

# Recent Trends in HR as Useful Retention Strategy in Indian Information Technology (IT) Sector

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## Abstract

**Purpose** – The focal point of this research is to study the implications of retention, various reasons for attrition and also different ways to control attrition along with the employee retention strategies implementing by the Indian IT sector.

**Research design, data and methodology** - After thorough literature review on employee attrition and retention, questionnaire has prepared to collect the opinions of 200 employees which were chosen from 20 IT companies (10 each from large and medium size companies) with simple random sampling technique and also gathered the opinion of these companies HR managers on strategies they are implementing to retain their talent pool through personal and telephonic interviews.

**Results** –The research completely limited to the IT companies located in the city of Pune which is emerged as a new IT hub of India. The collected data was analyzed with Microsoft Excel and frequency distribution.

**Conclusions** – The researchers identified job associated, compensation related and inter-personal relations for quitting their positions along with the outlook of Indian IT companies related to the identification and implementation of retention strategies like incessant hikes in compensation package, improved working conditions, continuous introduction of employee welfare facilities, and genuine promotional policy, recognition and rewards, career planning and development, and exemplary leadership.

**Keywords:** Retention, Attrition, ITSector, India.

## 1. Introduction

The wave of globalization has brought many challenges across industries in general and IT sector in particular and one of the most important of them being the hurricane of employee attrition and retention. Attracting new and talented workforce is comparatively easy when contrasted to retain them which throw a challenge to the HR and other administrative people. This has created a severe stress to every position in the managerial cadre in designing and implementing policies as well as strategies to curb the attrition levels as well as retaining the quality personnel. Indian economy has moved from agro-based economy to manufacturing based economy and now we have moved from manufacturing to serviced based economy. Indian economy was driven by agro-based working community which further driven by blue-color workers and from blue-color working community, it moved to white color working community and now it is driven by knowledge workers. In the year 1994, the Government of India privatized the telecom sector after that only Indian Telecom major BSNL focus on their core functions and outsourced the remaining non-core functions like data entry, call center services, HR services, medical billing, accounting, customer care, and IT software etc. The demand for talent in this country has increased due to competitive environment, necessity of continuous growth, survival of the fittest, changes in the economic policy by government, better market growth as well as market share. The Indian IT sector is striving to get talented people for which visiting various institutions to get quality HR pool and in this process they are also looking at the future requirements also to achieve expected level of success. The IT industry of India has registered huge growth in recent years. India's IT industry grew from 150 million US Dollars in 1990-1991 to a whopping 50 billion US Dollars in 2006-2007. In the last ten years the Information Technology industry in India has grown at an average annual rate of 30% (<http://www.economywatch.com/india-it-industry/>). The Indian Information Technology industry accounts for a 5.19% of the

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country's GDP and export earnings as of 2009, while providing employment to a significant number of its tertiary sector workforce. More than 2.5 million people are employed in the sector either directly or indirectly, making it one of the biggest job creators in India and a mainstay of the national economy ([http://en.wikipedia.org/wiki/Information\\_technology\\_in\\_India](http://en.wikipedia.org/wiki/Information_technology_in_India)). The year 2010 marked a period of revival for the \$60 billion Indian IT industry, with the global economy assuming some resemblance of normalcy after a period of prolonged turbulence and demand for software technology products on the rise again. According to industry body NASSCOM, the Indian IT-BPO industry is well-poised to reach the \$70 billion-mark by the end of the current fiscal ([http://articles.economictimes.indiatimes.com/2010-12-22/news/27574493\\_1\\_indian-it-bpo-industry-software-companies-industry-body](http://articles.economictimes.indiatimes.com/2010-12-22/news/27574493_1_indian-it-bpo-industry-software-companies-industry-body)). In the process of economic development IT sector has become driving force. The Indian IT industry has played a pivotal role in placing India on the global map of industry. Particularly, after globalization, IT industry made a remarkable contribution in country's economic development. India is one of the major software exporters in the world which supports to the consistent growth of the economy. This industry is mainly governed by IT software and facilities for instance system integration, software experiments, custom application development and maintenance, network services and IT solutions. Though IT industry in India has played a major role in placing the country in the International map, but the recession in USA created problems and adversely affected on export of software, new assignments, employee retention and different other problems in Indian industries. Most of the people expect compensation to be right there at the top of the list of reasons for a good employee leaving the organization. But that may not be the case. The answer lies in one of the largest studies undertaken by the Gallup Organization. The study surveyed over a million employees and 80,000 managers and was published in a book called "First Break All The Rules" (Buckingham & Coffman, 2001). The reason why so many talented people leave may be because of that one man or woman the employee was reporting to: the manager. In light of the challenges in retaining the existing pool of employees and swelling attrition levels in the Indian IT sector, the entire industry is attempting to introduce concurrent measures to retain the existing talent pool with designing and introducing different strategies which the researchers has surveyed and clearly discusses in this research article.

## 2. Literature Review

Modern day's employers have clearly recognized their wealth and health completely in the hands of quality human resource. They are treating their human resource is the most valuable resource in their hands which provides competent strength in getting competitive over competitors. Employee retention is all about taking measures so as to encourage workforce to remain in the organization for a maximum period of time (Rawal, 2011).

"Retention is a process in which the employees are encouraged to retain with the organization for the maximum period of time or until the completion of project". In the industrialized countries, it is being noticed that people are no longer working for the basic needs of living alone. Money is no more considered as the lone driving force behind people's work. Yet, people continue to work hard. What drives them to work that much hard? Is it their love for work? Or is it their passion for the job? These questions says that organizations have to create an atmosphere which simply engender "a mind to work" among the employees. The Internet has brought incredible changes in the very outlook of business and the speed at which it is being carried out. It indeed created a new band of knowledge worker. These are the employees who are putting their knowledge to work rather than their muscle power. Today, knowledge is recognized as a high grade input of the business. As against the traditional workers of manufacturing segment whose functioning is merely considered to be additive, knowledge workers are to be sourced from the strength that they bring in to a given job in alignment with its requirement. Hence, they are being paid incredible sums vis-à-vis traditional workers. It is of course, a different matter that knowledge workers are reported to be a disgruntled lot and perhaps that is one reason for their hopping from one job to another.

Attrition also termed as labour/employee turnover is a today's common problem in every industry including IT sector. This rate has reached particularly alarming proportions in the Indian IT sector. Most common reasons in this case normally uttered by employees are poor management, lack of appreciation and support, pitiable working conditions, inadequate compensation and ethical issues. Premji (2007), CEO of Wipro said, "If you're losing good people, look to their immediate boss. Immediate boss is the reason people stay and thrive in an organization. And he's the reason why people leave. When people leave they take knowledge, experience and contacts with them, straight to the competition." Whatever may be reasons to attrition in this crucial sector, if a company gets associated with the "here today, gone tomorrow" syndrome, it is generally taken that there is something wrong with it and not with the people leaving the company. Apart from resulting in sometimes significant monetary loss to the company and undesirable interruption in its day-to-day operations, attrition can often potentially lead to knowledge transfer, which is a considerable threat that may adversely affect business (Joshi, 2008).

IT industry being service industry, employee plays pivotal role of industry development. Though IT sector is booming, it is constantly facing attrition rates of 25 to 30 percent even the big brands are facing the same problems. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. This is not only the problem of one or two firms in the sector the entire Indian IT sector is facing a lot of problems in employee retention. There is no dearth of opportunities for talented persons. There are many organizations which are looking for

such employees. If a person is not satisfied by the job, he may switch over to some other suitable jobs. In today's environment, it becomes very important for organizations to retain their employees. The top organizations are at the top because they value their employees and they know how to keep them glued to the organization. Employees stay and leave the organization for a number of reasons. The reasons may be personal or professional. These reasons should be understood by the employer and should be taken care of. The organizations are becoming aware of these reasons and adopting many strategies for employee retention. A good employer should know how to attract and retain its employees. Retention involves five major things. Compensation constitutes the largest part of the employee retention process. Attractive compensation package plays crucial role in retaining the employees. Compensation includes salary and wages, bonus, benefits, prerequisites, stock option, vacations etc. Like compensation, growth and development are the integral part of every individual's career. If an employee cannot foresee his path of career development in his current organization, there are chances that he will leave the organization as soon as he gets opportunities. In addition to this the work profile, personal growth and dreams, training and development are the other important factors for retaining the employees. Hence employee retention is more challenging than employee selection. At present, employee retention is most contemporary topic which has selected for this study.

During the period of the economic downturn, many political, social and corporate leaders appealed to the industry to think about the employees as well as the hobs in the industry. Commenting on this situation, Director of International Monetary Fund (IMF), General Juan Somavia, while addressing the industrial and emerging economies, said "I

think social unrest is here already. That's why the emphasis we're giving to this crisis is –please don't forget the people" (TOI, 2009a). While inaugurating the 42nd Indian Labour Conference at New Delhi, the present Indian Finance Minister, then appealed to the industry not to cut down jobs, but suggested cutting down on salaries to ride over the crisis (TOI, 2009b). Commenting on layoffs during the economic downturn, Vineet Nayar, CEO of HCL Technologies, said that an inclusive strategy would work better in the long run. "Firing employee is easy to do, but it does long-term damage to the organization. If employees feel the company will hire and fire at will, loyalty will go, and take away the fabric of our competitive advantage," he said (TOI, 2009c). During the downturn, companies that sowed the seed with harsh measures like pay cuts and layoffs faced major difficulties in hiring and retaining staff as growth returned back on track. During the last few months, employee churn has picked up in several businesses and few HR experts opine that the manner in which a company treated its staff during the downturn would be a key determinant of attrition and employer-employee relationships (Vijayaragavan et al., 2009). With the changing economic scenario, job seekers, today, enquire completely about a company's work culture before they

decide to join it. From an ordinary worker to talented employees, everyone is leaving their organization for better quality of work life. These have posed new problems to the industry. The companies are seeking various alternatives to overcome these problems. Some are looking outside the country to search for talent abroad. Some are offering more benefits to their employees (Nag, 2010). Several strategies are implemented to encourage employees and retain them for the maximum period of time. It has been found that informal relationships are more effective in solving the problems of people as

compared to the formal hierarchy in organizations. The best way to ensure a retained labour force is 'five-pillar leadership'. Five-pillar leadership is a continuous focus on people, service, quality, finance, and growth. Infosys Technologies Limited which is considered to be India's second biggest software service provider has come up with a program to retain and boost revenue per employee known as Talent Strategy 2015 (Rawal, 2011). In India, every second recruit is a women in the \$60 billion IT industry. But, companies are facing gender crises with more women from mid and top level positions quitting to focus on family or to pursue a career that has less working hours and lesser time-zone complications. TCS, Wipro, and Infosys, the top three IT service providers in India, alone employ more than one lakh women. Of these, TCS has 30 percent; Wipro has 29 percent and Infosys as 33.4 percent women out of their total number of employees. During the year 2008, attrition worsened as many women employees at senior levels with over 12 years of experience left IT as career (Singh and Singh, 2009). According to NASSCOM's findings Indian IT-BPO industry expanded by 12% during the Fiscal year 2009 and attained aggregate returns of US\$ 71.6 billion. Out of the derived revenue US\$ 59.6 billion was solely earned by the software and services division. Moreover, the industry witnessed an increase of around US\$ 7 million in FY 2008-09 i.e. US\$ 47.3 billion against US\$ 40.9 billion accrued in FY 2008-09. As per NASSCOM, the Indian IT exports are anticipated to attain US\$ 175 billion by 2020 out of which the domestic sector will account for US\$ 50 billion in earnings (<http://business.mapsofindia.com/india-industry/it.html>).

### 3. Methodology

The research study was completed with an objective to know the employees opinion in leaving the organization and also attempted to know the outlook of IT companies on retention. This survey was conducted in the months of June and July of this year. The present study covers only 20 IT firms out of which 10 IT majors as well as 10 medium sized companies from the city of Pune which has emerged as a modern hub of Indian IT sector. This survey has taken a sample of 200 IT employees out of which 60 percent male and the remaining 40 percent female which were randomly chosen from the selected 20 companies. The primary data was collected from both the 200

employees and 20 IT companies managers with the help of questionnaire and personal /telephonic interviews respectively. The method of data collection was convenience type. The required secondary data was collected with the support of journals, magazines, news paper articles, books, and some Internet sources. The analysis was completely done on the basis of data and information collected from the respondents by using frequency distribution and percentages to show which kind of reason affects more to leave the organization. Data manipulation was done by using Microsoft Excel software package. This research covered only IT companies and employees who are operating from the city of Pune in India. This study was unable to include the views of other parts of Indian IT firms as well as its employees.

#### 4. Results and Discussion

The information obtained from the selected sample of 200 IT employees which was chosen from the 10 large and 10 medium IT companies clearly mentioned in the Table: 1 and also mentioned the opinions of HR managers in the relevant areas of the discussion part. The respondents' community expressed total eight reasons which came under three major sub-headings: a) job related causes like not satisfied with the job profile, no scope for career growth, feel devalued and unrecognized, feel overloaded and stressed out b) pay packages and better quality of work life; c) interpersonal relationship reasons are strained relations with boss and treatment given by the authority.

<Table 1> Indian Information Technology (IT) Employees Opinion on Quitting the Job

Reasons for Leaving the Job	10 Major IT Companies		10 Medium IT Companies	
	Male (60) (%)	Female (40) (%)	Male (60) (%)	Female (40) (%)
A. Job Associate Reasons:				
1. Not satisfied with job profile	90	75	95	93
2. No scope for career growth	95	85	98	94
3. Feel overloaded & stressed out	96	98	92	90
4. Feel devalued and unrecognized	68	66	78	72
Average of Job Associated Reasons	87.25	81.00	90.75	87.25
B. Compensation & Work Related:				
5 Discontentment with compensation package	85	80	93	90
6. Quality of work life	82	75	88	85
Average of Compensation & Work Related	83.50	77.50	90.50	87.50
C. Inter-Personal Relations:				
7. Strained relations with boss	75	65	82	86
8. Treatment from the authority	73	70	82	80
Average of Inter-personal Relations	74.00	67.50	82.00	83.00

As mentioned in the Table: 1, related to job associated reasons like discontentment over job profile, no opportunity to career growth, heavy and stressful work and finally employees feel unrecognized were considered. On average male respondents reacted with a percentage of 87.25 and 90.75 from major and medium IT companies respectively and considered these jobs related reasons are the considerable cause to leave a position. Whereas female IT employees responded with 81.00 and 87.25 percent uttered these reasons are highly influenced factors to check-out an existing position. The reasons discontentment over compensation and pathetic work life also leads to quit the job as per the opinions of 83.50 and 90.50 male and 77.50 and 87.50 percentage of female personnel from the major and medium sized IT companies respectively. And significant percentages of 74.00 and 82.00 male IT knowledge workers expressed reasons like strained relations with the boss and treatment from the authorities were also received major attention while leaving the job as against the percentages of meagre 67.50 and 83.00 from their female counterparts. The researchers clearly observed that feeling of overload and severe stress only the major crucial reason for leaving the job in the Indian IT sector from both the genders and one noticeable element here is majority of the knowledge working community in the sector never think about to leave the job just because of either monetary or any other single and simple reason. As per opinions while involving in this kind of job hopping, employees in the IT sector verifying the opportunity these firms has provided to their career growth as well as convenient job profile. Along with the above discussed opinions of employees on quitting the jobs in the Indian IT sec-

tor, the researchers also collected the opinions of HR managers of the total 20 IT companies which are operating from the city of Pune through personal and telephonic interviews. As per the opinions of HR managers, IT employees are leaving the positions not for just simply fat compensation package, the remaining reasons like career growth, stress free job profile, recognition, congenial working conditions etc., are the considerable reasons in the present scenario. However, while designing and implementing HR strategy meant for minimizing the attrition rate as well as retention, the Indian IT sector concretely introducing modifications in the compensation policy, recognition and rewards, career planning and development, better quality work life and exemplary leadership. Along with these strategies, this sector also providing additional benefits like convenient and flexible working hours, interest free car and house loans, leave travel concessions, rotational foreign trips with special assignments, sponsoring weekend parties, free transportation, health insurance, special fitness training programs, personality development programs with free of cost, special counsellor assistance, and unique appreciation letters from the chairman etc.

## 5. Managerial Implications

The research study presents adequate insights on various considerable reasons for leaving the jobs by the Indian IT sector employees along with the views of HR managers on retention and attrition. Based on these research results, IT firms in the industry can obtain concrete information about the views of their employees on give up the position which is constructive to the administrators of the organization to review their existing plans, policies, procedures, programs, strategies and budgets to retain the pool of talent. After thoughtful evaluation of the firm's existing system, the management can identify the loop holes in the system and introduce necessary modifications to set right the things in the required areas. The modern employees are having a notion of "rolling stones only can survive and flourish" in the present turbulent situation of the IT industry which has arisen because of American recession, changing global employment trends. To remove this notion from the brains of the existing employees, the IT industry itself has to introduce unique retention strategies like introducing 'star rating system' to employees who are working for a long time with consistent performance tied with additional benefits personal attention; use multi-skill training and development as a retention strategy; plan for succession and acceleration pool; offer better career visibilities; enhance company image which boost up the status of the employee; using retention bonus as a tool; rewards as a strategy for retaining employees; membership of prominent social and professional clubs; financial support to employees for performing weddings, death ceremonies and festival celebrations; special financial incentives. In the present situation of severe scarcity of skilled manpower, if any company introduces the above mentioned retention strategies, there will be an immense

opportunity to enjoy the expected level of results by enhancing the retention and minimizing the attrition rate.

## 6. Conclusion

The Indian service industry in general and IT industry in particular is surging with confident strides even with the severe scarcity of quality personnel causing a huge set-back not only to the business but also to the Indian economy. Employee retention is the call of the day and is fast rising concept in human resource management. The globalization of business is forcing the managers to retain high potential talents and develop them to be the best knowledge working community. The major challenge for HR managers is to convert threats into opportunities in deducing the appropriate reasons to job hopping. Based on which, the think-tank of the HR should design and develop suitable policies and strategies to curb the attrition rate in the organization and also confidently introduce retention strategies which were mentioned in the above to retain the best talent pool. Through this research, the Indian IT sector has an opportunity to clearly identify the outlook of their employees to relinquish the job and try to introduce some control mechanism to stop employee turnover. Attracting new talent is easy, when compared to retain the existing talent. The Indian IT sector has to realize the fact that rather than spending more on talent searching and training it's a wise decision to introduce unique strategies to retain the existing talent which is more economical than the earlier. And this industry also not at all required to heavily concentrating on the introduction of frequent modifications in the compensation policy sooner than they have to contemplate to establish and redefine the job profiles with stress free nature, showing consistent career growth, recognition, cordial relations both with the immediate boss as well as management. Information technology firms in the country that acknowledges the fact of dearth of quality knowledge working community and initiates innovative steps to retain the best talent will be ones that survive and win the hearts of the market in the present challenging times.

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