

EXPLORING EMPLOYEE RETENTION: IN IT INDUSTRY IN INDIA

Prof. Rajbir Singh¹, Dr. Satpal², Manju Dhillon³

Professor¹, Assistant Professor², Research Scholar³, Department of Management Studies

Deenbandhu Chhotu Ram University of Science and Technology, Murthal, Sonapat (India)

ABSTRACT

The biggest challenge faced by Indian IT industry is not attracting the prospective employee but retaining the talented employee as high turnover is serious concern for organizations now days. Employees are the most vital and dynamic resources of an organization. The critical challenge IT industry facing today is recruitment and retention of the best talent. Employees retaining is the most imperative target for the organization because hiring of qualified candidates is essential for organization but their retention is more important than hiring because a huge amount is spending on the orientation and training of the new employees. When employees leave the job, organization lost not only employees, but also lost the customers and clients who were loyal with the employees, knowledge of production, current projects, competitors and past history of the organization. Organizations make enormous efforts to attract talented employees and retain them in the organization. There are many factors which influence retention and it is required to understand employees expectations, that can made them to stay long back and perform well. The objective of this paper is to study different factors that affect the retention of employees in an organization.

Keywords: *Employee Retention, IT industry, Retention factors.*

Statement of the problem

Indian IT sector plays significant role in the economic growth of the country. IT sector in India is the major contributor to the GDP but now days India's IT sector is facing the problem of employee retention. The attrition rate is very high. Due to ample of job opportunities available to the employees they will switch their job whenever they feel the need. The Indian IT sector attracts foreign direct investment (FDP) but if employees are not retained by the organizations then it will affect the employment relationship with the foreign countries and it will affect the economic growth of the country. For this reason present study will be conducted to find the factors that affect the retention of employees.

5th International Conference on Science, Technology and Management

India International Centre, New Delhi

30th July 2016, www.conferenceworld.in

(ICSTM-16)

ISBN: 978-93-86171-00-9

I INTRODUCTION

The Indian IT industry plays a very important role in India's economic growth. IT Industry in India is viewed as growth engine of Indian economy, contributing in increase of Gross Domestic Product (GDP), urban employment and exports. India's IT Industry contributed major share to GDP. Over last 10 years the IT Industry has grown at an annual rate of 30 percent. According to NASSCOM's (National Association of Software and Services Companies) Indian IT Industry provide direct employment to 2.8 million and indirect employment to 8.9 million workers in 2012 and now IT industry employ 10 million workforce in 2014-2015. But with increasing market size attrition in IT industry in India is also continuously increasing. Now day's talent attraction and talent retention has become major concern for the IT sector in India. Long term health and success of an organization depends upon retention of its employees.

Today employee retention is the top priority for the organization due to increasing competition. Employee retention is the technique adopted by organization to maintain an effective workforce and at same time meet organizational goal. In an organization customer satisfaction, organizational performance in terms of increased sales, satisfied colleagues and reporting staff, effective succession planning etc., is dependent upon the ability to retain the best employees in any organization. Employee retention is effort by organization to maintain a working environment which supports current staff in remaining with the company. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. If a person is not satisfied by the job he's doing, he may switch over to some more suitable job. In today's environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to retain talented employees from getting poached. Researchers have shown that in future, successful organizations will be those which adapt their organizational behavior with the realities of current working behavior. Retaining employees is beneficial for both employees and for employer. Critical analysis of workforce trends shows that there is shortage of highly skilled employees who possess the requisite knowledge and skills to perform, if the organization is not able to retain these high performer employees then it will leave with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rapp port, Bancroft & Okum, 2003). There is a cost associated with the employee turnover that include lost customers, business and damaged morale. In addition to this there is hard cost associated with this it include time spent in screening, verifying credentials, references, interviewing, hiring and training the new employee. Therefore, employee retention is effort by an organization to maintain working environment which support current staff in remaining with the company.

1.1 Importance of Employee Retention

When an organization has hired good people, trained them, built them into high performing teams, it does not want to lose them. Given below is some of the rationale that describes the importance of the same:

- A pool of members who are available for organization whenever needed.
- A pool of members who could potentially be future leaders.
- Strong indicators of organizational success.

Organization makes so many efforts to attract and retain its employees. In today's competitive world only high salary and designation is not significant for employees to retain them in the organization, but some other factors also play important role in their retention. The focus of this paper is to how the organizations retain the talented employees in the organization focusing on the factors i.e. career development, leadership style, work environment, rewards and recognition, organizational justice, compensation and performance appraisal.

1.2 Compensation

Compensation plays a vital role in employee retention. When the employees in the organization are given fair wages then it will build a good relationship between the employer and employee. Creating a compensation structure that supports the employee development program me is difficult challenge for organizations. If there is disparity in the compensation among employee then it will cause frustration and cynicism among employees.

1.3 Career Development

The purpose of career planning as a part of an employee development program me is not only to help employees feel like their employers investing in them, but also help people manage the many aspects of their lives and deal with the fact that there is not a clear promotion track. Employees have the perception to acquire new knowledge and skills which they apply on the jobs and also share with other employees. Training provides specialized techniques and skills to employee and also helps to rectify deficiencies in employee performance, while development provide the skills and abilities to employee which will need the organization in future.

1.4 Rewards

The meaning of "reward" is something that is offered by the organization to the workers in response of their performance and contributions which are expected by the workers. A reward can be intrinsic or extrinsic, it can be in form of cash i.e. bounces etc or reward can be in the form of recognition/ certificate such as worker of the month. In organizations rewards can be offered in many forms e.g. recognition, cash bonuses, awards, free trips and free merchandise. There is a linkage between rewards and employee retention.

1.5 Leadership Style

The leadership style is very effective factor in employee retention. The supervisors are the “human face” of the organization. If the employees are getting supervisory support, have open communication and have good relationship with supervisor, then employee retention is more. Employee leave the supervisors not job.

1.6 Work Environment

Work environment has a significant impact on the retention of employees. People are strive to work and to stay in those organizations that provide good and positive work environment, where employees feel that they are valued and making difference. Work environment plays pivotal role in employee’s decision whether to leave the job or stay and consider as a major factor in employee retention.

1.7 Flexible Work Timing

Flexible work timing within the organization helps a lot in retaining talented employees. Job flexibility includes individual work times, workloads, responsibility and location around family responsibility. If there is job flexibility then it will help employee to maintain a balance between work and public obligations. Employees having more job flexibility have higher individual commitment, concentrations, satisfaction, productivity and loyalty.

1.8 Organizational Justice

Organizational justice means the just and ethical employee treatment within the organization. It is the treatment of employees by the organization in the fair manner. Employees compare their input and output ratio with other employees on that basis they judge whether they treated fairly or unfairly. This organizational justice will make them satisfied or unsatisfied with the organization and this will lead to the decision and intentions of employee regarding to stay in the organization or leave the organization.

1.9 Communication

Effective communications improves employee identification with their organization and build openness and trust culture. If organization provides information on values, mission, strategies, competitive performance and changes that are taking place that may affect employee’s decision of leaving the organization.

II LITERATURE REVIEW

The review of the literature is the basis of the research. It gives research work and investigator an understanding of the previous works that has been done and develop his insight. It serves as a foundation upon which all future work will be built. The following are some of the results and viewpoints of other scholars related to this study.

Fitz-enz (1990) recognized that not only one factor is responsible for employee retention, but there are several factors that affect the retention of employees like compensation, rewards, job security, training and development, supervisor support system, work environment and organizational justice.

Ganesh (1997) in his research find out two types of factors that affect the retention of employees one is pull factor and the second is push factor. Push factors are dissatisfaction with the work environment, compensation, low employee benefits, lack of challenge, HR policies and lack of career development opportunities. Pull factors are those that attract a employee like higher compensation packages and more challenging work environment.

Osteraker (1999) said that employee retention is the key factor for the success of the organization. He divide retention factors into three broad categories, i.e., social, mental and physical. The mental dimension of retention consists of work characteristics, flexible work tasks. The social dimension consists of contacts that employee have with others, both internal and external. The physical dimensions consists of working conditions and pay.

Cappelli (2000) in his research find out that there are various factors that have direct affect on the retention of employee like career opportunities, work environment, organizational justice, organizational image and existing leave policies.

Cole (2000) suggested that employees stay and loyal with such organizations where employees have value, sense of pride and work to their full potential. The reasons to stay employees in organization are organization reward system, growth and development, pay packages and work life balance.

Walker (2001) identified seven factors that can enhance retention of employee, compensation and appreciation of the performed work, provision of challenging work, chances to be promoted, good working environment, positive relations with colleagues, balance between personal and professional life and good communication system.

Dockel (2003) suggested set of specific factors that affect retention of employees. These factors include compensation in the monetary and non-monetary form, job characteristics, training and development opportunities, and support from supervisor, career opportunities, work-life balance and organizational commitment.

Kehr (2004) divided retention factors into three variables; power, achievement and affiliation. Power refers to dominance and social control. Achievement is when personal standards of excellence are met or exceeded and affiliation refers to social relationships which are established.

Glen (2006) , describes a framework that manager can use when communicating with its employees to know that cause of retention consist of nine different predicators; organizational processes, role challenge, values, work life balance, information, recognition, management, work environment and product or services.

Gentry et al (2007) find out that most important factor that affect retention of employees is supervisory support, if they will get that support then they will return that favor through retention.

Hytter (2007) found that factors such as personal premises of loyalty, trust, commitment, identification and attachment with organization have direct affect on employee retention. She also explained that workplace factors such as leadership style, rewards, career opportunities, training and development skills, physical working conditions and balance between personal and professional life has an indirect affect on employee retention.

De Vos et al (2008) in his research identified HR manager's views and employees view on retention. According to HR managers factor that causes employee retention are career opportunities and financial rewards but for employees social atmosphere, job-content and work-life balance are the factors that cause employee retention. There is one factor that is supported by both is career opportunities.

Punia and Sharma (2008) realized that in current economic scenario key factors that affect the employee retention are induction program me, scientific job analysis and fair & skill based distribution of work assignments. Study highlighted the influence of age on employee's position as important factor in employee retention.

Srivastava, Vinay k. and Rastogi (2008) identified reasons of employee attrition are family problems, dissatisfaction and growth perspectives. The reasons for dissatisfaction are job location, employee recognition and fairness in career advancements.

Boyar et al (2012) suggested six reasons that help in explain why individuals leaving their jobs. These factors are family situations, travel distance, job-content, work related stress, relationship with friends and managerial support. It was found that employees who have less financial obligations are more likely to leave the organization.

Zachariah and T.N (2012) indicated that there are personal reasons for leaving the organization; Organizational factors that influence employee to stay back in the current organization, personal factors that influence employees to stay back in the current organization, attitude of employees towards work and work relationship and expectation of IT professional from organization.

5th International Conference on Science, Technology and Management

India International Centre, New Delhi

(ICSTM-16)

30th July 2016, www.conferenceworld.in

ISBN: 978-93-86171-00-9

Suhasinin and Naresh Babu (2013) through his work suggested that employee leave the organization due to dissatisfaction with organizational culture, compensation, lack of motivation and challenging work environment but if the employees are provided with better career development opportunities, environment of openness and trust, effective utilization of employee's skills and management policies regarding rewards and recognition then employee retention can be encouraged.

George (2015) find out two types of retention factors one at organization level and at job level. Organizational factors are management, pleasant environment, social support and developmental opportunities. Factors at job level are compensation, autonomy, work-load and work life balance. It was found that organizational level factors are more important for employee retention then job level factors.

Satpal et al (2016) in his study find out that work environment, family problems, compensation and relation with supervisors are the prominent factors that may be taken into consideration by an employee while planning for job change.

III CONCLUSION

Employee retention has become a major concern for corporate nowadays. Now organizations are recognizing that their competitive advantage lies not with capital or physical resources but rather with their human resources. When an employee is planning to quit then there are some factors that are responsible for his job change. These factors are organizational culture, social support, work -life balance, job stress, relationship with friends, management policies and career opportunities. In the literature review it was find out that compensation, rewards and recognition plays a role in employee motivation which leads to employee retention. Similarly, training and career development was found motivator which leads to retention. The work environment also plays a very important role, it was found out that employees leave job due to work environment. Organizational justices also play a pivotal role in employee retention; if organization wants to retain its employee then it has to follow fairness formula. Employee career advance aspects or promotion opportunities have significant relation with employee retention. The review of literature suggests that good retention is about more than what a company does once an employee has been hired and established within an organization.

REFERENCES

- [1]. Roshidi Hassan “*Factors influencing turnover intentions among technical employees in Information Technology Organizations: A case of XYZ (M) SDN.BHD*” International journal of Arts and Commerce, Vol 3, 2014, 120-137

5th International Conference on Science, Technology and Management

India International Centre, New Delhi

(ICSTM-16)

30th July 2016, www.conferenceworld.in

ISBN: 978-93-86171-00-9

- [2]. Minu Zachariah and Dr. Roopa T.N, “A Study on Employee Retention Factors Influencing IT professionals of Indian IT companies and Multinational companies in India” *Interdisciplinary Journal of Contemporary Research in Business, Vol 4, 2012, 449-460*
- [3]. De, V. A., & Meganck, A. *What HR managers do versus what employee’s value? Journal of Personnel Review, 38, 2008, 45-60.*
- [4]. George, C. *Retaining professional workers: What makes them stay? Employee Relations, 37, 1, 2015, 102-121.*
- [5]. Janani, S. *Employee Turnover: Present Scenario of Indian IT Industry. Indian Journal of Applied Research, 4, 2014, 254-256*
- [6]. Punia, B.K., & Sharma, P. *Why do Employees seek alternative Employment and what makes them stay: The case of Indian IT industry. Journal of Asia-Pacific Business Review, IV, 2, 2008, 20-28.*
- [7]. Suhasinin, N., & Babu T, N. *Retention Management: A Strategic Dimension of Indian IT Companies. International journal of Management and Social Science Research, 2, 2013 12-15*
- [8]. Sinha, C. *Factors Affecting Employee Retention: A Comparative analysis of two Organisations from Heavy Engineering Industry. European Journal of Business and Management, 4, 3, 2012, 145-162.*
- [9]. Zachariah, M & T.N, R. *A study of Employee Retention factors influencing IT professionals of Indian IT companies and Multinational companies in India. Interdisciplinary Journal of Contemporary Research in Business, 4, 7, 2012, 449- 466.*
- [10]. Fitz-enz, J. *Getting and keeping good employees. In personnel. 67 (8); 1990, 25-29*
- [11]. Osteraker; M.C. *Measuring motivation in a learning organization, Journal of Work Place Learning, 1990*
- [12]. Cappelli, P. ‘A Market-Driven Approach to Retaining Talent’, *Harvard Business Review, 78(1), 2000, 103-112.*
- [13]. Cole, C.L. *Building loyalty. Workforce, 79, 2000, 42-47.*
- [14]. Temkar, R. *Investment in employee Retention as a means of achieving the Strategic Business Objectives of the Organizations. International Journal of Organizational Behaviour and Management perspectives, 2, 2013, 499-50*
- [15]. Hytter, A. *Retention strategies in France and Sweden. The Irish Journal of Management, 28 (1), 2007, 59-79*
- [16]. Kehr, H.M. *Integrating implicit motives, explicit motives, and perceived abilities. The compensatory model of work motivation and volition. Academy of management review, 2004*
- [17]. Walker, J.W. “*Perspectives*” *Human resource planning. 24 (1), 2001, 6-10*
- [18]. Satpal and Manju Dhillon. *Retaining Employees in Indian IT sector. International journal of Science Technology and Management. 3(5), 2016.*