Employee Attrition Management in Software Companies – a Conceptual Study

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ABSTRACT *Employees in an organization form the most valuable asset of the organization. The quality and quantity are added to an organization depending up on its employees. Hence, it is crucial to preserve a promising workforce permanently by the organization. But, over the years the task of preserving the employees became tough for the employers and this lead to the increasing rate of attrition in the organizations. The concept of employee attrition has gained significant attraction among the software companies, in the recent years. This has thus become a serious factor which greatly bothers the human resource management of the company and affects the whole company as such. The employee attrition is a common problem and the attrition syndrome is most commonly observed in the software firms, which not only obstruct productivity but also leads to loss of goodwill and heavy long run costs for the organization.*

Introduction:

Globalization has given the young generation an opportunity to employ themselves in the organisation of their choice. It has also resolved the issue of unemployment to some extent in a developing country like India. However, it has given room for another issue – "attrition". Attrition can be viewed as a natural reduction in personnel through resignation while attrition rate may be defined as the rate of shrinkage in number of employees due to untimely resignations. With attrition becoming the bane of software companies across the world, it is strange that many organisations neither measure costs associated with attrition nor have specific targets or plans to reduce them. Many organizations seem to accept attrition as part of the cost of doing business. However, in truth, attrition is a key area in which human resource department can play a lead role and bring about a definite change that can be measured in quantifiable, financial terms against predetermined targets. Far from accepting attrition as part of the cost of doing business, it needs to be recognized as a mounting problem that needs careful scrutiny and an area where human resource department can play a dominating role by taking initiatives to measure attrition, looks for its causes, come out with solutions and thereby target improved performance through reduced attrition.

Background of the study:

Attrition is part of the natural life cycle of any organization. The timely departure of an employee who has contributed years of fruitful service is a time for celebration. Conversely, the premature departure of a productive and contributing member of the organization can foster an atmosphere of fear and doubt that makes more attrition likely. Many research works highlighted the importance of exit interview for the purpose of attrition control. But the importance of stay interview is not so highlighted. There is a gap between stay interview and exit interview which has to be studied carefully to minimize the rate of attrition in an organization. It is also true that in some of the companies the employee exit management is not properly managed and because of this reason the organizations are facing difficulties to know the true dimensions of the attrition. Therefore, there is a need to study the organizations employee exit management practices so that companies can develop proper formal exit plan in place and ensure that employees leave the organizations with full dignity. At the same time there is need to consider the growing number of mergers and acquisitions in the corporate India and despite the fact that it is good news for the organizations, they need to be cautious as the employees are getting choosy. Based on the information as to how the company has handled the history of mergers in the past, employees are getting a big picture of the company. An acquisition can quickly shift the priorities since there will be a difference in the work culture. Thus, greater mergers and acquisitions may also mean greater attrition in the company. Employers have to see whether employees can adjust to the changes effectively. Nowadays, Poaching and Job hopping are the two new concepts which are contributing to the problem of attrition in software companies. On one side, in order to face the cut-throat competition many organizations are using the poaching strategy to attract the highly talented employees of rival companies and on the other side employees are job hopping frequently to fulfill their career aspirations in terms of better pay or more growth opportunities.

The following changing approach by the employee workforce has also led to the new study to control the attrition aspects of software companies.

Changing career paradigms

Old paradigms	New paradigms
Job security	Employability security
Job/Person fit	Person/organization fit
Organizational loyalty	Job/task loyalty
Career success	Work/family balance
Academic degree	Continuous relearning
Position/Title	Competencies/development
Full-time employment	Contract employment
Single jobs/careers	Multiple jobs/careers
Change in jobs based on fear	Change in jobs based on growth
Promotion tenure based	Promotion performance based.

Conceptual Framework: The following figure illustrates the conceptual framework for the study "employee attrition management in software companies".
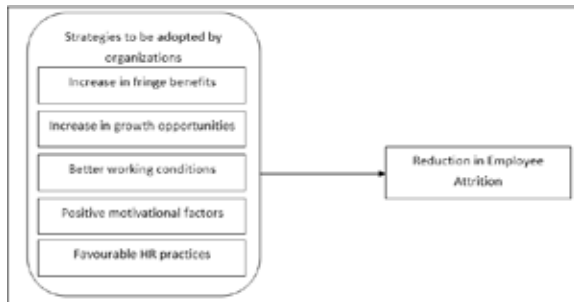
The above conceptual framework describes clearly about the strategies that to be adopted in software companies in order to reduce the employee attrition. From the framework, it is clearly understood that, the factors such as increase in fringe benefits, increase in growth opportunities, better working conditions, positive motivational factors, and favourable HR practices will have ability to reduce the employee attrition. The above research framework is developed based on the conceptual study on software companies and its impact would be as follows:

Better working conditions
According to Derek et al (2003), the environment and the life style of the employees have changed considerably when compared to the past. The regular or monotony of job done by the employees has started creating dissatisfaction among the employees. In addition, it can also be observed that, the employees prefer to run faster in order to retain their position. On the other hand, the management expects one employee to do the job of multiple people. The employees are thus treated merely as commodities. Hence, the increased opportunities and the expectation from the management tend to generate a pathway to reduce the loyalty of the employees, in turn leading to attrition. Hence, it is emphasized that, the employees must be provided with a work environment that is supportive and pleasing, in turn increasing the loyalty of the employees. It is also stated by Ingram (2015) that, the work environment comprises of diverse factors like hierarchies, company culture, and management styles and human resources policies. Personal feeling of fulfillment and contentment of the employees only can contribute to a higher degree of satisfaction among the employees in their work place. Hence, it is advisable for the software companies to enhance the work environment so as to improve the satisfaction of the employees. Further, better use of the positive work environment in order to enhance the employee satisfaction and decrease the turnover is stated to be the key to develop a high performance work force.

Increase in fringe benefits
Another strategy for employee retention or reduction of employee attrition is to increase the fringe benefits offered to the employees at the organizations. Including an extensive range of add-ons in the total compensation provided to the employees can reduce their intention to move to other companies. Some of the most common fringe benefits can be, reduced cost off- site or at on- site, short term or long term disability coverage, term life insurance, fitness center access, discount at the local health club, discounts on merchandise, time in grade bonus, meals paid by the organization during business meetings and overtime hours etc. Each of these fringe benefits provided to the employees represent additional value to the employees and enhances their loyalty for the organization. It is emphasized by Investopedia (2015) that, instead of providing the employees with a salary higher than that of the competitors, the organizations can increase their fringe benefits to lodge the changing requirements of their employees. With increasing benefits being provided to them, the employees are more prone to feel a deeper association with their employer and this in turn is claimed to retain them from moving to the competitor organization. The increase in fringe benefits offered to the employees in an organization, are stated to have a robust benefits package and they end up with a total compensation higher than that acquired by the employees who have higher annual salary in another organization. Organizations with higher quality employees perform well and in order to retain such employees, the fringe benefits have to be increased in addition to the higher pay offered. Thus, to recruit and retain the best employees for the organization, the employers require offering fringe benefits that lure and eventually reward the employees for their loyalty.

Increase in growth opportunities
According to Arthur (1994), the chief employees, who are well educated and hardworking, prefer to be rewarded and recognized for their contribution for the organization. And only if they are being rewarded and recognized, they can work enthusiastically. Hence, a work environment that provides opportunities for development and self actualization is the requirement of the employees. Better work environment can provide the employees with career growth opportunities and personal development. The possible growth opportunities as stated by Meyer and Smith (2000) include training and promotions, organization's care for them, feeling of being recognized for their work etc.

Favorable HR practices
The study by Saleem and Affandi (2014) analyzed the impacts of Human Resources practices on the employee attrition and retention. The factors such as, growth opportunities and fairness of rewards were analyzed in specific. It was claimed that, the perceived organizational support acts as a mediating variable for retention of employees in the organization. The Human Resources practices greatly contribute to the firm's competitive edge. The organizations can invest more in improved HR practices so as to benefit the work force and the firm's financial performance. It is evident that, the HR practices contribute to retaining the skillful employees.

Positive motivational factors
It is emphasized by Samuel and Chipunza (2009) that, the level of motivation, level of satisfaction, level of work compatibility and life interest and the level of involvement of the employees are major strategic factors to be followed by the software organizations in order to retain the employees. The motivation of the employees is stated to be in the form of job redesigning, such as increasing the level of responsibility and control of the employees over their nature of work. The employees can also be motivated by making them participate in vital decision making processes. According to Eisenberger, Rhoades and Cameron (1999), the job characteristics of the employees require to be manipulated by the managers in order to examine the effects on their performance, sustenance and motivation.

Thus, following such strategies in the organization can enhance the employee retention or reduce the rate of attrition in the organizations, thereby positively contributing to

the development of the organization.

The True Picture:

The attrition rate that is generally disclosed by most software companies does not always show the correct picture. This is because the figure has direct impact on stock markets, employee morale and customer confidence. Attrition rate has always been a sensitive issue for all organizations as it can have major fallout on the bottom-line. This is because the attrition rate is an indicator to many things intrinsic to the organization, and revealing it may affect it negatively. In fact at times, disclosing this data can be like a self-fulfilling prophecy-if you tell the fact that the attrition is high, it may actually become higher. It is also not uncommon to find companies proclaiming an attrition rate that is much less than the others in the industry or their competitor's turnover rate. Companies often project their attrition rate incorrectly as it tends to affect their brand image both internally and externally. Internally, it sends a wrong signal to their employees and the board of members and externally, it can affect in various ways such as developing a bad image or dissuading talent. However companies do not realize that hiding their attrition rate is never a solution in reducing the same.

Conclusion:

All said and done, 'attrition' is a fact of life every HR managers has to live with in today's fast changing and highly competitive business world. The day is not far off when in some sectors the attrition management may even assume strategic dimensions for HR function. At the end of the day it's always better to institute certain proactive measures to fight attrition than to rush for a reactive panic button.

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