

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

In a globalized market place customer service-based software is a wealth and job creating industry. The Information Technology sector has gained prominence since 1990. Global organizations manage their people by employing millions of professionals worldwide. Both Executives and Academics believe that Human Resource Management and investment is essential to the competitiveness of firms, but there is a wide variation of opinion about how best these complex organizational behaviors are implemented.

The multinationals and global organizations of today are notorious for their high attrition rates. Hence, retaining employees has become one of the chief tasks of modern Human Resource Managers. Human Resource Managers feel proud if they are successful at retaining employees for over a year.

In the post colonial period, workers spend their entire careers in those jobs. In areas where there was high turnover, new employees could be recruited easily. Similarly, workers were loyal to their organizations and stayed often on the job until their retirement. As a result of this, employers were loyal to their employees.

Today's organizations are different; the challenge of retention is growing. It is quite sad that business today is not adopting several of the

strategies used in the past to ensure that more employees are retained. Moreover, most organizations in Bangalore are not being creative in devising strategies to keep their employees Vara Prasad (2007). Companies today are not creating an environment which encourages employees to remain loyal to the organization.

## **1.2 HUMAN RESOURCE MANAGEMENT**

Human Resource Management has an important role to play in equipping the institutions with the personnel necessary to meet the challenges of an expanding and increasingly competitive sector. Increases in the number of employees, contractual diversification and changes in the demographic profile of the employees are reconfiguring the role and significance of Human Resource Management Mailman (2003). HR functions and HR practices play a significant role in shaping, influencing and enhancing the capability of the employees. Employee contribution becomes a critical business issue because in trying to produce superior output, companies have no choice but to try and engage not only the body but the mind and soul of every employee. Most organizations today realize that a satisfied employee is not necessarily the best employee in terms of loyalty and productivity.

The “best employee” is really an engaged employee – one who is intellectually and emotionally bound with the organization, who feels passionate about its goals and is committed towards its values. This employee goes the extra mile beyond the basic job requirements.

## **1.3 HRM AND COMPETITIVE ADVANTAGE**

HRM is about developing people and enabling them to make the best use of their abilities in their own interests, as well as those of the organization Srinivastva (2004). HRM matches Human Resources to the

strategies and operational needs of the organization, and ensuring the full utilization of those resources.

The key role of HRM function is to play a part in the creation of an environment which enables people to make the best use of their capabilities and to realize their potential to the benefit of both the organization and themselves. HRM is essentially a business-oriented philosophy concerning the management of people in order to obtain added value from them and thus achieve competitive advantage.

#### **1.4 HUMAN RESOURCE DEPARTMENT IN THE ORGANIZATION**

In the current business scenario, every organization is striving to increase profits, improve the quality of goods and services, improve customer satisfaction, while decreasing costs. Organizations have started to realize that having a strong brand, new products and new technology alone does not help them get the winning edge over competitors.

What organizations need more than anything else today is the committed participation of a good majority of people within the organization to work out a process map that improves both effectiveness and efficiency? There has to be ownership among the employees that the company is 'mine' and that I 'care'. The collective loss to Indian knowledge organizations due to regularly losing great employees is mind boggling. In the last couple of years, many companies have begun to realise that wages and benefits are important to employees, but compensation alone is not enough to keep the highly skilled, motivated and experienced workforce.

There is a need for a complete eco system within the organization that focuses on creating, continuously motivating and retaining great

employees more than ever before. Managers would agree that employees make a critical difference when it comes to innovation, organizational performance, competitiveness, and thus ultimately business success. What can organizations do to attract and keep creative, dedicated and thriving employees who make organizations flourish? Which working conditions inspire employees to be engaged, give their best, go the extra mile and persist in the face of difficulties? Instead of traditional organizational structures that heavily rely on management control and economic principles of cost reduction, efficiency, and cash flow, the focus in modern organizations is on the management of human capital.

The existence of a Human Resources Department is vital to overall productivity and efficiency of the strong workforce in any thriving company. In most professional organizations, the role of the Human Resources Department is not sidelined or eclipsed by other departments. In fact, good Human Resources can be one of the most valued and respected departments in an organization; their job is people, and people are the company's most important assets.

The major roles of a Human Resources Department in a successful business involve a lot of observation and analysis from behind the scenes. Indeed, the intelligence of the Human Resources Department often involves what can be likened to "crunching numbers." Compiling complex data and metrics that follow the performance of individual employees, as they move through the workforce is an important task, which has helped human resources, work out crucial solutions to inefficiency, sagging profit margins and more.

Due to the sensitive nature of human relations and the work that Human Resources Department must carry out, discretion is a crucial element to this field. That's because the management of performance can often

involve tough decisions such as choosing whom to let go, whom to promote and whom to hire. Keeping the decision making process behind closed doors is an ethical practice that breeds the least amount of contention possible.

## **1.5 HUMAN RESOURCE PRACTICES IN IT/ITES INDUSTRY**

The IT industry is a service industry. The quality service offered to customers determines the success of the organization. This leads us to the fact that the creativity Mc Guire.D (2006), innovativeness, knowledge and skill of the employees are the important assets. How well these assets are managed is the challenge that the IT industry is facing. It is not capital or finance or marketing management that gives the competitive edge but rather how well one is able to manage human resources whose intellectual applications drive down the business.

The challenge does not stop with recruiting the right person but managing the performance of the employees. The challenge would be to create a performance culture wherein opportunities are provided for enhanced performance and where giving out optimum performance becomes a way of life. Training & Development is another area where challenges arise. In the IT industry training takes a new dimension. It will not be just identifying training needs and giving the required training. It is foreseeing and anticipating the requirements and develop suitable training so that the employees are well equipped to handle the challenges forehead.

The IT industry is one of the high paying industries. Since it is also very competitive, vying with each other to attract the best talent, offering the best possible compensation package to their employees is in itself a challenge. But the real challenge would be to incorporate all the sub systems in HR and help them in achieving the ultimate goal - exceptional performance. In a high performance driven industry like IT, this becomes all the more important.

Software is a wealth and job creating industry. India's software industry is growing at a rapid pace as overseas companies continue to move jobs to the country. India's huge pool of skilled, English-speaking, technology workers has helped it become one of the prime destinations for such work. India's IT industry now employs more than one million people in the country, and the boom has raised worries about possible shortages of skilled manpower in the coming years.

## **1.6 INDIAN INFORMATION TECHNOLOGY SECTOR**

### **1.6.1 IT Services**

Indian Information Technology Prabu NRV (2005) organizations did not see a development in the industry during mid 70's and this period was not so effective in the investment in IT field due to restricting imports of computer peripherals, high import tax, strict Foreign Exchange and Regulation Act limiting its allocation.

A notable turning point in the Indian software and IT industries policy environment was when Shri Rajiv Gandhi became PM in 1984. The major policy reforms were to recognize software as an industry to invest and make it eligible for incentives as other domestic industries, reducing import tariffs policies which liberalize exposure to the latest technologies to compete globally and to capture a share of global software exports.

High investments in higher education and formation of prestigious engineering colleges, policy reforms to allow foreign investments in 1991 enabled for significant growth in development. From just programming and documentation work, India emerged to implementation, R&D, out sourcing and diversified itself to hidden depths of IT industry to become a global hub for software and IT enabled services.

This millennium belongs to the convergence of Information Technology. How organizations are able to leverage IT to get advantage in a highly competitive market will be the key to success. Leading the way would be the organizations which are in the IT industry. These are the ones which have shown that the quickest way to business excellence would be through optimum utilization of IT.

The IT boom has brought with it, its own set of challenges to organizations. How to put in place systems and process that are in tune with the IT revolution, how to strategize and compete in the IT era? A major challenge that the IT industry per se has been facing is in the field of Human Resource Management.

IT Services which can further be categorized into Information Services Outsourcing, packaged software support and installation, systems integration, processing services, hardware support and installation and IT training and education.

### **1.6.2 Engineering Services**

Engineering Services include Industrial Design, Mechanical Design, and Electronic System Design (including Chip/Board and Embedded Software Design), Design Validation Testing, Industrialization and Prototyping Pillai &Prakash (2000).

### **1.6.3 ITES-BPO Services**

ITES-BPO Services IT Enabled Services are services that use telecom networks or the Internet. For example, Remote Maintenance, Back Office Operations, Data Processing, Call Centers, Business Process Outsourcing, etc. IT sector is attracting considerable interest not only as a vast

market but also as potential production base by international companies. Therefore India is considered as a pioneer in software development and a favorite destination for IT-enabled services.

The rapid growth in the sector is a consequence of access to trained English-speaking professionals, cost competitiveness and quality telecommunications infrastructure. Companies operating from India are able to leverage the advantage of the Indian time zone to offer 24 x 7 services to their global customers. Several world leaders including General Electric, British Airways, American Express, and Citibank, has outsourced call centre operations to India.

#### **1.6.4 E Business (electronic business)**

E Business (electronic business) is carrying out business on the Internet; it includes buying and selling, serving clientele and collaborating with business partners.

### **1.7 THE IMPORTANCE OF THE STUDY**

There are several factors involved employees to leave their job. It could be voluntary, where the employee chooses to leave. It could also be for reasons that may include better career opportunities, increased compensation and broadening of current tasks and responsibilities, stress on connecting on a personal level with employees, lack of communication, absence of timely recognition and compensation, conflict with team members or boss, insufficient perks, promotion and pay package, in conducive environment, incompatibility with the culture, work ethics, inflexibility in work timing, insensitivity with individual health problems or personal issues and boredom with current task.

Involuntary turnover occurs when employees are asked to leave for reasons including poor performance or inappropriate behaviour. Company benefits, employee attitude and job performance are all factors which play an important role in employee retention. When a company replaces a worker the company incurs direct and indirect expenses. These expenses include the cost of advertising, headhunting fees, human resources fees and new hiring cost.

The research would focus on studying the opinion of the respondents on the retention initiatives taken by the management of respective organizations.

## **1.8 SCOPE OF THE STUDY**

HR management consists of many activities. However, the present research is confined to a study and examination of selected Human Resource practices – recruitment and selection, training and development, performance appraisal and reward system in the selected software company.

The study was conducted keeping in mind the various employees working in Information Technology in the city of Bangalore, Karnataka State, India. The employees mainly belong to the various operational divisions such as Project Manager, System Analyst, Developer, Programmer, Team Leader, Data Operator Leader etc.

This research is designed to study the nature, state and the critical factors affecting high employee attrition in the IT companies located in the state of Karnataka.

## **1.9 SIGNIFICANCE OF THE STUDY**

India is at the forefront of the rapidly evolving IT Industries market and is well established as a 'destination of choice' among global outsourcers.

Human capital is the real asset for any organization, and this makes the HR role important in recruiting, managing, and retaining the best. There are a number of challenges in the Indian ITES industry which require the serious attention of HR managers. An urgent priority for most of the organizations is to have an innovative and competent HR pool; sound in HR management practices with strong business knowledge.

The study gives a warning signal to the IT Industry sector, in Bangalore, Karnataka State to immediately adopt innovative strategies to tackle the continuing high attrition problem. This study will be helpful to the management of IT industries located in Karnataka State to focus on the critical factors identified in the study in addressing the attrition problem.

This study will enable the readers, researchers and practitioners (HR Managers) to have a professional approach in addressing the critical issue of employee retention.

### **1.10 THE RESEARCH PROBLEM**

Software industry is in boom. Though industry runs through machines, it is the fact that these machines are managed by men. Hence they are considered as valuable resources. Moreover the success of any organization depends on the performance of people in the organization. There must be a proper fit between business strategy and Human Resource Strategy. Hence organization needs to formulate best strategies for its Human Resources and facilitate in achievement of organizational objectives. The present study focuses on various Human Resource Management practices in IT industry.

Attrition to some extent is good for the organization because it gives an opportunity to get new people and new ideas. But beyond certain point, it only leads to losses and unconstructive impact. The consequences of attrition are manifold - loss of business, sulking employee morale and team spirit, impact on productivity, improved and renewed efforts and resources of bringing in a new persons on board, etc. Also it is a known fact that when any employee quits, and then molding them to represent the organization, and making them a perfect fit for the defined job role Srinivasteva SK (2004).

This study highlights the major themes of HR functions itself. The study looks the key findings from the areas of HR practices, employee relations, HR functional excellence and knowledge management within the HR community. The study will conclude how HR practice and process including Staffing, Performance Management , reward, development and career management , HR delivery and knowledge and learning teamwork, relationship, culture and intention to stay in their respective organizations.

Today Indian IT Industries sector of India has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation. The issue of employee retention/turnover has been found to be making huge economic impact on the organizations Sagar Chakraverty (20080).

The average costs of replacing today's defecting work force are eating away the profitability of even the healthiest organizations. Karnataka has witnessed exceptional growth in the IT services and product companies proving to be a large employment base for the state's engineering graduates Paul, AK & Anantharaman, RN (2002).

Bangalore is the choice destination for more than 750 MNCs, 102 global Fortune, 1000 companies apart from innumerable home grown companies. This favorable situation has led the researcher to select Karnataka as one of the population base and excellent infrastructures available at Electronic city, Bangalore have encouraged the IT companies to locate their units in entire Bangalore city.

High density of Science and Technology Industries, talent pool of English speaking personnel, annual intake of over 25,000 engineering students each year are the factors which contributed to the growth of the IT sector in Bangalore. It hosts over 500 IT and ITES companies, employing over 35,000 IT professionals. The above constructive situation existing in Karnataka state has led the researcher decided to choose Bangalore city as one of the base for the population of the study.

The biggest problem faced by IT industry organizations located in Karnataka today is the increased employee retention, A comprehensive study is to identify the critical factors causing high employee retention in the IT Industrial sector in Bangalore city, Karnataka State has been found to be the needed for the Research.

### **1.11 RESEARCH METHODOLOGY**

Within the framework of the study and the objectives mentioned above, a detailed and micro level study has been carried out by Delphi procedure, with participants on the expert panel responding to a series of questionnaires to the HR Managers on one hand and IT professionals on the other. The opinions of the respondents were taken by contacting them personally through E- Mail, Interviews and Telephonic conversations. The

research would focus on analyzing the opinion of the respondents on the retention initiatives taken by the management of respective organizations. This study would definitely help HR heads of the Information Technology sector identify their shortcomings and strategize for their innovative human resource growth and development.

## **1.12 RESEARCH FOCUS**

What are the most influential Human Resource Factors and retention strategies to retain top talented employees? The terms and concepts used in the chapter have been operationally defined. Hypotheses have been stated for empirical validation. The sampling technique, tools used for the data Collection and statistical techniques used are also presented Research Questions

### **1.12.1 Phase I: Delphi Study**

1. Is there a relationship between retention strategies (Environmental factor and Motivational factors) and Human Resource practices?
2. Which practical Retention strategies and Human Resource factors influence the employees to stay in their organizations?
3. How would you define Information technology employee?
4. How would you distinguish Information Technology industry from other service sector employees?
5. What are different factors that affecting the Information Technology employees to quit the organization.

### **1.12.2 Phase 2: In Depth Interview with HR Managers**

1. Environmental factors or hygiene factors influence the retention of employees.
2. Motivational factors give job satisfaction and job enrichment to retain employees in Information technology sector.
3. HRM specific factors linked to retention of employees in Informational technology sector.
4. HRM organizational factors retain their employees from attrition.
5. To know the top ways to retain top talented employees in HR process?
6. Using employee benefits how employers do to retain good employees?
7. Finding the secret to securing and conserving employees' commitment?
8. To know the wellness and safety programs boost productivity and retain employees.

Phase 2 will assist in the development of a questionnaire to conduct a survey on employees of Information Technology in Phase 3.

### **1.12.3 Phase 3 Survey on Employees of Information Technology**

1. What Human Resource Factor influence IT employees to stay back in the organization
2. What type of encouragement given by employers to retain.

3. How the leadership style helps to retain the employees.
4. How employees are motivated and validated in performance appraisal system to retain them.
5. How personal factors and organizational factors were judged to stay in the organization.

### **1.13 DATA SOURCE**

There are many ways of collecting data: through documents and through interviews or questionnaires. The use of multiple sources of evidence gives an opportunity to obtain multiple measures of the same phenomenon. This will in turn increase the validity in a research like this.

A structured questionnaire has been used in this study. These structured questions take the form of a questionnaire where the respondents were asked to fill the form circulated among them in the industry representative, on how they perceived various aspects of human resource practices of the selected company. This comprised primary data.

Questionnaire has been divided into two parts.

Part I is designed to collect personal profile of the respondents age, sex, designation and educational qualifications.

The questions in Part II have been divided into ten factors covering various human resource practices such as recruitment, performance appraisal, training and development and reward system etc.,

Part III questionnaire consists of a series of statements, which prompt alternative responses. It consists of closed statements, in the sense that

respondents must select their response to each statement from those available rather than originating their own.

#### **1.14 OBJECTIVES OF THE STUDY**

The main objective of the present research is to study, know and analyze Human Resource management policies, practices and procedures in the selected software company on the basis of the respondents' perceptions, opinions and experiences.

1. To study the retention of employees in MNCs of Information Technology sector in general.
2. To identify and analysis, the perceptions of the employees with regard to the career development practices being adopted by Information Technology.
3. To identify the factors of retention of employees in Information Technology of Bangalore city, India.
4. To explore and analysis, the dimensions of retention of employees in IT industries are based on primary data collected.
5. To develop a statistical model for escalating to retain employees in Information Technology Sector and give recommendations.
6. To assess the existing level of employee motivation for the recommendations of Information Technology sector.

### **1.15 HYPOTHESIS**

Based on the objectives of the study hypothesis have been formulated. Those hypotheses provide direction to the study in chapter three.

### **1.16 LIMITATIONS OF THE STUDY**

Being a Management Research, the study is not free from limitations. While conducting this study, the following were the limitations that were faced:

1. Since the study involves using of primary data for drawing inference, the coverage of the study has been limited to the Bangalore, Karnataka state alone.
2. Lack of sincere cooperation from few IT organizations' management in allowing the data collection which leads the researcher to adopt mainly quota sampling.
3. Inability to meet all the respondents personally. The sample size was not quite large owing to the nature of the study and difficult in collecting data from the respondents.
4. Lack of sufficient time for the respondents to answer sincerely to all the questions due to their work pressure and stressful environment.
5. Respondent's taken more time consuming in their busy schedule to answer the questions considering all the view points.
6. The study is limited with selected HR factors of IT companies. The result cannot be generalized to other industries

This study is mainly based on Survey Method of Research. Therefore, the limitations of Survey method are expected to influence the outcome of the research. Essentially, the study is aimed at bringing out the qualitative aspects into greater focus. Accordingly, study is confined to Information Technology industries in Bangalore only for eliciting the employee's opinion through questionnaire. In spite of the best efforts it was unable to get 100 percent free and frank opinion and the written responses.

The findings of this research may not be generalized to the IT industry as a whole, as human resource practices may be rather unique. Since only sector is involved in this study, any relationship found can only be indicative of a possible trend rather than a definitive causal link. The analysis and interpretations made in the study are based on data collected in this manner. However efforts have been taken by the researcher to cross check the responses and to make the conclusions as meaningful and rational as possible.

### **1.17 LAY-OUT OF THE THESIS**

The thesis is divided into SEVEN chapters

The **first** chapter deals with the introduction, design, and execution of the study.

The **second** chapter presents the related review of literature both at national and international level.

The **third** chapter presents a justification of three phased Delphi approach, theoretical framework of Retention of employees of MNCs of Information Technology Industry Development Activities in Bangalore, India.

The **fourth** chapter evaluates the Human Resource factors that influence the retention of employees of Information Technology Industry based on certain specific indicators.

The **fifth** chapter presents analysis and interpretation of three phases, Delphi Approach of Retention Management Practices of Bangalore Information Technology Industries.

The **sixth** chapter discusses the main relationship between the factors influencing the HRM and organizational commitment and intention to stay in the Information Technology Sector.

The **seventh** chapter recapitulates the key findings and gives a comprehensive conclusion of the study. At the end of this chapter, certain policy suggestions have been made for better working of retentions in Information Technology Industry.