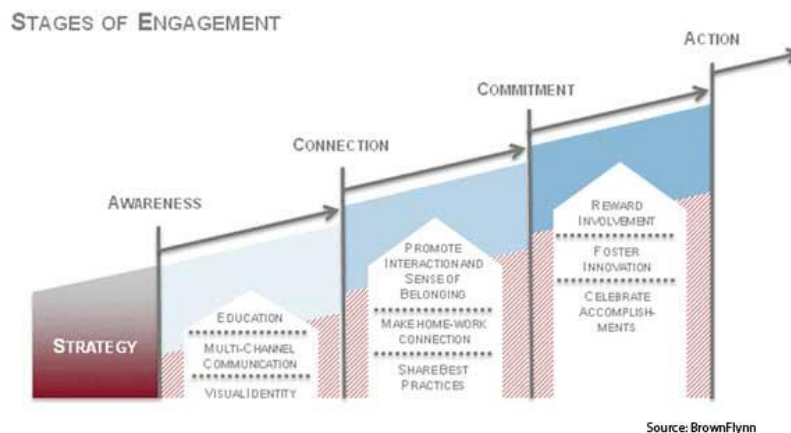
- To start, a solid sustainability vision and strategy is needed so employees have a clear understanding of the company's future direction and why sustainability is important to the organization and their own futures..
- Building on that clear vision and strategy, think next about how you can best "meet your employees where they are" to increase awareness and understanding of sustainability.
- Once have connected with employees on a personal level , they feel a closer connection to the vision and strategy, are well positioned to move them toward individual commitments, both at work and at home. This requires ongoing interaction, idea sharing and reinforcement of their value in the company's sustainability journey.
- Finally, as an organization and its employees progress along the engagement continuum, they will achieve action-oriented results built upon a healthy level of competition, recognition and rewards.

INDIAN IT SECTOR
Information Technology (IT) is defined as the design, development, implementation and management of computer-based information systems, particularly software applications and computer hardware. Today, it has grown to cover most aspects of computing and technology. The largest firms globally include IBM, HP, Dell and Microsoft.

The Information Technology-Enabled Services (ITES) industry provides services that are delivered over telecom or data network to a range of external business areas. Examples of such business process outsourcing (BPO) include customer service, web-content development, back office management and network consultancy etc.

IT/ITeS industry has led India's economic growth and this sector's contribution to the national GDP has risen from 1.2 per cent in 1997-98 to an estimated 7.5 per cent in 2011-12.

Today IT and ITeS sectors lead the economic growth in terms of employment, export promotion, revenue generation and standards of living. As per NASSCOM estimates, IT/ITeS sector (excluding hardware) revenues are estimated at USD 87.6 billion in FY 2011-12; and the industry is expected to grow by 19 per cent during FY 2012-13.

The IT/ITeS sector has led to employment opportunities, both direct and indirect, of nearly 2.8 million and around 8.9 million respectively. This growth is expected to increase to more than 14 million (direct and indirect) by 2015 and to around 30 million by 2030.

The market size of the industry is expected to rise to USD 225 billion by 2020 considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint.

Employee retention refers to the various practices and policies which make an employee stick to organization for a longer period of time. The organizations invest time and money to groom a new joinee. They bring him at par with the existing employees and make him a corporate ready material. It is a complete loss of the organization when an employee leaves their job once they are fully trained. Various measures are taken into account in employee retention takes so that an individual stays in the organization for maximum period of time.

NEED OF TALENT RETENTION IN IT INDUSTRY
The competition to retain key employees is intense. Top-level executives and HR departments spend large amount of time, effort, and money to figure out how to keep their people from leaving.Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time. Employee retention is beneficial for the

organization as well as the employee. Employee retention is one of the primary measures of the health of the organization. Losing critical staff members means other people in the departments are looking as well. Exit interviews with departing employees provide valuable information that can used to retain remaining staff.

Main three reasons why employees quit:
- *Dissatisfaction with superiors*
- *Inadequate compensation and benefits*
- *Lack of career development opportunities*

OBJECTIVES OF THE STUDY

1. To find the relation between demographic factors and Employee Retention
2. To study the impact of employee retention strategies on organization sustainability
3. To study the current scenario of the organization in context with the employee retention strategies
4. Recommending the ways by which retention strategies can be managed so as to meet the organizational objectives

RESERCH METHODOLOGY

The research has been conducted to find impact of Employee Retention towards a sustainable organization. It also helps to give employee perspective towards various roles of HR that have impacted the retention rate of the organization. Data has been collected via primary source taking a sample of employees from various organizations. The sample size consisting of 50 respondents were selected for the study. Since it is difficult to contact the entire population, sampling technique was adopted. The employees were interviewed using convenience sampling techniques. The research tools used to collect the primary data in this project are:
- Questionnaire
- Personal Interview

The collected data were analyzed by using Percentage analysis and Correlation

DATA INTERPRETATION AND ANALYSIS
DATA DISTRIBUTION

Gender	**Male**	**32**	**50**
	Female	**18**	
Age	**Below 25 years**	**23**	**50**
	20- 40 years	**23**	
	Above 40 years	**4**	
Marital Status	**Married**	**21**	**50**
	Unmarried	**29**	
Department	**Finance**	**6**	**50**
	HR	**3**	
	Marketing	**22**	
	Operations	**14**	
	Others	**5**	

PERCENTAGE ANALYSIS

**1. Employee retention helps the development of organization**

Employee retention helps the development of organization

No
36%

Yes
64%

Interpretation:

From the above it is clearly evident that 64% of the respondents feel that employee retention strategies are important in an organization and they help in organizational development.

**2. Does the company pay more attention to incentives and perks offered to employee**

Does the company pay more attention to incentives and perks offered to employee

Yes
46%

No
54%
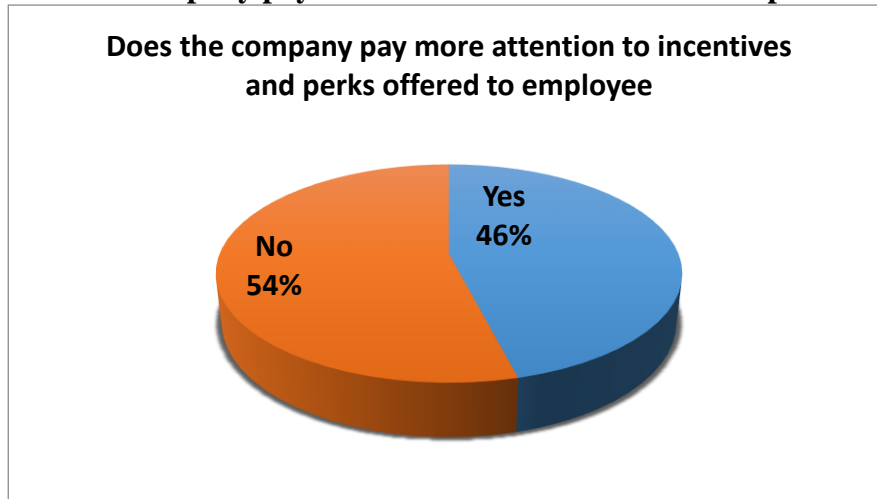
Interpretation:

The above chart stated that there was not a very strong opinion about the attention paid by the company on incentives and perk. An open ended questionnaire in the study revealed that most of the companies had a fixed and defined incentive plan which was followed.

These plans were not altered or modified that frequently. Though most of the organizations provided with incentives and perks, many employees felt that some attention should be paid to the plans and a few modifications need to be made in them.

3. Are the employees encourages to participate in training programmes to improve skills and competencies

Are the employees encourages to participate in training programmes to improve skills and competencies

■ Yes ■ No

28%

72%
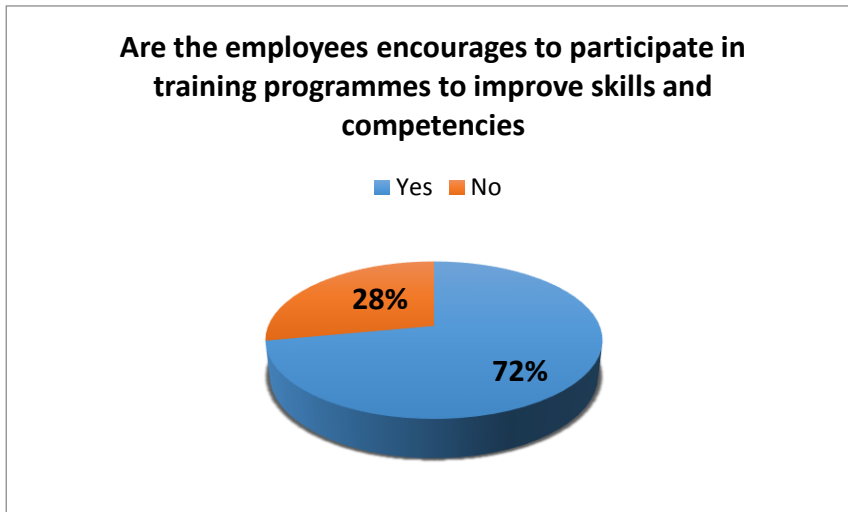
Interpretation:

According to the above chart 72% of the respondents agreed that their employers encouraged them to participate in training programmes. With the Global economy changing at a rapid pace, the organizations are aware of the fact that their employees need to be trained with the latest technologies to sustain in the market.

CORRELATION BETWEEN VARIOUS FACTORS WITH EMPLOYEE RETENTION

"Correlation analysis attempts to determine the degree of relationship between variables."
…………..Ya Lun Chou

"Correlation means that between two series or group of data there exists some casual connection.
…………..W. I. King

■ The value of the coefficient of correlation shall always lie between +1 and -1.
■ When r = +1 Perfect positive correlation between two variables.
■ r = -1 Perfect negative correlation between two variables.
■ r = 0 No correlation between two variables.

The coefficient of correlation describes the magnitude and direction of correlation

		Recognition	Work Load	T&D	Salary and Salary and Bonuses	Leadership	Communication	Employee Retention
Recognition	Pearson Correlation	1	-.208	-.033	-.199	-.101	.127	.404
	Sig. (2-tailed)		.148	.821	.165	.485	.380	.155
	N	50	50	50	50	50	50	50
Work Load	Pearson Correlation	-.208	1	-.221	.179	.322*	.263	-.201
	Sig. (2-tailed)	.148		.123	.213	.023	.065	.161
	N	50	50	50	50	50	50	50

		Recognition	Work Load	T&D	Salary and Bonuses	Leadership	Communication	Employee Retention
T&D	Pearson Correlation	-.033	-.221	1	.276	-.021	.000	.210
	Sig. (2-tailed)	.821	.123		.052	.883	1.000	.143
	N	50	50	50	50	50	50	50
Salary and Bonuses	Pearson Correlation	-.199	.179	.276	1	.380**	.194	.528
	Sig. (2-tailed)	.165	.213	.052		.006	.176	.848
	N	50	50	50	50	50	50	50
Leadership	Pearson Correlation	-.101	.322*	-.021	.380**	1	.249	.703
	Sig. (2-tailed)	.485	.023	.883	.006		.081	.158
	N	50	50	50	50	50	50	50
Communication	Pearson Correlation	.127	.263	.000	.194	.249	1	.346
	Sig. (2-tailed)	.380	.065	1.000	.176	.081		.752
	N	50	50	50	50	50	50	50
Employee Retention	Pearson Correlation	.404	-.201	.210	.528	.703	.346	1
	Sig. (2-tailed)	.155	.161	.143	.848	.158	.752	
	N	50	50	50	50	50	50	50

Recognition and Employee Retention
Correlation coefficient: 0.404
There is moderate degree of positive correlation between Recognition and Employee Retention. Employees like to feel appreciated. Via employee recognition, an employer can demonstrate to his employees that he appreciates the work they have performed. Hence it plays a vital role in retaining employees and in turn leading to a sustainable organization.

Work Load and Employee Retention
Correlation coefficient: -0.201
There is a low degree of negative correlation between Work Load and Employee Retention. This depicts that as the workload increases, the retention rate decreases.

Training and Development and Employee Retention
Correlation coefficient: .210

There is a low degree of positive correlation between Training and Development and Employee Retention. It states that providing the employees with proper training and development programmes can help in retaining them. But this association is supported by a very low degree. Most of the employees felt that the focus of training and development is not for the benefit of employees alone but the need of today's rapidly changing market.

Salary, Bonuses and Employee Retention
Correlation coefficient: 0.528
There is a high positive correlation between Salary & Bonuses and Employee Retention. It is believed that if the employee is paid comparatively for the work he does, he gets motivated to perform and hence results in retaining great potential. It was found that one of the major reasons for switching jobs in IT sector was the salary hike.

Leadership and Employee Retention
Correlation coefficient: 0.703
There is a high positive correlation between Leadership and Employee Retention. A very common theme with Human Resources personnel is that employees leave their bosses, not their jobs (Harvey, Stoner, Hochwarter & Kacmar, 2007). Usually when people entered a position, employees had the expectation of getting along with his or her leader and the two developed a working relationship (Elpers & Westhuis, 2008). Problems developed when an employee began experiencing difficult interactions with his or her leader, which caused the employee to feel unworthy to perform his or her job function over time (Harvey et al.) The study clearly reveals that the organizations were the employees did not gel along well with their bosses had a high attrition rate even after being provided with good salary, benefits, and training and development.

Communication and Employee Retention
Correlation coefficient: 0.346
There is a moderate degree of positive correlation between Communication and Employee Retention. If an organization wants to gain sustainability by improving employee commitment, satisfaction, and retention, it should evaluate how it communicates with its employees. An effective communication can help in resolving various issues of an organization.

CONCLUSION OF THE RESULTS OBTAINED FROM THE PRIMARY SOURCES

A wide rage on employment strategies have been employed in different organizations depending upon the manpower, market and leadership. These strategies can be broadly classified into two categories i.e.monetary and non- monetary strategies.Although,majority of the organizations are employing the monetarystrategies suchasPerformanceLinkedIncentives,Rewards, IncrementinSalary;yetgoodnumberofinnovative non-monetarypracticesarealsobeingimplementedtoretainthemanpower.Thesepracticesinclude JobRotation,JobEnrichment, ExitInterviews,ParticipationinManagement, PublicRecognitionof Achievementsetc.An organization should implement a well-defined Talent Management System according to their business environment so as to acquire, develop and retain the required level of talent for their overall long-term growth and success. It was found that initial handholding plays an important role in retaining manpower and hence the HR ad supervisors keenly observe new employees, providing them with feedback and sharing their opinion and experience.The

organization should be paying a fair salary and other monetary benefits to the employees according to their ability and talent. Before determination of the salary, the management should also consider the inflation rate and the areas where an employee has to survive. Employees should be free to their work at workplace according to their own mind.There should a fair performance appraisal programme and no space for any type biasness. All the rewards and facilities have been provided on the basis of performance of the employees. Training and development programme should be organized according to the need of the employees. Then proper feedback should be taken from the employees on the different employees and organization related issues. There should be adequate communication between the employees and the supervisor as it is helpful to create belongingness behavior within the employees towards the organization. ExitInterviewsalso emerged as a highlyeffectivetoolfor improvingthe level ofEmployeeRetention.TheprovisionofFairandEquitableTreatmentaswellasSecurityat WorkPlacewerereportedasthemostsignificantpracticesimplemented bytherespondent organizations forretainingtheirfemaleworkforce.The organizations can also incorporate certain fun - related activities, get together, and stress relieving games and other such activities so as to reduce the monotony of the work associated with the IT jobs.

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