

Hiring and Retaining Human Capital in Indian IT Sector In Search of Alchemy



Management

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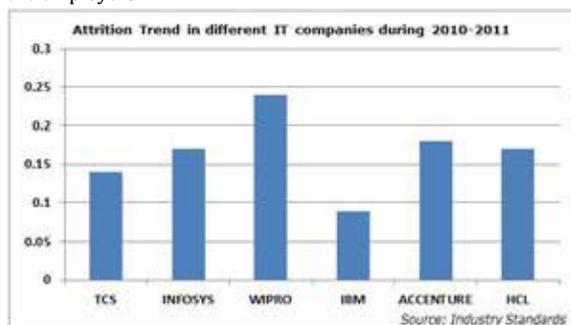
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ABSTRACT

The hyper competitive business environment is experiencing a fierce competition for skilled employees. Increase in productivity and quality rests on implementing different ways and means to retain key performers in the organization. The problem is highly persisted in IT industry. The IT industry is facing the critical challenges of recruitment and retention of best talent. There are many factors which influence retention and it is required to understand employee expectations, that can made them to stay long back and perform well. Global explosion in business creates more opportunities and people are highly mobile not restricting to particular job.

Backdrop

The IT sector is playing prime role in generating revenue as well as in providing direct employment to around 2.3 million people in India. According to the industry body NASSCOM, Indian IT sector is estimated to provide direct employment to around 10 million by 2020. In FY 2010 IT sector has contributed around 5.6% to India's GDP. India's human capital advantage has been one of the prime reasons for the rapid growth of the IT sector. Post recession, the IT sector has seen tremendous growth and today the market has become extremely competitive. Talent attraction and talent retention has become a major challenge for the employers.



IT sector has been the most attractive sector to work which provides an admirable work environment, attractive compensation and rewards along with good career growth opportunities. The economic downturn shows impact on IT companies in the form of huge salary cuts, downsizing, and reduction of incentives. . The attrition rate for IT companies was in the range of 14-25 percent for the fiscal year 2010-2011. Recruitment and selection of right employees is critical challenge for employers. Motivation and retention of valuable employees leads to the success of business in turbulent environment. The present scenario is quite complex where employers are facing the difficulty of attracting and retaining talent due to availability of more job opportunities. High recruitment costs, loss of expertise, decrease in productivity and lower quality are the results of employee turnover.

LITERATURE REVIEW

Ganesh, (1997) identified two types of factors that encourage an employee to leave the present job are push factors and pull factors. Push factors pertain to the dissatisfaction causes are work environment, compensation, low employee benefits, inconsistent HR policies, incorrect work assignments, lack of challenge, lack of career development schemes, fear of being found out and level of competence. Pull factors that lure an employee are higher compensation package and greater technical challenge.

Persis Mathias (2001) states that it is hard work to engage Indian software talent by the Software industry. Retention of employees is a major task before HR professional managers. AMR (attract, motivate, retain) is a big concern IT industry.

In developed and emerging countries, Attraction and retention

of employees is of the most desired practice and competence of the high performance organizations. Search for best talent will be very difficult in coming years. Retention can be possible by many ways but one of the most used in organizations is paying more than they are earning. Lawler III (2005) stated that in these days organizations are competing for talent rather than counting employees loyalty. They are focusing on attracting, hiring and retaining the required talented persons. For this purpose organizations must utilize those practices which are in favor of both employees and employers leading them towards higher performance levels. It is important to recruit strategy driven and shrewd employees because it creates sense of alignment between employee and organizational values and goals.

Gentry et al., (2007) argued that employees feel connected with the organization if they get support from their supervisors which lead them to return the favor to the supervisors and organization through retention.

B.K. Punia and Priyanka sharma (2008) highlighted that in current economic scenario the variables like induction programme, scientific job analysis and fair & skill based distribution of work assignments are the key factors in influencing the employees retention intentions in industrial organizations in general and the IT sector in particular study highlighted the influence of age on employees position as significant factors in employee retention. The corporate has to strengthen their induction programmes, during scientific job analysis before selecting the employees and resorting to fair and skill based work distribution practices.

Srivastava, Vinay K. and Shailesh Rastogi (2008) opined that the reasons of employee attrition are growth, family problems, dissatisfaction. Causes of dissatisfaction are not having objectivity in job allocation, employee recognition and fairness in career advancements. Management control system is fully capable of bringing objectivity in the organization and managing employee dissatisfaction which leads to high employee retention and better productivity and better organizations.

Vos & Meganck (2009) indicated that career development plan for the employees play a vital role in the retention of employees. Providing these career development opportunities restrict employees from leaving the organization and increase in loyalty.

OBJECTIVES OF THE study

The broad objective of this research is to identify the root causes of attrition in IT and ITes companies and analyzing the level of employees motivation, satisfaction and involvement as well as to develop a model for maximizing sustenance of employees in the organization and come up with concrete recommendations, which will eventually be valuable to the organizations to retain their quality employees for a long time. The specific objectives of this research are: -

1. To identify and rank the factors of attrition in the IT industry based on accumulative literature review and secondary data.
2. To explore and analyze the dimensions of attrition in IT

companies based on collected data.

3. To identify and explore the dimensions of employee retention in IT industry
4. To assess the existing level of employee motivation and validate the model by studying the impact of recommendations on a small patch.

To attain the aim of the research, the Hackman and Oldham's Job Characteristics model (1976) was taken as the basic foundation. Hackman & Oldham (1976) proposed the Job Characteristics Model, which is widely used as a framework to study how particular job characteristics impact on job outcomes, including job satisfaction. The model states that there are five core job characteristics :

- skill variety,
- task identity,
- task significance,
- autonomy, and
- feedback

Which impact three critical psychological states :

- experienced meaningfulness,
- experienced responsibility for outcomes, and
- knowledge of the actual results

In turn influencing work outcomes (job satisfaction, absenteeism, work motivation, etc). The basic hypothesis of this research that employee motivation, employee satisfaction, employee involvement, and life interest and work compatibility lead to prolonged sustenance is an extension of this model with minor modifications in it. It is proposed that the Job Characteristics model is modified by redefining job dimensions as growth prospects, accountability, sense of accomplishment, self-esteem, job security, interpersonal relationships, working conditions, by extending organizational outcomes as satisfied, motivated, involved and retained employees.

METHODOLOGY and sample design

This paper is the outcome of a theoretical study titled "Emerging Trends in the Level of Attrition and Retention of Employees in the IT Companies of India". An analysis of the key factors associated with attrition and retention of employees in Indian IT Sector has been made. The study attempts to explore and analyse different facets of the arena.

A study on Employee Retention factors influencing IT Professionals of Indian IT Companies and Multinational Companies in India is empirical in nature. The purposive sampling technique was adopted to conduct the study. 30 IT professionals were considered for the study. Out of these, 12 respondents were from Indian IT Organizations and 18 respondents were from Multinational IT Organizations. Structured Questionnaire was used to elicit the data required for the study. The questionnaire

comprised of 164 survey items framed on the basis of the previous related studies relevant for the study. The items given were measured using Likert 4 point scale and 5-point scale. The questionnaire was segregated into various parts-Company reasons influencing decision to leave previous Organization Personal reasons for leaving an Organization; Organizational factors that influenced the employee to stay back in the current Organization; Personal factors that influenced the employee to stay back in the current Organization; Attitude of the employees towards work and work relationships; Expectation of IT professionals from the Organization based on their preference. The data collected were organized and subjected to descriptive (number, percentage, mean & standard deviation) and inferential statistical analysis (Chi-square test for homogeneity).

Employee Retention is the Biggest Challenge

Companies are facing high attrition rate due to which they are losing their top talent. It is very important to retain top talent by talent management. For employee retention two factors are important i.e. length of relationship and relative concern for individual. Chin-Yao Tseng and Michlelle Wallace (2009) have identified nine factors for the retention of employees :

- financial compensation;
- training and development;
- promotion;
- recognition;
- challenging work;
- innovation and creativity;
- leadership style;
- autonomy; and
- job satisfaction.

Suggestions

For a company, the workforce is like an intellectual property, both in terms of skills and money. A trained and content workforce can lead a company to new heights while a opposite one can hamper it badly. So, every resignation saved is every dollar earned. There are few tools by which a company can retain its employees:

- Employee Reward Program
- Career Development Program
- Performance based Bonus
- Employee Referral Plan
- Loyalty Bonus
- Giving a voice to the Knowledge Banks
- Employee Recreation
- Gifts at some Occasions
- Accountability
- Making the managers effective and easily accessible
- Surveys

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