Chapter 5
SUMMARY AND CONCLUSIONS
Summary & Conclusions

“A leader must have three qualities: innovation in the brain, compassion in the heart and passion in the belly”

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5.1 Introduction to the research study

Growth of IT companies in India

The growth of IT companies has accelerated from the year 1991 onwards as the Indian business environment has undergone remarkable change with the advent of the information technology sector. Nowadays employees jump from one job to another and from company to company. The crucial issue surrounding business is “Retention Management”. It has become a major topic in business circles, media and the professional world.

Pune is popularly known as the Oxford of the East and now it has also turned out to be one of the leading hubs of major I.T companies with immense potentiality to become a torch bearer in the I.T sector of Indian economy.

The researcher focused his research study on the reasons why employees leave the organizations and what measures/strategies were being adopted as approaches by different IT companies in their organizations. Hence the topic “A Comparative Analysis of Approaches for Reducing Attrition in IT companies in Pune” was selected.

5.2 - General information about the companies studied

Types of IT companies studied

The study was carried out with respect to 36 IT companies, which are based in Pune. They consisted of IT enabled services companies, product development companies and IT enabled services and product services companies spread across both public as well as private sector companies in Pune. The majority of the companies studied were from IT enabled and services companies showing that the availability of skills, knowledge, experience, manpower and government friendly policies –local, state and central government level has ignited growth of IT enabled service companies in Pune. However, there was lesser number of product development companies. In contrast, IT product and service companies combined together were only 2.8% signifying that the growth of IT enabled and product service companies is yet to take off in Pune.
The majority of IT companies were in the private sector, which is of significance whereas few of the IT companies were from the public sector.

**Revenues of the companies studied**

Among the IT companies studied, there were 5 (13.9%) companies which were relatively small with turnover less than Rs.50 crores. These were “start up” in nature and were established recently. As many as 18 (50%) companies had annual revenues from Rs.51 crores to Rs.1,000 crores signifying that these are medium sized companies poised for growth in the years to come. Thirteen companies had a turnover of more than Rs.1,000 crores and formed 36.1% of the total. These companies fall under the category of big companies and are established players in the IT field.

**Total number of employees studied**

Majority of the IT companies employed between 1 to 500 employees. This is significant and reflects the fact that these companies are growing in terms of human resources. 10 IT companies employed more than 501 employees but less than 1000 employees. 14 IT companies employed more than 1000 employees and 2 of them even went up to more than 7,000 employees. These results are in accordance with those of Neelima Mahajan [93], who also found that IT companies in India directly employ around 1.3 million people and the number is expected to touch 3.2 million in the next three to four years. These results also in correspond to those of Nandini Lakshman [110], who found that Maharashtra contributes more than 48% software professionals to the IT world. Out of these, 32% of software professionals are from Pune alone. This shows that the IT companies are scaling up their operations by adding more head counts in Pune.

**Employee mix in the IT companies studied**

It was noticed that there is an unhealthy ratio of people working at top, middle and lower management. It was found that the IT industry recruits people at the lower management rather than at middle management and top level management. It is a fact that the middle management and top management are not billable and hence companies recruit heavily at the lower level because of billable factor. Another reason is that more people at the lower
management are more profitable as the cost to the company of people working at the lower management level is low and hence it adds to the bottom line of the company. Sushma Marathe [21], also opined that the Indian IT companies put emphasis on hiring talent at the lower management because of billable value. The cost of lower management (labour) is pretty cheap as compared to middle management and top management. Since most of the IT companies would like to manage the bottom line, they tend to focus hard on recruiting people at the lower management.

5.3 Comparison of methods of filling up positions in the different IT companies studied

On comparing methods of filling up positions in the different types of IT companies, it was found that IT enabled service companies availed all the different methods of recruitment to ensure pooling the best talent. Many (61.1%) IT enabled companies banked upon employee referrals to fill up positions at a very short notice. The idea is to see that the positions are locally announced among employees and the employees are encouraged to send the referrals for employment. All employees who bring in candidates, who eventually join the organization, are given some monetary award in the form of employee referral bonus. This ensures that the people, who join will have long term commitment and such people recruited through employee referral schemes are likely to stay for a long time. As many as (63.9%) IT enabled services companies relied heavily on advertisement as a means of recruiting the people. (52.8%) companies banked upon campus recruitment to bring in new talent in their organizations.

In the product development companies, the talent comes at a premium price because of the very nature of work which needs innovation and risk taking abilities. Product developments rely heavily on their employees to bring in their friends, acquaintances, seniors, relatives who have similar experience to fill up the positions. As many as 30.6% companies relied on employee referrals to fill up the positions. Many (27.8%) companies hired from campuses as well as existing data banks in order to balance the cost advantage. The junior employees become part of the organization and seniors act as mentors to these junior employees. This ensures long term commitment as mentors or
buddies act as catalyst for junior employees and keep innovating new ideas and thoughts required for product development environment. Since the positions in the product development companies are niche in nature, the companies do not resort to advertisements as a means of recruiting people. Only 9 product companies (25%) resorted to advertisement for recruiting people.

The above results are in concurrence with those of Ramani and Usha Ragunandan [67], who also observed that the talents at product development companies are hard to fill up and HR tends to spend more time in searching for right candidates for the right job. Whereas in IT services companies, the emphasis is more headcount who are billable and tends to focus on mass hiring with less emphasis on skills and knowledge of the people.

5.4 Attrition rate over the past three years in the IT companies studied

The findings revealed that the mean attrition rate was highest in the year 2007. It stood at 17.56%, whereas in the year 2006 and 2005, the mean attrition rates were 15.08% and 14.04% respectively. This fact indicates that an increasing rate of attrition was observed from year to year starting with 2005 to 2007. During these three years from 2005 to 2007 in general, the minimum and maximum attrition rate shows variation from 1.17% to 33.0% pointing out that 1.17% was the minimum and 33.0% was the maximum attrition rate in three years. Thus, it is clear that the attrition in IT companies based in Pune has been growing from 2005 to 2007.

The above results are in accordance with the results of Hewitt’s Attrition and Retention Asia Pacific Study [88] done in 2006, which also found that the overall attrition in Asia Pacific in 2005 was 16% marking a 2% increase in 2004 and 6% in 2003.

The above results are also in total concurrence with the results of Gallup- Business world IT companies survey [50], where it was found that the high attrition started from 2004 and continued unabated until end of 2008. As the IT companies started growing they had to deal with high attrition rate as well.
The above results are also supported by Malini Nagabhushan [28], who in 2008 found that with over 112% growth in revenues recorded by NASSCOM, the IT industry was in high demand with many companies increasing their employee strength. One major problem did exist. The industry was plagued with high levels of employee attrition i.e., 30-35% in 2007, up from 20-25% in 2006 and 10 to 15% in 2005. The results of the present research study also correlate with those of The India Attrition Study 2008, done between October 2008 and March 2009, in a partnership between BT and PeopleStrong [80], to find out why employees quit. They found that in the good times before September-October 2008, attrition in India Inc. was as high as 20 per cent.

Neelima Mahajan [93], also found that over the couple of years, domestic IT firms have been facing a talent crunch. Compounded with this has been the problem of high attrition- estimated at around 30%. in the next 3 years.

Balaji and Ramdorai [81], also found that attrition rate between 2005 to 2007 was rising due to the fact that every company was trying to poach the same employee and this led to ‘war for talent’. Due to robust economy and the good health of the market, the IT companies started revamping their head count. Due to demand and supply pressure, many IT companies faced higher rate of attrition staring from early 2005 to end of 2007.

Comparison of Attrition rate in different types of IT companies

On comparing attrition rate in different types of IT companies, it was found that there is a higher attrition rate in IT enabled services companies as compared to product development and IT product and enabled services companies. The reasons for this could be that as the IT enabled services companies are manpower hungry, the companies recruit people who would meet their minimum criteria of selection and recruitment. In the process, the concept of right person for the right job is never followed. The focus is on quantity and not the quality of human resources. However, in product development companies, the emphasis is on hiring right people for the right job. The recruitment process is long with a series of interviews to identify the potential of the candidate to work in a product development environment. People in product development companies spend a lot of time with the candidates to identify right skill sets for the job. People who
join the product development companies are passionate about creating something new and since product development cycles are long, people would like to spend a long time in such companies and hence once can observe low attrition in product development companies.

This proves Hypothesis No 1 which states that IT companies based in Pune are facing a problem of increasing attrition.

Correlation between revenues of the IT companies and attrition rate

There was a significant correlation found between revenue of the company and its attrition rate. In organizations with less than Rs. 50 crores revenue, the attrition rate was high i.e., 10.1% to 15% in 4 IT companies (11.1%) in 2005, 3 IT companies (8.3%) in 2006 and the attrition rate had evened out in the year 2008. In the organizations with revenues between 51 crores and 1,000 crores, attrition was between 15.1% to 20%. There were 8 IT companies (22.2%), which fell in this category in 2005. The companies, which were in this range also, had the same attrition range of 15.1% to 20% in the year 2006. There were 7 IT companies (19.4%), which had the attrition rate between 15.1% to 20%. In the year 2007, there were 6 companies (16.7%), which had an attrition rate between 20.1% to 25% reflecting the fact that the attrition rate had moved up. This could be because the retention policies were becoming uninteresting for employees to stay back and hence one can see the jump in attrition rate.

The organizations with more than Rs. 1,000 crores had the highest attrition in the range of 10.1% to 15% in all the years i.e., 2005, 2006 and 2007. This shows that the big organizations with cash in the bank are well equipped in managing attrition. They have resources to start innovative programs to attract and retain the talent with their financial power. This also reflects the fact that money spent on retention tools, may have an impact on employees working in such organizations. The companies with more than Rs. 1,000 crores of revenue have systems, procedures and tools to help the employees to be productive. The frustration elements on work related issues are addressed and hence these organizations are better focused on employee satisfaction.
5.5 Information regarding exit interviews

It was found that most of the organizations carried out exit interviews. A sizeable number of IT companies took exit interviews a few days earlier, whereas few IT companies took the exit interviews on the same day of the employee leaving. These results are in accordance with those of Robert Gray [13], who, in 2002, found that 96% of HR managers agreed that they conduct exit interviews with employees who left on their own.

Companies conducting analysis of various factors leading to attrition

19 IT companies (52.8%) carried out analysis of why top performers leave the organization and why employees in high impact jobs and core technical employees architects leave the organization. 18 IT companies (50%) did further analysis in regard to employees leaving ‘hard to fill up the job’. 14 IT companies (38.9%) carried out analysis regarding Attrition from one business unit or team and attrition in middle and top management. It is interesting to note that IT enabled services companies recruited heavily at the lower management to scale up their operations but only 10 companies (27.8%) analyzed why these junior level employees (those with less than 3 years of experience) left the company.

With respect to product development companies again only 10 (27.8%) analyzed why core technical employees/architects of the company left the organization. The reason for this could be that it is very difficult to replace the architects of the company and the companies do carry out extensive study in finding out the reasons for resources leaving the organization. 9 companies (25.0%) followed through the reasons for top performers leaving the company. Since top performers in any company are a critical resource, it is good to note that the companies concentrate on this category of people. 8 companies (22.2%) carried out further analysis on why employees left high impact jobs and attrition from one business unit or team.

These results are in accordance with those of Tanuj Kapilashrami [76], who also found out that IT companies do carry out further analysis of people who leave the organizations. He found that the exit interview is a major source for understanding the reasons for
people leaving the organization. But, he says, that companies largely focus on doing the
analysis only for top performers, senior level employees, high impact jobs and “hard to
fill up the positions”.

**Reasons for leaving the organization as revealed by employees in the exit interviews**

The main reason for employees leaving the organization as revealed in the exit interviews
of 21 IT companies was “better career prospects and growth opportunities”. It was found
that “better competitive/ comparative salary/ compensation” was also one of the main
reasons for employees leaving the company. Also “challenging job/ work, on site
opportunities as well as multiple assignments” was the main reason for employees
leaving the organization with 27.8% companies confirming this.

Reasons such as “relocation, personal factors, and family reasons like health, marriage
and higher education” also bring about attrition. The employees of as many as 8 IT
companies (22.2%) pointed out this reason for their leaving the company. It was
interesting to note that 20 IT (55.6%) companies pointed out that reasons such as “role
clarity, responsibilities not being clearly defined, job dissatisfaction, work environment,
discouraging leadership, job insecurity, lack of transparency and no clear vision” for
employees leaving the organization as revealed in the exit interviews. It is apparent that
for new entrants who join the organizations, monetary motivation plays an important role.
They sit on the fence to jump to the best available green pastures.

**Measures/strategies to be adopted by companies as revealed by employees in their
exit interviews**

In their exit interviews, the employees informed that many measures/approaches need to
be initiated by almost all the companies. In 14 IT companies (38.9%), employees who
left the organization said that there should be transparency in decision making,
encouraging open discussions, regular meetings with employees and feedback system. In
25% IT companies, employees revealed that there should be competitive
salary/ comparative compensation/ market led compensation. Other measures to be taken
by the companies were ESOPs, offering challenging work environment, job rotation,
multiple job engagements, better organizational structures, job rotation and above all robust HR systems and better HR communication. Moreover employees revealed that opportunities should be created for international exposure; there should be work-life balance and role clarity. Lastly, employees said that a novel feature in retention management system can also be regular employee counseling.

5.6 Reasons for employees leaving the companies as revealed by HR personnel

It was found that the IT companies in Pune have a fair understanding of the reasons for their employees leaving them. Out of 36 IT companies, 17 (47.2%) companies cited lack of competitive compensation as the main reason for people leaving the organizations. 13 IT companies (36.1%) informed that lack of challenging assignment on the job was the second main reason for employees leaving the organization and 12 IT companies (33.3%) quoted lack of career growth in all the directions as the third main reason for employees leaving the company.

These results are in accordance with those of Gallup- Business world IT companies survey [50], which found that lack of career growth and learning opportunities, compensation, brand equity of the organization and job content formed the top reasons for employees leaving the organization. The results are also in agreement with those of Nalwade and Nikam [78], on employee turnover with reference to Information Technology firms in Pune City, 2008. They found that lucrative opportunity outside organizations, career advancement, domestic obligations, job dissatisfaction, sense of powerlessness, insufficient information on how to perform the job adequately, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures and lack of consensus on job functions or duties, lack of commitment in the organization formed the main reasons for employees leaving the organization.

As per The Economic Times [100], a changing global business scenario and the liberalization of Indian economy, favoring the outsourcing trend, acted as key drivers for growth in the Indian IT industry. Now, IT sector is considered an important engine for
growth and it has successfully exploited the increased demand for IT services arising from the incidence of y2k event, E-commerce, off shore activities and business process outsourcing activities among others. The phenomenal growth of Indian IT services sector has resulted in an immense multiplier effect on national income and employment generation, developing several ancillary industries.

As per The Financial Express [101], the entry of overseas competitors into the Indian talent market has further aggravated retention and attrition pressure especially for experienced professionals. Presently, IT companies have to compete in the Indian market with companies like:

1. Entry of consulting firms such as Accenture, Bearing Palats, Capegemin, Deloitte etc.
2. Multinational companies like Dell, HP, IBM, Microsoft etc.
3. IT outsourcing firms like EDS, CMC, Keane Logic, Perot systems etc.
4. Off shore technology services/firms like Cognizant Technologies etc.
5. Software firms like SAP, Oracle etc.

The aggressive approach adopted by these organizations to attract best talents has major impact on employees' mobility. The essential growth of IT industries always experiences shortage of skilled professionals and many organizations adopt measures/strategies to retain the best talent. In the process may lose their talents and some may gain short lived satisfaction. Here the employees assume the rate of self selector in choosing the best. Employer wants the best talent and employees wish to join best organizations, which process continues till the dust of choice is settled down.

The above results also correlate with those of Jeffery Christian [17], who found similar reasons for employees leaving the organization. The same have been discussed in details in Chapter IV of Results and Discussions in page number 134.
5.7 Comparison of Top 5 reasons for employees leaving different types of IT organizations

The top 5 reasons for employees leaving different types of IT organizations were:

1. Lack of career growth in all direction
2. Lack of challenging assignment on the job
3. Lack of competitive compensation
4. Lack of benefits/rewards/stock options
5. Poor work culture and work life balance integration between personal and professional life.

When compared, the top 5 reasons for employees leaving different types of organizations were found to be almost similar in the three different types of organizations. The difference seen was that the reason “Lack of competitive compensation” was cited as the number one reason in IT enabled services companies as well as IT product and services companies, whereas it was cited as number two in product development companies. In product development companies ‘lack of career growth in all directions’ was cited as the top most reason for employees leaving the organization. The rationale for this could be that in product development companies, employees tend to give emphasis on career than on compensation as it takes years to develop the product and they need to be provided with challenging work. The compensation takes a back seat as they are motivated to develop a world class product.

Similarly “Lack of challenging assignment on the job” was mentioned as the second most important reason in IT enabled services companies as well as product development companies. In IT product and services based companies, “Lack of challenging assignment on the job” was cited as the number one reason.

“Lack of benefits/ rewards/stock options”, “Poor work culture”, “Poor leadership”, “Location constraints”, named as fourth important reason in IT enabled services companies. It is interesting to note that “Lack of benefits/rewards/stock options” and “Poor work culture” are common third reason for employees leaving their organizations in
IT enabled services and product development companies. However, “Lack of benefits/rewards/stock options” was named as the top reason for employees leaving IT product and services companies. This fact could have been verified through employee surveys. The feedback from analyzing such surveys could be guided the employees in judging the specific requirements of the employees for initiating corrective measures.

In IT enabled services companies, “Lack of training and development skills including learning opportunities” was cited as fifth reason for employees leaving the company, whereas the same reason was mentioned as third top reason for employees leaving product development companies. Interestingly, “Poor interpersonal relationship with boss, colleagues, peers”, “Poor leadership”, “No clear vision and mission of the company”, “Lack of long term road map”, “Poor or lack of communication from the employer”, “Personal reasons like marriage, health and relocation”, “Lack of mentoring programmes in the organization”, “Freedom of work – autonomy – lack of respect for each other”, “Freedom of work – autonomy – lack of respect for each other”, were other top reasons for employees leaving product development activities. From the above, it can be noted that though the top 5 reasons differ somewhat in terms of significance in different IT companies, they are almost similar across all the IT companies. Spearman’s rank co-relation coefficient was the statistical tool used for determining the co-relation between the variables identified. In many cases there was no significant co-relation found between the variables, hence they have not been tabulated. Wherever there was a significant co-relation found between variables, it has been tabulated and discussed in detail. The value of \( \text{Rho} = 0.378 \) and \( p \text{ value} = 0.023 \) implied that of the reasons for employees leaving the organization, inter-personal relationship with boss, colleagues, peers was associated to be always true with organizations with higher annual revenues. It was found that \( \text{Rho} = -0.430 \) and \( p \text{ value} = 0.009 \) indicating that poor work culture was one of the reason for employees leaving the organization. Since both the variables were highly negatively correlated, it can be inferred that when there are less number of employees, the organizations concentrated more on generating revenue rather than on providing proper work culture to the employees.
Statistical analysis revealed that Rho = -0.538 and p value = 0.001 indicating a highly negative correlation between the two variables. Hence it can be inferred that the total number of employees being less, the organizations would be small, without a clear vision and mission, in the absence of which employees are not able to formulate long term career goals.

The above results concur with those of Yogesh Goutam [87], who also found that the main reasons for employees leaving the companies are - current salary and designation, along with a felt sense of lack of growth opportunities.

This proves Hypothesis No 2 which states that IT companies have a fair understanding of the reasons for employees leaving the companies.

5.8 Cost of attrition in IT companies

14 IT (38.9%) companies affirmed that “productivity cost” increases heavily due to attrition and it was ranked as number-1 among attrition costs. In 10 IT companies (27.8%), “recruiting cost” was considered to be the second highest cost. Whereas, in 7 IT companies (19.4%), training was considered as the third highest cost factor. In only 1 (2.8%) company “orientation cost” was ranked as number one.

It was found that highest impact was on loss of productivity. This was true in 31 (86.1%) companies. The other high impact factor was on work flow interruptions due to employee leaving the organization. Majority (72.2%) of IT companies felt that there is a loss of business opportunities corresponding to the high attrition rate. As many as 25 (69.4%) companies answered that there is a high financial cost associated with high attrition rate. 20(63.9%) felt that high attrition rate translates into poor service to the customers. Strangely enough, (63.9%) companies affirmed that there was gain for competitors, when employees leave to join the competitors. However, 18 IT companies (50%) pointed that high attrition results in loss of brand image of the organization.
According to Amitabh Kodwani and Senthil Kumar [77], “Employee Turnover” costs both the employer and the employee heavily. It destabilizes the functioning of an organization and thus reduces its competitiveness in the market. The cost to the employer can be loss of knowledge and skills, costs of training and replacements, loss of productivity, new competitive pressures because of losing top performers to the potential competitor etc.

According to Suajata Patnaik [59], apart from causing the company a monetary loss and breaks in their day-to-day operations, attrition contributes to knowledge transfer, which is horrific and adversely affects the business. Losses of productivity and work flow interruptions have a major impact on the organization.

Moreover, according to the study conducted by The Gallup-Businessworld IT survey [50], high recruiting cost, lost productivity, employee morale, lost knowledge, service quality, lost customer were cited as the effects of attrition on the organization.

Comparison of measures/strategies as approaches adopted by IT companies to combat the attrition

It was revealed that the companies are adopting different methods or approaches for reducing the attrition and retaining the best talents in the organizations. Though, different organizations have different strategies, 32 companies (88.9%) strongly felt that paying competitive compensation to the employees is the key strategy for retaining employees.

These results are in accordance with those of Jeffery Christian [17], who also found similar measures taken by the IT companies to combat attrition. The same have been discussed in detail in Chapter- IV of Results and Discussion on page number 176 and shown in figure no 35:

According to Bhsaduad [05], the basic practices which should be kept in mind in the strategies are “Hire the right people in the first place, Empower the employees: Give the employees the authority to get things done, Make employees realize that they are the most valuable asset of the organization, Have faith in them, trust them and respect them,
Keep providing them feedback on their performance, Recognize and appreciate their achievements”.

According to a study conducted by Watson Wyatt Worldwide [69], flexible work arrangements, job sharing, telecommuting, part time employment, modified retirement, not allowing to work after usual work hours, not allowing working on holidays, compulsory- enjoying holidays, help desk – doctor’s appointment, payment of bills, ticket booking arrangements boosts the bottom line and increased productivity.

5.9 Comparison of measures/strategies initiated by different types of IT companies to combat attrition

Competitive compensation was one of the top strategies initiated by 20 IT enabled services companies (55.6%) out of 36 companies. Whereas 19 IT enabled services companies (52.8%), adopted measures like clear definition of career growth in their organization and also provided on site opportunities for their employees. Similarly, 18 IT enabled services companies (50%) regularly initiated employee satisfaction surveys, also exit interviews were analyzed and root cause. Good balance between long and short term objectives of the organization and training programmes for career progression and new learning opportunities were offered to employees in 17 IT enabled services companies (47.2%).

Interestingly, higher education assistance and promoting innovation-patents etc was one of the least used strategies in IT enabled services companies as revealed by 6 IT enabled services companies (16.7%). 5 IT enabled services companies (13.9%) did not use the strategy of hiring from smaller cities and training them on soft skills, language and etiquettes.

As far as product development companies were concerned, as many as 11 product companies (30.6%) communicated that competitive compensation and providing challenging work which tests knowledge, skills and experience were being used as main strategies for retaining people in their organization. Again 10 product development companies (27.8%), had initiated the strategy of employee surveys to understand the
concerns of their employees. These companies also informed that they did not promote innovations; patents etc to retain people.

The strategies like competitive compensation, clear definition of growth, providing challenging work, which test knowledge, skills and experience of their employees, clear definition of career growth, building work force capabilities through ample learning opportunities, ensuring work life balance, employee satisfaction surveys and exit interview are analyzed and root caused, clear and concise communication on short and long term objectives of the company and employee surveys are initiated by IT product and services companies.

5.10 Comparison of Top 5 measures/strategies adopted by different IT companies to reduce attrition in their organization.

From the study, the researcher found the strategies given below constitute the top 5 measures/strategies for employees leaving the organization.

1. Competitive compensation
2. Clear definition of career growth
3. Challenging work- which tests knowledge, skills and experience
4. Employee satisfaction surveys and exit interviews are analyzed and root caused
5. On-site opportunities

It was learnt that all the IT companies are focusing on “Competitive compensation” and clear definition of career growth” to retain the employees. The above results confirm to the observations of Pritam Das, Head of HR at TATA Consultancy Services (TCS) [44]. TCS guarantees high motivation levels through competitive compensation packages, stimulating job content and outstanding development opportunities. The employees are counseled about their career progression every year and are recommended for new technology assignments/ key positions to ensure career progression and development of full potential employees of employees. TCS also ensures performance based annual increments to recognize the performance of the
employees. Apart from, the annual increments, TCS encourages spot awards to ensure real-time recognition of employees.

The present results are also in accordance with the practices of IBM. Amit Verma, Head of Talent Acquisition, IBM, Multinational Company [68] reported that IBM has reoriented its reward strategy to face the ‘war for talents’. IBM’s compensation strategy is to deliver market based, performance driven pay in all segments and to reward appropriately their highest contributors through a combination of base salaries with focus on variable performance driven bonuses. They also offer a wide range of other awards and recognition programs in terms of recognition awards, which are given to employees for exceptional performance. These range from merchandise to cash rewards.

The above results also correlate with those of Dibankar Banerjee, HR head at DELL [40], who also found that Dell pays for performance, which are competitive to the market and also offers innovative programmes like investing in employees’ future – competitive employee stock purchase programme (ESPP), where one can purchase Dell’s stock at a discount.

This proves Hypothesis No 3 which states that IT companies are adopting measures/strategies as approaches to reduce attrition.

5.11 Side by side analysis of top 5 reasons and top 5 measures/strategies adopted by IT companies studied

The researcher carried out a side by side analysis of the top 5 reasons for employees leaving the organization and top 5 measures/strategies adopted by IT companies to retain them. It was found that most of the reasons among the top 5 were common across the three types of companies but their order of priority was different. Similarly, the top 5 measures/strategies adopted by IT companies were also similar though they varied in terms of priority.
On further analysis to ascertain whether the measures/strategies adopted to retain employees were in keeping with the top most reasons for employees leaving the organization, the following inferences were drawn.

(1) "Competitive compensation", was the topmost reason for employees leaving the organizations in IT enabled services companies and IT product and services companies. It is ironic to note that in all the three types of the IT organizations, the HR personnel revealed that “competitive compensation” was the top most strategy adopted by the organizations. Hence, there appears to be an expectation mismatch regarding compensation between the employees and the employer.

(2) "Lack of challenging assignment on the job" was cited as the topmost reason in IT product and services companies and the second top most reason in IT enabled services companies as well as in product development companies. Again ironic to note that it was the top most strategy adopted by IT product and services companies and product development companies. It was also one of the top 5 strategies in IT enabled services companies. It can be inferred that the “Challenging assignments” given by the companies are not perceived as challenging by the employees and hence it becomes as one of the reasons for employees leaving the company. The explanation for this could be that the inner urge of human beings demands a challenging job, learning opportunities, sharing of information and continuous exposure to new skills. As someone put it nicely, pleasure in work makes work perfect. In the present dynamic knowledge management, reinforcement of confidence in accepting the challenges creates people of tremendous potentialities.

(3) "Lack of career growth in all directions" was the topmost reason in product development companies and IT product and services companies and the third important reason in IT enabled services companies. Realizing this as one of the top most reasons, “clear definition of career growth” was mentioned as the top most approach adopted by all the IT companies. In the prevailing parity of competitive compensation, the X-generation employees are more interested in “fast track formula and continuous exposure to multiple challenges and also to grow professionally and personally. Organizations have adopted strategies such as
continuous employee surveys to identify potential executives and building work force capabilities through learning opportunities and sharing information about career road map by clearing defining career growth. The employees are not communicated or counseled enough about career opportunities in their companies. Hence, the strategy adopted by companies remains ineffective.

(4) “Lack of benefits/rewards /stock options” was cited as the fourth top reason for employees leaving the organizations in product development companies and IT enabled services companies and topmost reason in IT product and services companies. Although competitive compensation occupies the first place of priority among reasons for employees leaving the organizations, there appears to be a clear distinction between competitive compensations and lack of benefits and rewards/stock options. It is assumed that employees’ preference is to opt for competitive salary, whereas fringe benefits are additional supplementary compensation. Fringe benefits like medical insurance for the families of employees, gift vouchers, stock options, ESPP etc varies from one organization to another. It appears that employees are in need of such varied benefits as well as flexibility in availing the same but the companies are attaching strings to such fringe benefits, which makes them unattractive for the employees. Providing competitive compensation may help to attract the talented employees but to nurture and retain those needs a holistic approach comprising of many factors.

(5) “Poor work culture” was cited as one of the top 5 reasons for employees leaving the organizations. As an answer to this, the measures adopted by the organizations were:

a. Maintaining a good balance between long and short term objectives of the organization
b. Developing a culture to facilitate performance and timely feedback on “how well I do my work”.
c. Providing good deal of team work and collaboration

A healthy culture connects an organization’s vision and mission and recognizes employees not as a cost but valued assets. The measures adopted by the organizations are in line with the developing culture but it needs to be reinforced into practices not only
literally but spiritually too. It is a long drawn process. HR policies and practices should ensure aligning employees inside and outside alike for organizational effectiveness and improving the measures of retention management.

Hence, it can clearly be observed that the organizations do endeavor to combat attrition by adopting measures/strategies but this has been ineffective on account of inadequacy and also want of appropriate efforts in implementing the measures. Execution of strategies needs to be monitored and reviewed periodically to realize the objectives, which seems to be lacking.

This proves Hypothesis No 4, which states that - The measures/strategies adopted as approaches by IT companies to combat attrition are ineffective.

5.12 Suggestions given by HR personnel to attract, nurture and retain the best talents

The suggestions given by HR personnel to attract, nurture and retain the best talents were varied and diverse. On reviewing these, the researcher was able to classify them into two levels as per the level at which these suggestion should be implemented. They are:

1. Organizational level/ On the job level
   a. values and culture of the organization to be open and transparent
   b. supporting and encouraging management style
   c. management policies and procedures to be more employee friendly
   d. challenging work environment which nurtures creativity and innovation
   e. multiple job assignments
   f. freedom to work –autonomy
   g. employee empowerment
   h. career-growth opportunities
2. **Individual level**

   a. appropriate and comparative compensation, salary,
   b. fringe benefits and perks
   c. respect and recognition
   d. rewards for achievements
   e. work-life balance schemes.

The following strategies were suggested to retain talent in the organization.

1. Career and growth opportunities
2. Job rotation, multiple job assignments, acquaint with new technology, international exposure
3. Employee development
4. Compensation, rewards, recognition and respect
5. Job design and work
6. Working conditions, environment, work flexibility and work life balance
7. HR policies and employee relationship

### 5.13 Conclusions

The conclusions of the entire study are discussed in the light of objectives outlined in Chapter- III- Methodology on page number 88.

1. The first objective of the present research was to study various reasons of employees leaving organizations.

The top 5 reasons for employees leaving different types of IT organizations were:

   a. Lack of career growth in all direction
   b. Lack of challenging assignment on the job
   c. Lack of competitive compensation
   d. Lack of benefits/rewards/stock options
   e. Poor work culture and work life balance integration between personal and professional life.
When compared, the top 5 reasons for employees leaving different types of organizations were found to be almost similar in the three different types of IT organizations although their order of priority was found to be different.

The value of $\text{Rho} = 0.378$ and $p$ value $= 0.023$ implied that among the reasons for employees leaving the organization, inter-personal relationship with boss, colleagues, peers was always true in organizations with higher annual revenues. The values of $\text{Rho}$ and $p$ value indicated that poor work culture was one of the reasons for employees leaving the organization. These variables were highly negatively correlated, showing that when there were less number of employees, the organizations concentrated more on generating revenue rather than on providing proper work culture to the employees. Statistical analysis also revealed that the total number of employees being less, the organizations would be small, without a clear vision and mission, in the absence of which employees are not able to formulate long term career goals. The emphasis on culture begins in early stage of employee’s career. Immersing new employees in the corporate value and culture is a primary objective of orientation efforts, which will help reduce attrition of newly entered employees. Culture encompasses the way employees are thinking, believing and behaving. It determines the action of employees as to how to respond to different stimuli and focus on performance. It is necessary to establish the process that effectively creates and supports high performance culture for realizing efforts. Towards this direction, organizations should align cultural values with business strategy for retaining the best talents. Here the organizations have placed least importance to cultural value a core of organizational perception and as a result organizations are experiencing their inability in building socialization, processes, and collaborative, cooperative team efforts.

2. The second objective of the present research was to evaluate the effects of attrition on the organizations.

It was found that “productivity cost” increases heavily due to attrition and it was ranked as number-1 among attrition costs. “Recruiting cost” was considered to be the second highest cost. Training cost was considered as the third highest cost factor.
3. The next objective was to understand the measures taken by the organizations to reduce attrition.

It was revealed that the companies are adopting different methods or approaches for reducing attrition and retaining the best talents in the organizations. The researcher found that all the companies had certain mechanisms in place to find out the reasons for employees leaving the organization. The observations made by HR personnel from the exit interviews are forwarded to the senior management for further study and implementation of suggestions.

The top 5 measures/approaches for retaining people in the organizations were found to be:

a. Competitive compensation  
b. Clear definition of career growth  
c. Challenging work— which tests knowledge, skills and experience  
d. Employee satisfaction surveys and exit interviews are analyzed and root causes known  
e. On-site opportunities

4. The fourth and last objective was to understand why the approaches adopted by IT companies to curb attrition are ineffective.

For this the researcher carried out a side by side analysis of the top 5 reasons for employees leaving the organization and top 5 measures/strategies adopted by IT companies to retain them. It was found that most of the reasons among the top 5 were
common across the three types of companies but their order of priority was different. Similarly, the top 5 measures/strategies adopted by IT companies were also similar though they varied in terms of priority. On further analysis to ascertain whether the measures/strategies adopted to retain employees were in keeping with the top most reasons for employees leaving the organization. The following inferences were drawn.

a) There is an expectation mismatch regarding compensation between the employees and the employer.
b) “Challenging assignments” given by the companies are not perceived as challenging by the employees
c) The employees are not communicated or counseled enough about career opportunities in their companies.
d) Companies are attaching strings to such fringe benefits, which makes them unattractive for the employees.
e) Organization work culture needs to be reinforced into practices not only literally but spiritually too.

To sum up, the researcher is convinced on the basis of validity of the fourth objective that attrition is an underlying fact for which the management can find no excuse as measures adopted to combat attrition proved insufficient and fully not effective. It is obvious that the management of the organizations thinks that the turnover and retention are two separate issues, but they are two faces of the same coin. Many organizations have committed to viewing the problem from individual, work-place and environmental factors and have set up separate departments to ensure the desired level of talent flow in the organization. The emphasis should be on well assigned process of selection and recruitment and effective screening of candidates whose life values match with organizational values and whose needs are career and not jobs be enrolled. The focus need to be directed by resorting to holistic approach on retention and maintaining need based level of talents.

In spite of organizations adopting and also initiating numerous motivational and retention measures/strategies from time to time to minimize the attrition rate and retain the talented
professionals, the efforts put in have not yielded desired or expected results. To achieve Zero attrition is only a dream. IT companies can own and have control over physical, tangible resources but not over intangible human resources. Organizations in Pune have responded promptly and adopted strategies to retain the best talent in their organizations. In this process, somebody’s loss may be somebody’s gain. Knee jerk reactions to increased attrition and corresponding strategies/ measures have temporary effects and may enjoy short lived satisfaction.

It is a really tough task and challenging assignment for IT companies in Pune to formulate a onetime formula for satisfying all employees and the management to cope with the ever changing expectations. While designing and implementing motivational strategies after analyzing the reasons for exodus of employees from their organization, the focus should not only be on internal findings but also on external factors as well as those have immense bearing on the employees leaving the organization.

What needs to be taken care of is that yesterday’s and today’s solution should become irrelevant for tomorrow’s problem as there is no finishing line for management solutions and problems.

5.14 – Recommendations to combat the attrition as evolved by the researcher

After the exhaustive study of three years and after repeated visits to various IT companies and also from information gathered through interview with HR personnel of IT companies in Pune, the researcher was able to evolve certain recommendations which would work well as retention tools. They are:
*Scientific approach for selection and recruitment
*Offer fair and competitive salaries
*Remember benefits are important too
*Offer retention bonuses instead of sign-on bonuses
*Develop an effective orientation programme
*Allow employees the room to develop their skills
*Show employees that you have an interest in their success
*Try to keep the environment humorous

*Provide adequate advancement opportunities
*Fight turnover with smart training
*Provide a variety of assignments in an environment of teamwork

*Give people the best equipment and supplies possible
*Give employees a clear idea of long term goals of the company
*Communicate openly, be flexible, encourage learning
*Measure soft skills, develop management team
*Make someone accountable for retention
*Weed out poor performers in the organization

Figure 36: Recommendations to combat attrition as evolved by the researcher

Healthy retention

Control over the retention
5.15 – Areas of further research

1. The present research study was a comparative analysis of approaches for reducing attrition limited to IT companies based in Pune. The study can be extended further by identifying other locations where IT companies are clustered.

2. An in-depth study can be done to ascertain the impact of attrition at different stages of an employee’s career, namely 1. Entry level 2. Mid-career 3. Top-level which will help to focus for planning and designing appropriate measures to retain the best talents.

3. Nowadays, IT companies are recruiting more and more female employees. A study can be undertaken to identify the percentage of attrition rate among female employees, with additional information, age wise and tenure wise. This will assist in devising specific approaches to retain the best talents and also avoid mismatch of solutions to actual problems.

4. A similar study can be carried out in small, mid and big size companies. It is possible that the reasons and measures to combat attrition in these companies are different and such a study can focus on understanding the difference in reasons and measures in those companies.

5. A study on attrition can be carried be out in other sectors like manufacturing, services etc., to understand the pattern of attrition and a correlation established to find out the similarities between IT sector and other sectors.

6. For a global perspective, a research study can be carried out in only multinational IT companies to understand the strategies to retain the people in those organizations.