



## Two Tier Cities and Attrition Rate A Study in IT sector With Respect to Nagpur City

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### ABSTRACT

*This research paper focuses on the shortcomings of human resource policies of Information Technology sector in Nagpur City. As all two tier cities of India are rapidly developing and hence the source for employment is increasing. Information Technology (IT) has been playing a vital role in the development of Economy. Human resources are the backbone of every organization. As we know that money and material are useless if we don't have power of human. People come to work with obvious motives such as to earn money, to have better, secured future. In today's scenario the organizations have to compete on large scale, hence the management of human is a very important & challenging job. With globalization, the importance of IT has increased further and there is great demand for trained human resources to cater to growing needs of IT sector. This study will focus on the HR management in IT sector in Nagpur Region.*

**KEYWORDS :** Attrition Rate, Globalization, infrastructure, human resource.

### Introduction:

If you talk to any People Manager in the IT industry on what is the biggest challenge he would face in a project, the answer will be not technology, not schedule, not cost, but the human resources and the attrition that comes along. The Indian IT / ITES sector has been so far resilient in spite of the global slowdown. Part of this is due to the segmentation in the Indian IT / ITES sector whereby some of the firms are the back office support service centers of large global multinationals while the others are the indigenous IT service companies of Indian origin. While the global economic slowdown has affected the IT sector overall, inclusive of a greater amount of business flowing to the captive units of foreign companies operating in India owing to the pricing and margin pressure in their local markets. The indications are also that the next decade will be very different from the last one, with structural shifts in demographics that will reflect more prominently in international trade and economics. Hence Human Resources are going to expect some abnormal changes, thanks to Technology evolution and adoption as the Internet generation takes over the workforce.

Attrition is a major issue for all IT companies. Each year, IT companies face considerable amount of losses because of operational hindrances caused by attrition. Having said that, the companies have policies like service agreements and notice period, to prevent high impact on operations, and then there is always a pressure on talent acquisition to fill the gap at the earliest. Therefore, to stay a step ahead, talent acquisition department needs to anticipate hiring requirement by considering a very important factor, called as attrition. Subject Matter Experts (SME) are the main resource in the IT Industry. They add value to their organizations through their communications skills, high level of education, and domain knowledge.

The IT services and outsourcing market is currently undergoing a structural transformation that will have a profound effect on how IT service providers will have to conduct their business. Customers have started to reduce project scope and / or postpone new development. However, they are also trying to move more work to lower cost off-site locations, which could increase IT budgets towards tangible cost saving measures. For these reasons many two-tier cities of India has small organization, which provided the required services for companies.

The purpose of this paper is to study the "stay of employee with an organization." The conclusions in this article are drawn from the data collected from various IT companies of Nagpur.

### Review of Literature

India has the second largest English-speaking scientific professionals after the US (Atanu Adhikari, 2009). It is considered as a knowledge economy with a highly talented technical workforce. A knowledge economy is one that relies intensively on human skills and creativity, the utilization of human intellectual capital supported by life-long

learning and adaptation, the creative utilization of existing knowledge, and extensive creation of new knowledge through research and development (Konana and Balasubramanian, 2001). In today's scenario, attrition is one of the major challenges in IT industry globally as well as in India. According to a recent survey conducted by All India Management association (AIMA) on CEO's and HR managers of different IT organizations, attrition is the second important issue related to HR department. In any organization, the employee life cycle is divided into five major parts:

1. Selection and hiring,
2. Induction and orientation,
3. Retention,
4. Ongoing performance management
5. Career development.

High attrition not only reduces the efficiency or customer satisfaction, but is also expensive. When an employee quits, there is departure of knowledge, skills and contacts creating a huge dip to the organization. In such a scenario, the competitor's organization gets a competitive advantage. When the employees move they not only take skills and knowledge but also trade secrets with them as they typically moved to the competitor's organization (Abassi and Hollman, 2000). This create a great need to identify the reason for the high attrition rate.

### Objectives

- To suggest the workable solution to the IT firms for prevention of the attrition rate.
- To take efforts and measures to improve the situation and conditions of employment.
- To understand the rules and policies followed by the organization.

### Hypothesis

**H 1:** Sticking with organization is important which helps in reduction of attrition Rate.

### Why do employees leave their companies?

In my empirical research, employees were asked for main reasons for their last job change, quitting their jobs. These are actual reasons why they have changed jobs; I did not ask them what potential reasons could be most important when making such decisions, hypothetically speaking. We can read from the results that the winning reason for both leaving old companies and choosing a new company is company culture, bad company culture in the abandoned company relative to the good company culture in the new one. When asked about the most descriptive characteristics of company culture both employees and managers gave similar answers that could be summarized as:

- Focus on competence and competence development.
- Respect and deference to employees' wishes

- Company's efforts to strengthen the fellowship
  - Some other reasons for leaving companies were:
  - Boring working tasks,
  - Bad salary,
  - Bad knowledge development etc .
- Analogous to this, reasons to start work for a new company were improvement of these satisfactory factors e.g.
- Better company culture,
  - Better salary,
  - Better knowledge development etc.

**Research Methodology**  
A survey was conducted in IT companies of Nagpur region to understand the challenges faced by the organization in order to retain their employees. This survey is based on primary as- well-as secondary data. The methodology adopted was a structured questionnaire seeking information on factors like

- 1) Increment,
- 2) Location preference,
- 3) Salary structure,
- 4) Band change (promotion/Job responsibility)
- 5) Ombudsman process,
- 6) Performance linked growth,
- 7) Team building,
- 8) Cultural events,
- 9) Professional membership (Technology certifications)
- 10) Reward and recognition,
- 11) Job rotation.

When asked to select the factors mentioned above, 96% agreed on minimum 7 factors mentioned above. This sorting process positively validates the factors, as well as strongly demonstrates their reliability. While above mentioned factors were measured by a seven-point Likert-type scale where one equals '*strongly agree*' and seven equals '*strongly disagree*'. A widely accepted, generally agreed upon standard exists across much of the profession; and, the rest of the survey elicited demographics information. The data points collected were analyzed using SPSS 10.0. The impacts of independent variables were also investigated using pair-wise t-test. The majority of sample size were males and of the age group of 20 to 35.

**Survey Response**  
500 participants were randomly selected for the main survey. A total of 415 respondents effectively completed their surveys.

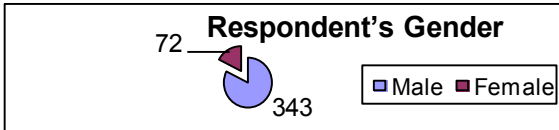
The result is comprised of three categories of employees, mainly

- Software engineers (313 respondents),
- Project leaders (72 respondents), and
- Assistant managers (30 respondents)

**Respondents and Their Demographics**  
**Table 1. Respondent's Gender**

Male	343
Female	72

**Graph 1. Respondent's Gender**

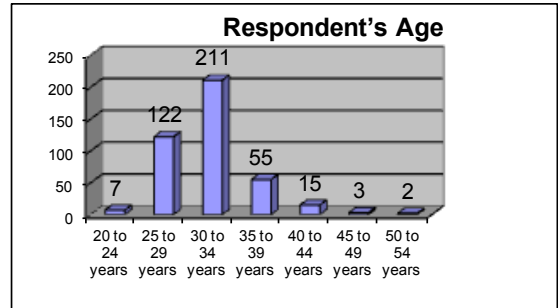


**Table 2. Respondent's Age**

20 to 24 years	7
25 to 29 years	122

30 to 34 years	211
35 to 39 years	55
40 to 44 years	15
45 to 49 years	3
50 to 54 years	2

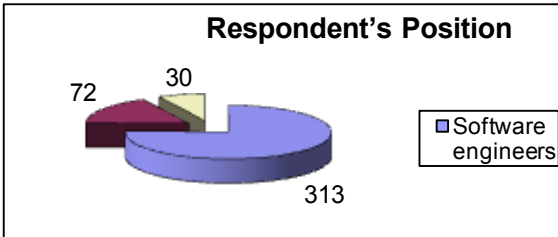
**Graph 2. Respondent's Age**



**Table 3. Respondent's Position**

Software engineers	313
Project leaders	72
Assistant mangers	30

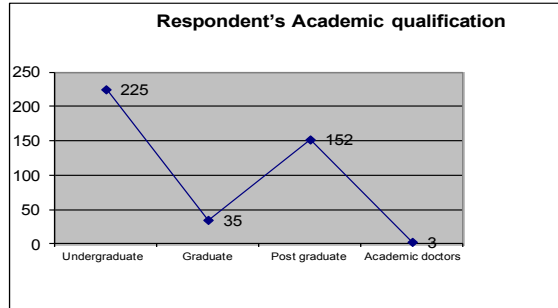
**Graph 3. Respondent's Position**



**Table4. Respondent's Academic qualification**

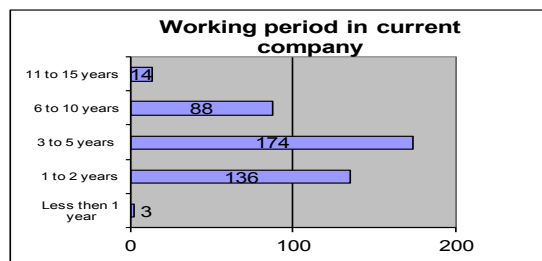
Undergraduate	225
Graduate	35
Post graduate	152
Academic doctors	3

**Graph 4. Respondent's Academic qualification**

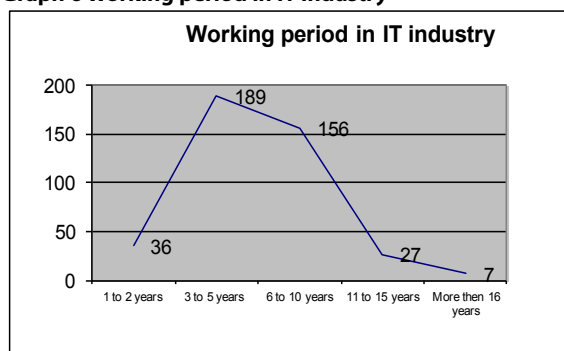


**Table 5. Working period in current company**

Less than 1 year	3
1 to 2 years	136
3 to 5 years	174
6 to 10 years	88
11 to 15 years	14

**Graph 5. Working period in current company****Table 6. Working period in IT industry**

1 to 2 years	36
3 to 5 years	189
6 to 10 years	156
11 to 15 years	27
More than 16 years	7

**Graph 6 Working period in IT industry**

## Conclusions

1. The study also reveals that IT professionals are displeased by not receiving enough feedback from their immediate supervisor. Since giving more feedback is not so expensive, there are no reasons for not doing it.
2. Study believe that one of main reasons for high attrition of employees in consulting firms is hiring people that do not really fit in a employee role. Some employees accepts job temporarily in order to acquire contacts with other companies and possible job opportunities.
3. Attrition can also increase because of different views on consulting methods, on career advancement or preference for other careers. Many young people consider large consultancies as a kind of "business school" and join them without having intentions to stay and use this job profile as staircase for post graduation.

## Limitations

- The key limitation of the study had been frequent change of opinions of the primary respondents. A few factors that limit the study are due to their response itself.
- Answer to questions might not be consistent.
- It is difficult to find respondent who take their decisions by their own and stick to it, they always influenced with the other factors, like friends, relatives
- The universe of study is limited to Nagpur region. Though the region has a very cosmopolitan population mix, it may not be the exact representation of the global.
- Sample size restricted which might limit the study to one particular region.
- Respondents seemed to be bias to the particular answer.
- Minds of the respondents are changing by the changes in environment.

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