A STUDY ON DEVELOPING STRATEGIES FOR EMPLOYEE RETENTION IN IT INDUSTRIES WITH SPECIAL REFERENCE TO MUMBAI

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Abstract

Effective Employee Retention is a systematic effort by employees to create and foster an environment that have policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tool .It is known fact that retaining best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff. Various estimates suggest that losing a middle manager in most organizations cost up to five times of his salary. According to American Society of Training and Development, organizations that invested the most in training had higher gross margins and income per employees. The cost of replacing an employee who leaves has been estimated by various studies to be between 70 and 200 % of that workers annual salary. This study tries to elaborate the various strategies and come to an outcome to retain the employees on the basis of findings.

Keywords- Attrition, Attrition Rates, Employee Retention, IT Industry

INTRODUCTION

Ever since the inception, the IT industry has been in the limelight for various things, thanks to the revenues it has been generating and the employment it has created for millions of people. Given the huge profits and lucrative market size, many small and big players have entered into this market, and therefore a major chunk of youngsters are making their careers in the IT sector. Alongside the major players in IT sector like Infosys, TCS, Wipro, there are a big number of medium and small scale IT industries in India. When there are so many IT Industries, employees obviously have an option of hopping around quite frequently. They consider good working condition, challenging projects, perks and a decent salary package and also expect support for their higher studies from their employees. The moment they realize they are being underutilized, they start looking for a new job, and most often they get the job of their choice. In such a case, organizations face lot of problems, as a high turnover rate may adversely impact profitability. To prevent such situations, companies have to adapt retention strategies to make employees stay for reasonable period in which the employee is able to contribute and perform. An important point here is which strategy or strategies should be deployed, which works well with all the employees. This is a difficult question, because every individual is different and is motivated by different job and personal factors. In this scenario, this study follows a line of investigation on the key retention strategies that can work well for majority of the employees of IT Sector.

RESEARCH OBJECTIVES

1. To examine the rates of attrition in IT Industries.
2. To examine the relationship between retention strategy and attrition rates.
3. To find out the reasons behind attrition.
4. To find out if attrition affects profitability of the IT industries.

SURVEY OF LITERATURE

1. K Sandhya and D Pradeep Kumar, (2011) which states that motivation is an important aspect for retaining the employees. Motivation can be done by reward system, career advancement program, performance based bonus, gifts, recreation etc. to retain the valuable employees. Strategies for the same must be framed at all three levels i.e. high level, middle level, bottom level.

2. Chandranshu Sinha, and PrachiSinha, Galgotias , (2012), states the retention strategies of two organizations. The study has tried to identified three factors competence relationship oriented, scholastic & futuristic oriented, developmental & reward oriented for EEPL and relationship oriented ,competence and scholastic oriented, reward oriented for MBPL has been identified. Further study focuses on most valued employees to retain them.

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3. J Vijaykumar, Dr.Navaveetha Kumar, et.al (2012) where the authors have framed the questionnaire to interview 80 employees of it sector, where it clearly shows that valuing employee in the it field will surely boost them to be with the organization till the time of retirement. Talent development and nurturing must be considered very minutely to make them more capable and help them to think only for the betterment of the organization.

4. Dr. R Akila ,(2012) has conducted survey among 109 respondents at BGR ENERGY SYSTEM LTD .The study reveals that BGR Energy only concerns with the basic daily needs which resulted into higher employee turnover rate. It also finds out that employees are not satisfied with the annual increment rate. If an organization wants to retain their employees then HR practices must be followed effectively.

5. C Balakrishnan, and Dr D Masthan, (2013) has conducted survey at Delhi International Airport to find out the ways for improving employee engagement. The result of the survey was very alarming as there was reduction in the level of employee engagement.it emphasis on engagement level so as to retain the employees in the organization.

6. Sultana Nazia, and Bushra Begum, (2013) has found out that what strategies are been adopted by the MNC's for retaining the employees by conducting the survey. The study says that employee must be given flexibilities in the timing, workload and on many other aspects. The author says that implementation of 3 r's i.e. respect, recognition and rewards will increase the retention and also stress can also be eliminated by various recreational activities. ESOPS is one of the important factors to retain the employees.

7. N Hemalatha, and Dr A Savarimuthu, (2013) Conducted Study at GB Engineering Enterprises, Trichy was considered as "model industry" and rest felt low. The organization must try to consider the four main elements in order to retain the employees they are salary, working conditions, job enrichment and education.

8. Bidisha Lahkar Das, (2013) has reviewed various articles and came out with the conclusions that today's biggest challenge what an employer are facing is how to retain the potential employees? Only monetary factors are not suffice, apart from salary, bonus there are number of factors that leads to retention of any employees. Hr professionals needs to be very particular on this issue.

9. Subhasreekar, (2013), has surveyed 100 employees of it companies in Bangalore where people management practices were adopted with a collegial workforce, work life flexibilities to increase the productivity of the employees. The work life balance and HR policies must be fused together so as to increase the morale of the employees and will lead to job satisfaction, commitment etc.

10. Dr Uma Narang, (2013) has emphasized on globalization. Due to Globalization there is increased number of competitions.it has now become imperative for every organization to retain the potential employees to face the competition. Due to intervention of it in each and every field, human resource has now become more sensitive in all the aspects. The author has collected data from the employees of AXIS BANK & HDFC and came out with the conclusion that there is a good relationship between the employee retention and HRM practices. Employees are the real assets of the organization and care must be undertaken to achieve the organizational goals.

Sample size and technique –

The sample size for the study was 1000 employees having more than 5 years of experience in the same organization holding positions of middle level in IT companies covering all functional areas like production, operations, marketing, finance, and personnel management. It was a Judgmental sampling.

Collection of primary data –

A questionnaire containing questions on different dimensions of the HR strategy was used to collect primary data from the 1000 respondents.

Summarized data analysis –

Summary of responses on agreement of impact of HR retention strategy on attrition rates -

Components of HR retention strategy							
		1	2	3	4	5	Total
0	NO	208	208	204	197	195	1012
1	SA	197	230	216	202	201	1046
2	CA	308	216	346	206	283	1359
3	SD	194	190	191	197	205	977
4	CD	93	156	43	198	116	606
	Agree	659	554	735	511	626	3085
	Dis-agree	334	424	256	494	379	1886
	Agree	66%	57%	74%	51%	62%	62%
	Dis-agree	34%	43%	26%	49%	38%	38%

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Abbreviations used –

Abbreviation	Expansion
NO	No response
SA	Somewhat agree
CA	Completely agree
SD	Somewhat dis-agree
CD	Completely dis-agree
1	Pay, pay hikes and bonuses
2	Growth and career advancement
3	Employee satisfaction and engagement
4	Employee re-skilling
5	ESOP

Statistical testing (on component-level and overall basis) -

	Components of HR retention strategy					
	1	2	3	4	5	Total
H1=	0.34	0.43	0.26	0.49	0.38	0.38
SD	1.24	1.36	1.13	1.41	1.28	1.29
Ho=	0.50	0.50	0.50	0.50	0.50	0.5
H1=	0.34	0.43	0.26	0.49	0.38	0.38
n	1000	1000	1000	1000	1000	5000
t-dist	-15.43	-4.85	-29.67	-0.54	-10.28	-22.47
p-value	0.00	0.00	0.00	0.29	0.00	0.000

Abbreviations used –
1 to 5 as stated in table above
H1 = Alternate Hypotheses = Average percentage of disagreement of the sample
H0 = Null Hypotheses – Taken as 0.50 since it has been stated as there is no impact of the HR retention strategy (or its components) on the attrition rates.
SD = Standard Deviation of the sample
N = Sample Size
t-dist = t-value
p-value = probability value at 95% significance level

The following table summarizes key parameters and the overall interpretation –

Sr. No	Parameter	Value(s)	Interpretation
1	P-Value – H01-Overall HR retention strategy	0.00	Null hypothesis is rejected. That there is no impact of HR retention strategy on attrition rates is not true.
2	P-Value – H01-1 (Pay, pay hikes and bonuses)	0.00	Null hypothesis is rejected. That there is no impact of Pay, pay hikes and bonuses on attrition rates is not true.
3	P-Value – H01-2 (growth and career advancement)	0.00	Null hypothesis is rejected. That there is no impact of growth and career advancement on attrition rates is not true.
4	P-Value – H01-3(employee satisfaction and engagement)	0.00	Null hypothesis is rejected. That there is no impact of employee satisfaction and engagement on attrition rates is not true.
5	P-Value – H01-4 (employee re-skilling)	0.29	Null hypothesis is not rejected. That there is no impact of employee re-skilling on attrition rates cannot be significantly proved.
6	P-Value – H01-5 (ESOP)	0.00	Null hypothesis is rejected. That there is no impact of ESOPs on attrition rates is not true.
7	P-value – H02	0.00	Null hypothesis is rejected. That there is no impact of attrition on profitability is not true.

FINDINGS

1. On an overall basis, as per the opinion of the respondents, HR retention strategy does have an impact on the attrition rates.
2. This agreement is also seen in respect of the various components of the HR strategy barring employee reskilling where we fail to reject the null hypothesis that there is no impact of reskilling and attrition rates.
3. Similarly, in the opinion of the respondents, attrition rates do have an impact on profitability of the IT companies.

SUGGESTIONS

1. It is strongly suggested that involvement of talented people should be increased. They should feel that they are honestly connected to the top in the form of linkage of their work with the companies vision, mission and strategy. For translating this into reality, companies should adopt approaches like Balanced Score Card (BSC) for planning and control. Models like BSC try to strongly correlate performance linkage with that of vision, mission and strategy and this motivates performers to do better.
2. Talented people don't like to be managed. Rather they should be mentored. HR department has this responsibility to train managers and leaders to adopt a "silent leadership" style for talented employees.

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3. Talent has to be rewarded. There is no option to this. Be it in the form ESOPs or whatever, unrewarded talent will have a grudge. Importantly, care should also be taken in not rewarding the undeserving ones as this adversely affects the morale of the talented ones.
4. Intense engagement is another aspect that the IT companies will have to take care of. Work should not be mere work. It should be fun as well.
5. Managers should have a system to correctly identify the factors that have contributed to low attrition rates. Sometimes mistakes are made in drawing hurried conclusions on the basis of perception rather than on the basis of facts and reality. Periodic but regular surveys can act as sensors in providing correct information about what exactly has worked.
6. HR Managers should also understand the fact that a thing that has worked once may not necessarily work at other times, particularly in an industry like IT. Hence they should project the current successful factor for the future and envisage the likely state of that factor in the forthcoming periods. Changes may be required in the wake of projections of the future. These changes should be evaluated and implemented proactively.

CONCLUSION

Based on statistical t-test results for null hypotheses H01 it can be concluded that there is an impact of HR retention strategy on attrition rates. Different dimensions of the HR retention strategy like pay, career growth etc. do have an impact on attrition rates. Thus, it can be concluded that strategic HR initiatives go a long way in retaining employees for the IT companies. Since the percentage of agreement in case of employee reskilling dimension is only 51%, we cannot conclude that it has an impact on attrition rates that can be called as significant. The test of H02 leads us to conclude that attrition has an impact on profitability. Since the dimension employee satisfaction and engagement scores the highest percentage of agreement, 74% amongst all the factors, we can conclude that intangible factors like satisfaction have a significant role to play even today and that too in an industry like IT. Tangible factors like pay, ESOP etc. have their role to play. But job-related factor like employee engagement is still the biggest driver for employees to deliver. Employees want good pay, bonus, ESOP etc. But at the same time they also look forward to meaningful and challenging employment. The 5 factors that were chosen have been widely accepted as "motivators" and rejected as "hygiene factors." This leads us to conclude that these factors are the real causes of attrition, either lower or higher. The fact that secondary data in the form of attrition rates and profits does not really corroborate the claim that attrition has an impact on profits, is an interesting revelation. As stated earlier, this aspect demands a deeper investigation. It has been acknowledged that the talented are the ones who quit more often than the ordinary who stay put. This phenomenon is not new but its existence in IT industries has its own implications. A negative aspect of the HR strategy that has been brought out is that it lacks the global standards. Thus, the Indian IT companies still have to catch up the likes of Microsoft, Google, IBM and Apple. While almost the majority believe that the HR strategy is flexible, the problem is that it lacks innovativeness. This leads us to conclude that the models like ESOP that are basically borrowed from the western counterparts may not necessarily work all the time. The average attrition rates of the 4 IT companies over the period of last 5 years is 16% which these days for IT companies has become a norm.

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