



## EFFECTIVE RETENTION PRACTICES IMPACT ON TURNOVER RATE IN HYDERABD 'IT' COMPANIES

### KEY WORDS

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### ABSTRACT

Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. Also of concern are the costs of employee turnover (including hiring costs, training costs and productivity loss). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers and business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring and training the new employee. Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace. Not too long ago, companies accepted the "revolving door policy" as part of doing. Nowadays, businesses often find that they spend considerable time, effort and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future.

### Introduction:

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problem that plague companies in the competitive marketplace.

Not too long ago, companies accepted the "revolving door policy" as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, businesses often find that they spend considerable time, effort, and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future. Due to high level of attrition it is important to know whether the employees are satisfied with their job and organization, if not the reason for leaving.

### Literature Review:

There are pertinent studies on how companies should retain their current manpower. Some excerpts from the review of literature are as follows:

Empirical studies by Kinnear and Sutherland, (2001) and by Meudell and Rodham, (1998) and also studies by Maertz and Griffith( 2004) have, revealed that extrinsic factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security were cited by employees as key motivational variables that influenced their retention in the organisations. The implication of this therefore is that management should not rely only on intrinsic variables to influence employee retention; rather, a combination of both intrinsic and extrinsic variables should be considered as an effective retention strategy.

According to Samuel and Chipunza (2009), the main purpose of retention is to prevent the loss of competent employees from leaving the organisation as this could have adverse effect on productivity and profitability. However, retention practices have become a daunting and highly challenging task for managers and Human Resources (HR) practitioners in a hostile economic environment. One of the traditional ways of managing employee retention and turnover is through organisational reward system. A large number of studies have already been undertaken in the field of employee retention as retaining employees in an organization plays a very crucial part as it involves „regaining the confidence.

### Research Methodology:

#### Objectives:

- 1) To study the retention policies impact on employee turnover rate.
- 2) To know the gender wise policies influencing rate on retention
- 3) To know career advancement impact on retention control.

#### Hypothesis:

**H<sub>01</sub>:** There is no significant relation between Gender of employee and their salary package impact on employee retention.

**H<sub>02</sub>:** There is no association between experience of the employee and career advancement by company will show impact on retention.

**H<sub>03</sub>:** There is no significant relation between age of the employee and appreciation by management will control retention rate.

#### Sample & Sample Size:

A sample of 50 IT employees who have more than 5 year of experience in software industry in Hyderabad city considered as sample for the study.

#### Data Analysis:

**H<sub>01</sub>:** There is no significant relation between Gender of employee and their salary package impact on employee retention.

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.267 <sup>a</sup>	4	.036
Likelihood Ratio	11.439	4	.022
Linear-by-Linear Association	.302	1	.583
N of Valid Cases	50		

a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is 1.00.

From the above table chi square is significant (sig. value is < 0.05), **Reject null Hypothesis.** i.e, the company is making gender wise variation while fixing salary, which will have impact on employee retention in the company.

**H<sub>02</sub>:** There is no association between experience of the employee and career advancement by company will show impact on retention.

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.777 <sup>a</sup>	16	.990

Likelihood Ratio	7.437	16	.964
Linear-by-Linear Association	.520	1	.471
N of Valid Cases	50		

a. 24 cells (96.0%) have expected count less than 5. The minimum expected count is .70. From the above table chi square is not significant (sig. value is > 0.05), **Accept null hypothesis.** i.e there is no such link between experience employee and company carrier advancement program to retention rate.

*H<sub>05</sub>: There is no significant relation between age of the employee and appreciation by management will control retention rate.*

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.454 <sup>a</sup>	8	<b>.023</b>
Likelihood Ratio	1.450	8	.994
Linear-by-Linear Association	.021	1	.885
N of Valid Cases	50		

a. 24 cells (96.0%) have expected count less than 5. The minimum expected count is .70.

From the above table chi square is not significant (sig. value is > 0.05), **Accept null hypothesis.** i.e there is no such link between experience employee and company carrier advancement program to retention rate.

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**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
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Linear-by-Linear Association	.021	1	.885
N of Valid Cases	50		

a. 12 cells (80.0%) have expected count less than 5. The minimum expected count is 1.44.

From the above table chi square is significant (sig. value is < 0.05), **Reject null Hypothesis.** i.e there is a association between manager / team leader appreciation will control employees to shift a company.

**Regression & ANOVA (Retention Policies)**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.814 <sup>a</sup>	<b>.671</b>	.140	.437

a. Predictors: (Constant), 11. Company policies are useful for the employee career., 10. Technical skills are analyzed during the selection process., 7. Testing of candidates' ability is compulsory for the job., 2. HR clearly defines the job description and job specifications in the recruitment process.

**R:** represents the multiple correlation coefficients with a range lies between -1 and +1.

**R square:** represents the coefficient of determination and ranges between 0 and 1.

Model	Unstandardized Coefficients	Standardized Coefficients				
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.135	.218		9.796	.000

2. HR clearly defines the job description and job specifications in the recruitment process.	-.076	.049	-.177	-1.548	.125
7. Testing of candidates' ability is compulsory for the job.	.141	.053	-.282	-2.681	.009
10. Technical skills are analyzed during the selection process.	.030	.053	-.058	-.568	.571
11. Company policies are useful for the employee career.	.031	.036	.082	.867	.388

a. Dependent Variable: 30. Are you satisfied with the Recruitment and Selection process? From the above ANOVA table F value is significant (significant value is less than 0.05) it means dependent variable report on employee satisfaction on recruitment and selection process. The above regression equation indicating for better and satisfied policy for good recruitment will depend on (Y= aX+ b)

Satisfied with Retention policies = 2.13 – 0.76 (HR clearly defines the job description and job specifications in the recruitment process.+ .14 (Testing of candidates' ability is compulsory for the job. ) + 0.30 (Technical skills are analyzed during the selection process. + 0.31 (Company policies are useful for the employee career.)

The above equation revealed that all the factors are positively impacting except HR policy description, which may be have impact of fresher's are need to adjust as per market requirement.

**Discussion of Results:**

In today's business environment clearly the long-term winners will be the companies that provide a flexible and challenging work environment along with employee recognition and rewards. If employees are asked to share the risks then they have to share the rewards as well. Due to growing expectations among employees at all levels, a majority of employees at all levels want to have an improved quality of work life. As per the growth projections of the Indian pharmaceuticals sector, companies are required to retain their human resources. No doubt, soaring attrition levels are proving to be a serious problem for organizations. Concerted efforts to keep retention on a tight leash will definitely help. High retention level will lead to fewer operational problems, greater productivity and soaring morale and huge cost-saving to the organization. In this context, employee retention has become the strategic focus and compelling necessity of businesses today. Thus, ignoring the problem of mounting attrition level can have devastating consequences for the business. Organizations can afford to ignore the problem at their own peril.

This study attempted to fill the gaps by analyzing the impact of three R's i.e. Respect, Recognition and Rewards on satisfaction level of the employees and by examining the various practices adopted by Indian MNCs in retaining their employees. The study concludes that steps must be taken by the organisations to relive the employees from the workload through job rotation, change in work location and other recreational activities. It is also observed that implementation of three R's will increase retention. Most of the employees considered that the welfare measures and grievance handling procedure of their companies is quite inefficient. It was also found that most of the employees opted either yoga or other recreational activity to manage stress. Hence it is suggested that companies provide recreational activities and yoga/meditation to employees. It is also seen that conducting frequent reviews and not blaming the employees for policy errors also leads to employee retention. ESOPs are also considered as one of the best motivating factors for employee retention. This paper has, therefore, examined and analyzed the employee retention practices adopted by Hyderabad IT companies.

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