



A STUDY ON EMPLOYEE RETENTION STRATEGIES IN IT/ITES SECTOR: MANAGEMENT PERSPECTIVE

Adevally
Soujanya*

MBA in (Finance & HR), David Memorial Institute of Management, Osmania University, Hyderabad *Corresponding Author

ABSTRACT Retaining the employees, especially the performing employees, is very critical to the progressive sectors like the Information Technology (IT) sector. Retaining good or performing employees has been a challenge all along the course of industrialization. Employers have given a lot of significance to this issue in employment relations. New and newer strategies have been designed and developed by them. They have also engaged the experts to study the problem of employee attrition in their organizations and recommend effective retention strategies. Consequently, “employee retention” has become a specialist function in people management and the “retention strategist” a specialist. Especially in the US industries, which are always concerned with hiring the right people and retaining them for longer time to reduce the cost of replacements have often spent lot of time in studying the challenge engaging the specialists.

KEYWORDS :Internal Customer, Vision, Re-organize, Social life

Introduction:

The Information technology industry in India has gained a huge acknowledgement and has become a brand identity as a knowledge economy due to its IT and ITES sector. The IT–ITES industry has two major components: IT Services and business process outsourcing (BPO). The growth in the service sector in India has been led by the IT–ITES sector, contributing substantially to increase in GDP, employment, and exports. The sector has increased its contribution to India's GDP from 1.2% in FY1998 to 7.5% in FY2012. According to NASSCOM, the IT–BPO sector in India aggregated revenues of US\$100 billion in FY2012, where export and domestic revenue stood at US\$69.1 billion and US\$31.7 billion respectively, growing by over 9%.

This sector has also led to massive employment generation. The industry continues to be a net employment generator – approximately added 230,000 jobs in FY2012, thus providing direct employment to about 2.8 million, and indirectly employing 8.9 million people. It is interesting to note that approximately 75% of the IT personnel are younger than age 45. Many managers in the IT Industries are in their 20's and 30's therefore making it more difficult to manage and retain them. Basic model of retention is shown in Figure 1.

Now coming to the personal life of the employees, employees are looking for alternatives because of their collective desire to improve the balance between work and family.

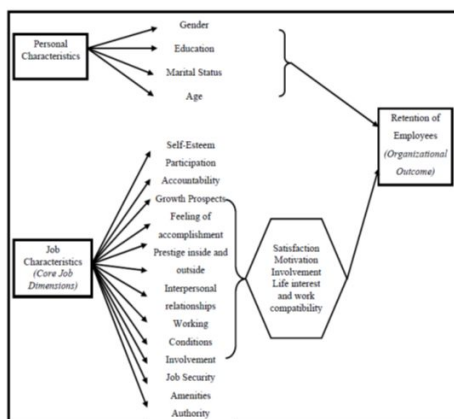


Figure 1: Basic Model of Retention

If you do not provide them, someone else will. Instead of a traditional vacation policy, the company lets employees take time off from a leave bank, in which they can accumulate as many as 60 days off to use as they see fit. This policy has helped with employee retention, particularly by making it easier for female employees starting families to take time off and ultimately return to work.

Literature Review:

The latest literature presented below:

Zin, M. S. and Ahmad, N., et. al. (2012), intended to elucidate one particular issue with regards to Malaysian SMEs which was employee retention and in more specifically, this study aimed to produce a model for employee retention. To attain this aim, the two-factor, or motivation-hygiene theory (Herzberg, 1968) was taken as the basic foundation. Study recommended that HR managers must endeavour to redesign the job to be more varied and decentralized in order to encourage sovereignty among employees. Therefore, motivation model were considered as relevant to be employed in HRM practices for employee retention.

Misra, Pooja, Rana, Neeti et. al. (2012), analyzed the impact of Compensation components in terms of Rewards and Benefits and Organizational Justice on Turnover Intentions and the role of Job Satisfaction in terms of Pay. It was examined that compensation influences key outcomes like job satisfaction, attraction, retention, performance, skill acquisition, cooperation, motivation and turnover intent of employees. This study has been done on the Indian Retail Industry with special reference to Retail Store Operations. It was found that rewards and organizational justice in terms of distributive and procedural justice impact job satisfaction which in turn affects and described as one of the reasons for high attrition rates. The independent factors of Financial (base pay, merit pay, incentive, bonus etc.), non Financial Reward (discount coupons, employee of the month), benefits, distributive and procedural justice impact job satisfaction which in turn impacts absenteeism and attrition rates in the retail industry.

Mathur, Atul and Agarwal, P. K. (2013), aimed to understand the impact of retention strategies on employee turnover in sugar industry in India. The focus of this study was on dysfunctional turnover. Other variables such as welfare benefits, personal satisfaction and organization culture, which are associated with the employee turnover, were also investigated as a part of this study. It was found that the main reason for leaving the organization by employees were compensation and working environment. Results of the study revealed that retention strategies have direct impact on employee turnover. Researcher suggested that by using different HR practices like effective compensation policy, performance appraisal, training and development program, feedback and assigning competitive work the condition of employee retention can be increased.

Balakrishnan and Masthan, D. (2013), identified the drivers of the employee engagement and also examined the relationship between employee engagement and employee retention. It was observed that employee engagement leads to commitment and psychological attachment and reflects in the form of high retention (low attrition) of employees. The study suggested that the level of engagement in employees can be enhanced by identifying its drivers (influential factors). Organizations can design good practices in the light of findings to retain their best talent (highly skilled and specialized human resources) without much financial burden. Statistical evidence in the study confirm that the employee retention can be improved by

addressing nonfinancial drivers of employee engagement like communication, recognition, manager/supervisor support (relationship), work engagement, team work and role clarity.

Jeen Dorance Batty S. (2015), aimed to the factors which may be the possible reasons for an employee to leave an organization. Employee's turnover intention and its impact on organizational outcomes were analyzed and that was collected through questionnaires from the first and middle line employees in selected organized retail outlets in Bangalore. From the econometric analysis, it was found that turnover intention has influenced attrition factors such as Quality of Work Life, career growth, working hours, personal/family reasons, and relation with internal co – worker, welfare, working condition, and salary.

Research Methodology: Objectives

- 1) To study the Employee retention strategies in general and IT sector particular.
- 2) To understand the Management retention strategies impact on attrition.
- 3) To identify the effectiveness retention strategies in IT sector.

Hypothesis:

H₀₁: There is a association between age of the employee and taking care of their well beingness by management will have impact on retention rate.

H₀₂: There is no significant relation between Education of employee and company programs for skills enhancement will have impact on retention rate.

H₀₃: There is no relation between educations of employee and providing "on the job training" will control retention rate.

Sample & Sample Size:

Employees, HR Managers and Trainees who are working in IT/ ITES companies in Hyderabad. A sample of 510 employee's opinion was collected with the help of structured questionnaire.

Data Analysis:

The data analysis was done with the help of SPSS 20.0 statistical software.

Analysis:

Factor Analysis (Management Strategy)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.769
Bartlett's Test of Sphericity	Approx. Chi-Square 7853.603
	df 21
	Sig. .003

First the researcher tested the eligibility of the data to perform factor analysis by checking KMO- Bartlett's test which is a measure of sampling adequacy. The KMO value is 0.769 >0.7. Bartlett's Test of Sphericity indicates a measure of the multivariate normality of set of variables (Sig. value is less than 0.05 indicates multivariate normal and acceptable for factor analysis). Both the sampling adequacy and Bartlett's values are statistically valid.

Table 1.2 :Total Variance table of Management Strategy

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.431	82.570	82.570	7.431	82.570	82.570
2	1.008	11.195	93.765	1.008	11.195	93.765
3	.223	2.479	96.244			
4	.155	1.719	97.963			
5	.056	.624	98.587			
6	.051	.563	99.150			
7	.017	.185	100.000			

Extraction Method: Principal Component Analysis.

The below scree plot indicates, pictorial manner of filtered factors with more than 1 Eigen value i.e Two factors in above case.

Table 1.3 : Rotated components matrix of Management Strategy

Factor	Component	
	1	2
33.Retention	.459	-.011
34. Customer Satisfaction	.361	.115
35.Exit Interview	.986	.078
36. Vision	.068	-.023
37.Complaints	.167	-.012
38.Leaves	.668	-.016
39.Re-Org.	-.773	.809

Extraction Method: Principal Component Analysis.

As per above Rotated Component matrix analysis , it is found that correlated values more than 0.6 are considered as influenced factors and the same factor is treated for naming of concern factor.

Table 1.4: Naming of Factors for Management Strategy

Factor No.	Factors Name	Naming of Factor
1	o Company implements the suggestions given by exit interviews. o Management is flexible in sanctioning leave for the social activities of employee's family.	Stress Relievers
2	o Management constantly re-organizes the employees and changes decision of the organization.	Re-structure of company according to needs

H₀₁: There is a association between age of the employee and taking care of their wellbeingness by management will have impact on retention rate.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1242.141 ^a	12	.930
Likelihood Ratio	1115.077	12	.000
Linear-by-Linear Association	446.956	1	.000
N of Valid Cases	509		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.12.

From the above table chi- square is not significant (sig. value is > 0.05), **Accept the Hypothesis.** i.e ,if the management will able to provide good facilities to employees as per their age wise needs, it will able to control the retention rate IT sector employees.

H₀₂: There is no significant relation between Education of employee and company programs for skills enhancement will have impact on retention rate.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	964.062 ^a	12	.000
Likelihood Ratio	1011.168	12	.000
Linear-by-Linear Association	443.086	1	.000
N of Valid Cases	509		

a. 2 cells (10.0%) have expected count less than 5. The minimum expected count is 3.29.

From the above chi square table, the significant value (sig. value is < 0.05), Hence, **Reject null hypothesis.** i.e , if the company will organize frequent skills enhancement program to employees, it leads to control of retention rate.

H₀₃: There is no relation between educations of employee and providing "on the job training" will control retention rate.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1223.750 ^a	12	.263
Likelihood Ratio	1075.790	12	.000
Linear-by-Linear Association	457.920	1	.000
N of Valid Cases	509		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 9.48.

From the above table chi-square is not significant (sig. value is > 0.05), **Accept the Hypothesis.** i.e. the educated employees don't find much importance for on the job training, which is not an impacting factor to control retention rate.

Discussion of Results:

The Hyderabad IT Industry in general and the software and other organisations did face the problem of employee attrition rather very seriously for two important reasons: (1) the high rate of growth of the industry, and (2) scarcity of qualified people (engineers, computer science and computer application graduates. rate was in some cases closet to 50%. This problem was reduced with the increasing number of young person's graduating from new colleges and different retention strategies adopted by the employers. Considering today's scenario the rate of employee attrition in the industry is between 25 to 30% which one may say is still on the higher side. However, the organizations covered under this study claim that the rate of attrition in their organisations is low – in some cases this is single digit figure while in others it is less than 20%. Hence, we tried to find out the reasons for attrition as well as the retention strategies these organisations have adopted to reduce the intensity of the problem rather successfully.

The study is aimed to explore about employee retention practices followed in IT (Information Technology) sector in Hyderabad region. The report carried out the perceptions of 510 senior IT professionals in Top 5 IT MNC's (TCS, Wipro, Infosys, Oracle, and Tech. Mahindra) operating in Hyderabad city. Questionnaire method of data collected was adopted for the purpose to capture employee perceptions in various dimensions leads to retention practices in their respective companies.

Major Caused for Employee Attrition in Select Companies:

1. The economy - In exit interviews one of the most common reasons given for leaving is the availability of higher paying jobs. In a better economy the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews.
2. The performance of the organization - an organization perceived to be in economic difficulty will also raise the specter of impending layoffs. Workers believe that it is rational to seek other employment.
3. The organizational culture - much has been written about organizational culture. It is sufficient to note here that the reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.
4. The characteristics of the job - some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment. A job's status is also important, as are many other factors.

Management Strategy:

The company strategy will have huge impact on retention policy of the employees. Almost all the sample companies framed well designed policies to control attrition in their respective companies. The managers are frequently assessing company customer satisfaction. The companies are not following any such time limit to resolve policies. The leave policy to employees is more flexible.

The factors with respect to Management Strategy to maintain better retention strategy is, providing better stress management practices to employees in terms of making them to enjoy their social life and positively implementing exit interview suggestions followed by re-structure of organization according to changing needs in the organization is an effective management strategies.

Infosys recently launched "Pathfinder," which is a career movement programme. As apart of this initiative, 23,000 people have gone through career workshops to understand more about their options. The management says that it is trying to provide employees with internship programs to test waters across different career streams available internally and move around according to their aptitude.

Wipro, has been trying to reward employees through a more tangible

process by doling out 5.7 million shares as restricted stock units to its mid-management employees. This was followed up with a band restructuring program that saw 20,000 junior level employees being promoted at a 7-8% salary hike in the second quarter of the fiscal. (Roy & Ghosh, 2010).

Infosys has promoted another 4,000 people taking the total number of promotions this year to 20,000, effective July 1, 2012. This is about over 13% of the company's total strength of 1,51,151 as on June 30. (Tejaswi, 2012).

References:

1. Akuoko, Osei Kofi and Ansong, Francis (2012), "Employee Retention Strategies and Workers' Performance: General Views of Employees in Ashanti Region of Ghana", *International Journal of Business and Management Tomorrow* Vol. 2 No. 8 ISSN: 2249-9962.
2. Clarke, K.F. (2001). What businesses are doing to attract and retain employee-becoming an employer of choice. In *Employee Benefits Journal*, pp. 34-37.
3. Gayathri, R. G.Sivaraman, R.Kamalambal, 2012. "Employee Retention Strategies In BPO'S -An Empirical Investigation", *Interdisciplinary Journal of Contemporary Research In Business*, Vol.3, No.12
4. Howatt, B., & Gould, K. E. (2000). Strategic planning for employee happiness: a business goal for human service organizations. *American Journal of Mental Retardation*, 105(5), 377-386.
5. Masibigiri Vhutshilo, Nienaber Hester (2011), "Factors affecting the Retention of Generation X Public Servants: An Exploratory Study", *SA Journal of HRM*, Vol. 9, No 1.