CHAPTER-2
REVIEW OF LITERATURE

2.1 BACKGROUND

It seems to be the time of new ‘India’s’. First, there was Make in India and now Skill in India and Digital India. Digital India feels almost like a déjá vu because a few years ago we were hearing words like ‘IT hub’ and ‘digital revolution’. But, the dot com boom actually happened as long ago as 2000. The world is going digital. It is only natural that India follows suit. India was, is and hopefully, will always be one of the most techno-savvy countries in the world. India is currently at a juncture of going to the next level and advancing to an era where it is at par with some of technologically advanced countries in the world. At a time when the economies are driven by cloud computing and mobile adoption, it is imperative for a country to proceed and take the technology leap which is the true calling for a developed country.

Over the past two decades, the role of the human resource (HR) department in IT organizations has undergone a major transformation- from merely providing a back-office administrative support essentially through paperwork to playing a key role in supporting business plans and strategies by facilitating creation of an innovative workforce. It is due to globalization, liberalisation, outsourcing and competitiveness which have become the key factors for survival and growth. With rapid changes in the way technology is affecting business; human resources will cease to be productive if they are not re-trained. Cost of training is high. Cost of not training is higher. Cost of losing a trained employee is the highest. Employee loyalty can no longer be taken for granted. Employees today leave organizations not only for a better pay, but also several reasons like a bullying boss, non-cooperative subordinates, hostile colleagues, non-recognition of performance, etc. So measures to retain these trained/ high-performing employees have become as important as training or hiring them.

Today's HR department has to be innovative in developing strategies and plans to cover all the above areas by treating employees as its customers and acting as their sponsor or change agent. While the HR head today has to be a business partner of the top management for the design and implementation of the organization's business plan and objectives, he/she also has to have the basic knowledge of other areas like marketing, finance and accounting too. He/she must also know the cost of all HR
initiatives and become business-savvy to guide the top management in its new initiatives. Indeed, HR has come a long way (http://www.itsmyascent.com/hr-zone/Role-of-HR---Then-and-Now-Winner/112597).

Human resource is an important corporate asset to propel an organization towards its goals, just as an engine propels an automobile towards its destination. According to Armstrong (2006), human resource management (HRM) is defined as a strategic and coherent approach to the management of an organization’s most valued assets— the people working there who individually and collectively contributes to the achievement of its objectives. According to Flippo (2007), HRM is the planning, organization, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished. According to National Institute of Personnel Management of India- Personnel management or HRM is that part of management concerned with people at work and with their relationship within the organization. It seeks to bring men and women who make up an enterprise, enabling each to make his/her own best contribution to its success both as an individual and as a member of a working group.

HRM represents the collective expertise, innovation, leadership, entrepreneurial and managerial skills endowed in the employees of an organization (Decenzo and Robbins, 2008). It consists of practices that help the organization deal effectively with its people during the various phases of the employment cycle: pre-selection, selection, and post-selection (Kleiman, 2005). The importance of recruiting, selection, training, developing, rewarding, compensating, and motivating the workforce is recognized by managers in every unit and functional area of an organization (Ivancevich, 2003). John Storey (1989) defines HRM as a distinctive approach to employment which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personal techniques. The various contributions from HRM impact on development and successful implementation of employee’s high performance has been shown in Fig. 2.1. The relationship between HRM and performance is summarized in Fig. 2.2. However, HR has to be involved in helping to build new capabilities to challenges like; globalization, growth and revenue generation, technological advancements and their adaptation, intellectual capital, as well as incessant change in their organizations Fig. 2.3 (Armstrong, 2006).
HRM is a sub-system in the organization context but a system in its own context. The functions of HRM are not unanimous in nature as its concept is still in evolving stage and practices, which vary from organization to organization. Tapomoy Deb (2006) introduced five basic functions of HRM namely Managerial functions, Operational functions, Developmental functions, Analytical functions and Strategic functions. The Fig. 2.4 gives a schematic presentation of the above 5 functions.

**Fig. 2.1:** Various contributions from HRM impact on development and successful implementation of employee’s high performance.
Fig. 2.2: Link between HRM and performance  

Source: (Adapted from Armstrong, 2006)
Fig. 2.3: Major challenges for an organization

Fig. 2.4: Functions of Human Resource Management; Source: Tapomoy Deb (2006)
In much the same way as Charles Darwin's theory of evolution, the role of HR professionals in organizations has evolved dramatically over the years. Traditionally, the role of HR professionals has been primarily administrative in nature; often bucketed along with other support functions such as finance, IT and compliance. However, changing market dynamics and global competitive pressures have necessitated companies to revisit their entire strategy, leading to reorientation of HR function itself.

Today, with macroeconomic fundamentals within which companies operate being equal, HR leaders are required to don the role of strategic advisors to create a differentiated culture; transforming themselves from a support function to an advisory one. With growing globalization and a dynamic competitive business ecosystem, people have emerged as the biggest assets of an organization, with the HR function as the custodian. Given the changing times, HR has gradually broken away from the constraints of an administrative function limited to managing contract labour, canteen, transport, benefits, etc, to playing a more strategic role aligned to business strategy, and influencing the company's business performance, overall wealth generation and sustainable growth.

However, in India, a mere 30 percent of top-performing organizations view HR personnel as strategic business partners collaborating to achieving organizational growth, committed to upholding the company's values, culture and ethics; striving towards diversity and grooming future leaders. No doubt, these are the companies that often earn themselves the reputation of being a 'Great Place to Work', wherein HR leaders act as catalysts of change by deploying effective strategies, tools and processes, thus creating a value and culture that invests in its people.

Therefore, as we move away from a capital-intensive economy to a knowledge-intensive one, it is becoming increasingly important to separate the administrative processes from integrated people processes. As a result, HR leaders are moving away from obsolete administrative tasks and instead focusing on understanding the organization and its future direction, effective people relationship management and value creation. Also, as the war for talent intensifies, HR personnel are posed with new challenges such as a growing shortage of employable talent and managing workforce aspirations. Therefore, they need to be equipped with right skill-set and competencies including business acumen, industry expertise and ability to mentor and coach managers to act like good bosses offering meaningful work and driving effective engagement, thus creating value for themselves and stakeholders.
According to Vikas Thapa, vice president - human resource, Cummins Group, India the integration of people processes with the right technologies is worth investing. Today, many organizations are failing to leverage the full potential of technology. While HR leaders have come a long way and found a place in corporate boardroom discussions, a large percentage of companies still consider HR as a mere administrative function, thereby ignoring the changing dynamics at the workplace and the current requirements for success. Freeing HR from the shackles of administration is fundamental to building robust organizations that create value on a sustained basis (http://www.itsmyascent.com/hr-zone/Freedom-for-HR/138014).

According to Harish HV, partner, India leadership team, Grant Thornton India LLP and Arun Kumar MK, partner, corporate finance, Grant Thornton, if management theories and best practices were fool-proof and universal, almost anyone would be able to create and sustain great companies. In essence, theories are based on the experience of some companies, either successful or unsuccessful and formed on the basis that if it worked for some companies, it is universally acceptable. It is important to understand any new trend from management gurus while rejecting the previous trend. Dalai Lama once said: ‘know the rules well, so you can break them effectively’. Similarly, know the management theories well, so that you can both apply them and also know when to discard them. In conclusion, they quote Confucius: 'by three methods, we may learn wisdom: first, by reflection, which is noblest; second, by imitation, which is easiest; and third by experience, which is the bitterest' (http://www.itsmyascent.com/hr-zone/Theory-vs-practice/135325).

2.2 HRM IN IT ORGANIZATIONS

In the competitive age of global economy, to gain competitive advantage, organizations hinge on human resources and systems for managing human resources effectively (Nelson and O’Donohue, 2006). This makes HR role important in recruiting, managing and retaining the best determining the success tempo of that organization.

The Indian Information Technology (IT) and IT Enabled Services (ITES) industry is arguably the most global of any Indian industry and has created international benchmarks for their quality (Nasscom-Deloitte Study, 2008). Managing HR in IT organization is challenging for HR managers as it involves a multi-task responsibility (Chiamsiri et al., 2005). Moreover, the concept of employer-of-choice has intensified in last decade. Employees want to work for the best employers. Becoming an employer-of-choice often involves the issue of acquiring best talent for organization, motivating employees to
improve performance, keeping them satisfied and loyal, developing employees so they can grow and contribute skills, and retaining those employees (Philips and Connell, 2008). The Indian IT sector has several competitive advantages, which is allowing it to grow at a fast pace. Some of the key advantages are:

a) Locational advantage: India enjoys a locational advantage to other countries due to a 12-hour difference with the world's largest market- the USA. This enables US companies to establish round the clock software factories by subcontracting to Indian companies.

b) Manpower: There is a tremendous latent potential of manpower supply in India. Indian has the second largest pool of technically qualified English speaking manpower (second only to the United States) available at a comparatively lower cost. Demand for manpower continues to surge. Indian has the capacity to supply about 70,000 software professionals each year, which hardly meets the global demand Indian software industry, can therefore continue to have a manpower led-growth.

c) Low cost: Much of India's strength in software in the past is attributable to the low cost of Indian programmers. Indian programmers are paid only about 15-20% of his/ her counterpart in developed nations. This provided domestic software companies a cutting edge in expenses for software projects. However the low cost edge has now been considerably eroded with most software professionals getting remuneration at par with global standards. Nevertheless in terms of cost-quality, India continues to offer significant 'value for money'.

d) Wide gamut of services: India can offer a wide range of software services from clerical support/data processing to sophisticated software systems. The low cost and availability of manpower at all levels enable it to offer labour intensive support services, while the technically qualified and skilled personnel enable it to offer quality solutions involving sophisticated software systems.

e) Project Management skills: Indian companies have rich experience of working with large global software companies. The forced subcontracting of large Y2K projects has also provided Indian companies with substantial experience in handling and executing large sized projects.

f) High on learning curve: Indian companies have over the last decade build expertise on a variety of platforms-from legacy systems to the latest state-of-the-art systems.

g) Infrastructure facilities: India has more than 1200 high-speed communication links of 32-226 kbps, connecting Indian software companies with their clients abroad. A majority of this infrastructure and communication links are provided by software technology parks of India (STPI).

h) Conducive regulatory framework: IT industry enjoys virtually unbridled liberty to conduct its business in best possible manner. Government also encourage by providing tax benefits.

2.2.1 RISK FACTORS

a) Manpower availability at any cost: India has more than 2,000 institutions from which about 70,000 software professionals graduate each year. This is further supplemented by private training centres which coach about 40-45,000 students each year. With many students opting for further studies / other employment streams and several overlap between students at institutions and training centres, it is estimated that India can supply about 75,000 software
professionals each year. Despite this huge addition to the manpower base each year, the demand-supply situation is expected to remain right during the next 3 years. The excess of demand over supply will further push salary levels upward. Salary levels for experienced and qualified professionals are broadly at par with develop countries. The rising cost of manpower has already eroded India’s position as a cheap source of labour to a large extent. This increases the risk of losing business to completion counties like China and Russia who have cheaper labour, if they would be able to match the quality Indian professionals’ offer. Moreover, to maintain profitability on the increased cost, software companies will have to increase productivity i.e. maximizes revenue/ profits per employee. Till the time Indian software companies are able to move up the value chain to products and transcend the cost barrier, to carry a risk of low profitability.

b) Manpower turnover: An organization should keep employee turnover to minimum, so as to maximize on productivity. This is even more important if an employee has to undergo initial training to develop specific skills. Employee turnover occurs as employees show little respect for continuity with a single organization and even employers actively ‘poach’ from competing companies by offering more lucrative salaries. Most IT companies have been providing various incentives and stock option schemes to retain talent, especially at senior levels. They also have to provide better working facilities to motivate employees to put in their best.

c) Skill and experience levels: Indian programmers have a wide range of skills, with experience on legacy systems and on latest platforms as well. They have also displayed an ability to learn and adapt quickly to the changing environment. However, about 77% of the software professionals in India have a work experience of less than 7 years. Corporate therefore need to continuously invest in training to improve skill levels further, especially in the area of functional domains.

d) Availability of infrastructure: The current boom in software sector can be sustained through an increase in offshore programming activity. This places special emphasis on availability of quality infrastructure facilities in the form of hardware/ software, power and telecom links. India’s power and telecom infrastructure is poor compared to many developing countries. On top of that power and telecom costs are among the highest world. The attempts at privatizing these institutions have not improved the situation in a significant manner. For software companies, investing in telecom infrastructure is an additional overhead, which few companies will be able to afford.

e) Poor government demand: In most developed countries, public sector enterprises constitute largest consumers of IT. In India public sector companies are generally reluctant to introduce IT in a major way, as this would antagonize trade unions. Public sector companies' policies also tend to be pro-labour. Therefore software sector get neglected in most of the leading IT countries.

f) Government policies: Government policies so far have been favourable to software companies. If tax exemption on exports is withdrawn it affects software companies adversely. WTO regards tax exemptions on exports as an indirect subsidy and hence the government may phase out exemption in the near future. Also government policies in future should be framed to encourage development of application software packages, as this can only sustain the current growth rates.

g) Non-tariff trade barriers: Several non-tariff trade barriers exist in foreign countries, which could restrict growth of Indian exports. For example, since October 92 only H-1B visas are issued irrespective of the duration of the project. Earlier for short term project B-1 visas were issued, which were caster and faster to obtain. H-1B visas require several clearances and take
about six weeks to prove. It also requires retention of legal counsel to follow up with the respective offices. Also the US has permitted to allow only 115,000 visas worldwide for skilled IT professionals. This typically gets exhausted in the first 7-8 months of the year. This year it was exhausted in May itself. Indian software professionals working in US are also subject to security taxes (FICA 12.4%, MEDICARE 2.9% and FUTA 6.3%) even if they are deputed on short-term assignments. The benefits from these contributions can be drawn only after a specified term of employment. Therefore this therefore amounts to an extra tax of about 21% which Indian software companies have to forego. Several such subtle trade barriers can restrict Indian companies' ability to maintain the current pace of growth.

h) Financing: Software companies require finance for setting up development centres, establishing communication links and other infrastructure and for working capital. Traditionally, lenders have been averse to project finance due to lack of tangible assets as security. The recent spurt in share prices of all the listed software companies reflects the confidence amongst investors. This should enable software companies to raise adequate finance in the form of equity. But government has to set machinery in place to provide software companies with venture capital, project and lease finance etc.

i) Quality: India has gradually moved into high quality but competitive cost bracket. Currently, many of the large companies hold quality certificates. However, there are various quality levels and standards. Moreover Indian companies need to pay more attention to Total Quality Management and not just Production process quality.

j) IPR: Indian companies have to move up the value chain to become truly global companies. This requires a strong policy on IPR and strict enforcement procedures. Uniformity of IPR policies with the 'target countries' will also help Indian companies to improve export prospects.

2.3 INDIA AS AN IDEAL ITES DESTINATION

Globally, India has been considered as the most preferred destination for ITES companies. The following 6 key growth drivers are instrumental in promoting India as the most preferred IT/ITES destination:

a) Abundant Talent: Demographic profile is an inherent advantage complemented by an academic infrastructure that generates a large pool of English speaking scientific and technical talent with domain expertise in specialized areas. Talent suitability concerns are being addressed through a combination of government, academia and industry led initiatives. These initiatives include national rollout of skill certification through NAC (NASSCOM Assessment of Competence), setting up finishing schools in association with MHRD to supplement graduate education with training in specific technology areas and soft skills and MoU's with education agencies like UGC and AICTE to facilitate industry inputs on curriculum and teaching and develop faculty development program.

b) Sustained cost competitiveness: India has a strong track record of delivering a significant cost advantage, with clients' regularly reporting savings of 25-50 percent over the original cost base. The ability to achieve such high levels of cost advantage by sourcing services from India is driven primarily by the ability to access highly skilled talent at significantly lower wage rates and the resultant productivity gains derived from having a very competent employee base.
c) **Continued focus on quality:** Demonstrated process quality and expertise in service delivery has been a key factor driving India’s sustained leadership in global service delivery. Since the inception of the industry in India, players within the country have been focusing on quality initiatives, to align themselves with international standards. Over the years, the industry has built robust processes and procedures to offer world class IT software and technology related services. More than 200 companies are quality accredited and serve over 255 Fortune-500 companies.

d) **World class information security environment:** Stakeholders of Indian ITES recognize fool proof security as an indispensable element of global service delivery. Individual firm level efforts are complemented by a comprehensive policy framework established by Indian authorities, with an ‘info-secure’ environment. These include strengthening the regulatory framework through proposed amendments to further strengthen the IT Act 2000, scaling up the cyber lab initiative, scaling up the National Skills Registry (NSR) and establishing a self regulatory organization.

e) **Rapid growth in key business infrastructure:** Excellent telecom infrastructure and rapid growth in business infrastructure has ensured unhindered growth and expansion of ITES sector. This sector has been a key beneficiary with the cost of international connectivity declining rapidly and service level improving significantly. The growth is taking place not only in existing urban centres but increasingly in satellite towns and smaller cities. Critical business infrastructure such as telecom and commercial real estate is well in place; improving other supporting infrastructure a key priority for government. STPI infrastructure available across the country and good supportive regulations along with magnitude of investments shows government support to the industry.

f) **Enabling Business policy and Regulatory environment:** The enabling policy environment in India was instrumental in catalyzing early phases of growth in ITES sector. Policy makers have laid special emphasis on encouraging foreign participation in most sectors of economy, recognizing its importance as a source of financial capital as well as a facilitator of knowledge and technology transfer. The Indian ITES sector has benefited from investor friendly policies of Government. The participating firms enjoy minimal regulatory and policy restrictions along with a broad range of fiscal and procedural incentives.

### 2.4 EMPLOYEE ATTRITION IN ITES INDUSTRY

Employee attrition (also known as labour turnover or wastage) is the rate at which people leave an organization. It has a huge impact on the organization, both in direct and indirect costs. In the case of knowledge industries, a departing employee may have the critical skills needed for working with specific software, completing a step in an important process, or carrying out a task for a project. In the beginning, global companies were attracted to IT business in India due to low costs and lower attrition rates. The manpower costs in India were estimated to be around one-tenth of that in the US, while attrition was lower both because of the initial attractiveness of a new kind of a job and the significantly lower number of IT companies. In addition, jobs were offered mainly to fresh graduates at salary levels higher over the years. Additionally, with the increased
outsourcing by global companies, Indian employees needed to work during night hours to coincide with the business hours of the US and the UK. Working night shifts led to emotional stress and ailments such as sleeping disorder, depression, physiological and psychological problems. These factors gradually put pressure on the employees, resulting in the problem of increased employee attrition. The biggest problem faced by IT organizations in India today is increased employee attrition, which varies between 20-50%.

2.4.1 CLASSIFICATION OF EMPLOYEE ATTRITION

Cascio and Boudreau (2008) introduced two popular ways of classifying employee attrition as voluntary attrition vs. involuntary and functional attrition versus dysfunctional attrition. Following gives the description of the two types:

a) Voluntary vs. Involuntary Attrition: Employee attrition may be voluntary on the part of the employee (for example, resignation) or involuntary (e.g., requested resignation, permanent layoff, retirement, death). Voluntary reasons for leaving such as job-switching that offers more responsibility, improved salary and benefits are more controllable than involuntary reasons, such as employee death, chronic illness, or spouse transfer. Most organizations focus on the incidence of voluntary employee attrition precisely because it is more controllable than involuntary attrition. They are also interested in calculating the costs of voluntary attrition, because when these costs are known, an organization can begin to focus attention on reducing them, particularly where such costs have significant strategic effects.

b) Functional Attrition vs. Dysfunctional Attrition: Having categorized employee attrition as voluntary, many organizations take the next logical step; namely, to determine the extent to which the voluntary attrition is functional/ dysfunctional for the organization. Employee attrition is functional to the extent that the employee’s departure produces increased value for the organization. It is dysfunctional to the extent that the employee’s departure produces reduced value for the organization. High performers who are difficult to replace represent dysfunctional attrition, and low performers who are easy to replace represent functional attrition.

On the flip side, the loss of hard-working, value-adding contributors is usually not good for the organization. Such high performers often have a deep reservoir of firm specific knowledge and unique and valuable personal quality like technical and interpersonal skills. It is unlikely that a new employee would have all these qualities, and very likely that he/she would take a long time to develop them. Thus, voluntary attrition
among these individuals, and replacing them with others, is very likely to reduce the work-force value and to produce costs associated with their separation and replacement. Voluntary attrition is even more dysfunctional, however, when it occurs in talent pools that are pivotal to an organization's ability to be successful.

2.4.2 NEGATIVE IMPACT OF ATTRITION ON THE ORGANIZATION

The impact of employee attrition can be disruptive and costly. The Chartered Institute of Personnel and Development Survey (CIPD, 2009) of recruitment, retention and employee attrition found that the average rate of attrition in the United Kingdom was 15.7 percent. The negative impacts of employee attrition as described through the factors given by Philips et al., (2008) have been discussed below (Fig. 2.5).

Fig. 2.5: The negative impact of employee attrition on an organization

- **High Financial Cost:** Employee attrition has a huge economic impact on organization, both in direct and indirect costs. Sometimes the cost impact alone causes it to become a critical strategic issue. The performance of companies has been inhibited by high turnover rates.

- **Survival as an Issue:** In a tight labour market where the success of the company depends on employees with critical skills, recruiting and retaining the appropriate talent can determine the success or failure of the organization.
c) Exit Problems and Issues: With increased litigation at the workplace, many organizations spend significant time and resources addressing issues of disgruntled and departing employees. Some find the need to involve legal system, leaving organization with challenge of facing an even bigger problem. Even employees who leave voluntarily can cost the company time and money.

d) Productivity Losses and Workflow Interruptions: In most attrition situations, a person who exits abruptly leaves a productivity gap. This void not only causes problems for the specific job performed by departing employee but also for others on the same team and within flows of work.

e) Service Quality: With emphasis on providing excellent service to external & internal customers, high attrition has a tremendous negative impact on customer service quality. Attrition of front-line employees is deemed as a serious threat to providing excellent external customer service.

f) Loss of Expertise: In case of knowledge industries, a departing employee may have critical skills needed for working with specific software, completing a step in an important process, or carrying out a task for a project. Sometimes an entire product line may suffer because of a departure.

g) Loss of Business Expertise: Attrition may result in a shortage of staff for a project or leave the remaining staff unprepared to take advantage of a new business opportunity. Existing projects or contracts may be lost or late because a key player is no longer available.

h) Administrative Problems: In most organizations, attrition creates a burdensome administrative effort, both in additional paper work as well as in time spent confronting and addressing attrition-related issues which takes precious time from more productive responsibilities.

i) Disruption of Social and Communication Networks: Every organization has an informal network. Attrition disrupts the communication and socialization patterns critical to the maintenance of teamwork and a productive work environment.

j) Job Satisfaction of Remaining Employees: The disruptive nature of attrition is amplified when other employees are forced to assume workload of departing colleagues or address problems associated with the departure. Remaining team members can be distracted by their concern and curiosity about why employees are leaving.

k) Lost Image of the Organization: High employee attrition creates negative image of a company with a revolving door. Once this image has been established in job market, it is difficult to change.

2.4.3 COMPUTATION OF EMPLOYEE ATTRITION

Organizations need a practical approach for measuring and analyzing the costs of employee attrition, especially because the costs of hiring, training and developing employees are now viewed as investments that must be evaluated just like other corporate resources. Cascio and Boudreau (2008) found that data on attrition is one of the basic metrics that can be used in human capital management and the evaluation of HRM effectiveness. Conceptually, annual employee turnover is computed by adding up the monthly turnover for a 12-month period. Monthly turnover is calculated as the
number of employee separations during the month divided by the average number of active employees during the same month.

Typically, organizations compute attrition rates by business unit, division, diversity category, or tenure with the company. Then they attempt to benchmark those turnover rates against other organizations to gauge whether their rates are higher, lower or roughly the same as those of competitors or their own industries. When it comes to employee attrition, however, it is not always the case that “lower is better.” In the extreme, if employee attrition is zero, the organization may have employees who are of such low quality that they don’t have alternatives or the organization may be losing the benefit of new ideas that outsiders might contribute.

Generally, the rate of attrition/turnover in percentage over any period can be calculated by the formula: 
\[
\frac{\text{Number of attrition / turnover incidents per period}}{\text{Average workforce size}} \times 100
\]

The attrition rates are inversely related to unemployment rates (local, regional, national). Specifically, when unemployment is high, employees tend to remain with their current employers because there are limited opportunities elsewhere. On the other hand, when unemployment is low, employment opportunities are more plentiful, and thus, employee attrition tends to increase. Michael Armstrong (2010) developed three measurement methods of employee attrition which are described as given below:

**a) Crude Employee Attrition Rate:** It is the number of employees leaving over a period as a percentage of average number employed over that period. This can be used readily for benchmarking and expressed as a percentage of number of people employed i.e.,
\[
\frac{\text{Number of leavers in a period}}{\text{Average number of people employed in the period}} \times 100 = \% \text{ attrition / turnover}
\]

The advantage of this index is that it can alert HR planners to unusually high percentages of the workforce leaving compared with the HR plan, or with the industry average, which would suggest that something is wrong, or that more effort is needed to retain employees. The disadvantage of this index is that it does not indicate who is leaving the department or organization: even a high turnover rate may not reflect any real instability if the core of experienced staff consistently remains.

**b) Labour Stability Index:** It focuses mainly on stability where, short-term employees are eliminated from the analysis, thus obtaining a better picture of significant movements in the workforce. It is calculated using the following formula:
Number of employees with one or more years’ service \times 100 = \% \text{ stability} \\
\text{Number of employees employed at the beginning of the year}

Particularly at times of rapid expansion, organizations should keep an eye on stability, as a meaningful measure. The purpose is similar to the survival index and it provides a simple, if rather limited, basis for measurement.

c) Survival Rate: The labour stability index ignores new starts during the year and does not consider service, which may be added to the measurement via length of service analysis and survival rate analysis. Here, the proportion of employees who are engaged within a certain period and are still with the firm after various periods of time is calculated. There may be a survival rate of 70\% after two years, for example, but only 50\% in the third year. It is a good indication of the effectiveness of recruitment procedures as well as, typically, the high proportion of people who leave after relatively short periods of service. It can therefore highlight where action is required.

2.4.4 COST OF ATTRITION

Attrition causes huge loss to the company, not only in terms of manpower but also in monetary terms. Attrition is like rust. Not only does attrition hamper the growth of business, it also creates an organization with no values. Culture building is impossible and that again is one of the reasons why there is such high attrition. It is a vicious circle and the biggest problem in this industry. Various estimates suggest that losing a middle manager in most organizations, translates to a loss of up to five times his salary. This might be worse for IT companies where fresh talent is intensively trained and inducted and then further groomed to the successive stages. To ensure that attrition rates are kept to a minimum, businesses need to redesign their reward and recognition packages to help the industry hold onto staff and to find the right kind of people who can keep pace with the unique work patterns (Nakkiran and Franklin, 2005).

Repetitive low-end jobs, physical and psychological problems and inadequate growth opportunities are major reasons cited for high attrition rate. This disadvantage has increased operating costs of IT organizations and is considered to be a threat to the industry. IT organizations earlier paid huge salaries to attract many of employees. Though the high packages and sophisticated work environment in IT organizations succeeded to attract a large pool of youngsters, they failed to sustain the pool. The reasons range from physiological fatigue, psychological stress to fear of an elusive future. It is a fact that, retention of key employees is critical to the long-term health and success of any
organization. The performance of employees is often linked directly to quality work, customer satisfaction, and increased product sales and even to the image of a company. Whereas the same is often indirectly linked to, satisfied colleagues and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning. Employee retention matters, as, organizational issues such as training time and investment, costly candidate search etc., are involved. Hence, failing to retain a key employee is a costly proposition for any IT organization (Attrition-in-the-BPO, 2007).

According to Cascio and Boudreau (2008), decisions affecting the acquisition of new employees (that is, selection decisions) require consideration of the quantity, quality, and cost of those acquisitions. Likewise, decisions affecting the separation of employees (that is, layoffs, retirements, employee turnover) require consideration of the quantity, quality, and cost to produce the separations. Decisions affecting employee attrition reflect three basic parameters: a) the quantity of movers, b) the quality of movers i.e., the strategic value of their performance and c) the costs incurred to produce the movement i.e., the costs of acquisitions or separations. The results of decisions that affect acquisitions or separations are expressed through quantity, quality, and cost. Secondly, the consequences of these decisions often depend on the interaction between the effects of acquisitions and separations.

It is necessary to measure employee attrition and calculate its costs in order to forecast future losses for planning purposes and to identify the reasons that people leave the organization. Management must be aware of the need for action to reduce attrition. According to Cascio and Boudreau (2008), the general procedure for identifying and measuring attrition costs, an organization must consider three major, separate cost categories: separation costs, replacement costs, and training costs. The cost of attrition should also include the economic value of lost business.

The key cost elements, that apply to total attrition costs include i) cost involved in conducting exit interviews (S₁), ii) costs linked to administrative functions related to termination, such as deletion of the exiting employee from payroll, employment, and benefits files (S₂), iii) separation pay as per organizational policy decisions (S₃) and iv) unemployment tax calculated as per appropriate government rules and legislation if applicable (S₄). By taking into consideration, the above cost components namely S₁, S₂, S₃ and S₄, the Total Attrition Cost is computed using the following formula: \( \text{Total Employee Attrition Cost} (S_r) = S_1 + S_2 + S_3 + S_4 \).
Replacement costs are incurred by an organization when it replaces a terminated employee which are of following eight categories: a) communication of job availability, b) pre-employment administrative functions, c) entrance interviews, d) testing, e) staff meetings, f) travel/ moving expenses, g) post-employment acquisition and dissemination of information and h) employment medical exams.

In all organizations, replaced employees must be oriented and trained to a standard level of competence before assuming their regular duties. This often involves considerable expense to an organization. The cost of training program depends on the cost of two major components: costs associated with trainers and costs associated with trainees. The cost of on-the-job training must also be determined for all replacement employees hired during the period. The cost of decreased productivity due to employee attrition include the decline in productivity of an employee prior to termination or decrease in productivity of a work group of which the terminating employee was a member. Seven additional cost elements include: a) cost of additional overtime to cover the vacancy, b) cost of additional temporary help, c) wages and benefits saved due to the vacancy (these are subtracted from the overall tally of turnover costs), d) cost of reduced productivity while the new employee is learning the job, e) cost of lost productive time due to low morale of remaining employees, f) cost of lost customers, sales, and profits due to the departure and g) cost of additional (related) employee departures (If one additional employee leaves, the cost equals the total per-person cost of turnover.

2.5 VIEWS AND REVIEWS OF MANAGING ATTRITION IN ITES INDUSTRY

According to Philips and Connell (2008), there are many useful, potential advantages of employee attrition. They are; a) opportunities to inject ‘new blood’ into the organization: new people bringing new ideas an outlooks, new skills and experience in different situations, b) balance in the age structure of the workforce. Absence of labour turnover would create an increasingly aged workforce, often accomplished by an increasing wage/salary cost, c) creation of opportunities for promotion and succession which offers an important incentive to junior employees, d) ability to cope with labour surpluses, in some grades of job, without having to make redundancies and e) creation of opportunities for promotion and succession which offers an important incentive to more junior employees.

The ITES organizations are rethinking of ways to retain their people and better manage them. A recent report states that with 35 percent of their workforce having tenures of less than two years, Indian IT organizations lagged behind their western
counterparts in retaining their people. This simply denotes that in the current business scenario, it is not just about getting the right talent numbers in place, but also to have the right skills. Achieving competitive and sustainable returns on workforce investment is becoming a key strategic lever for an organization's long-term success. Having a vast employee base without the requisite skills negatively impacts overall productivity.

Padmina Alaganandan, executive director, people and change practice, PricewaterhouseCoopers Pvt Ltd. (PwC India) banks on 'Human Capital Effectiveness' study which suggests that putting in place alternative career growth paths, creating internal growth opportunities and investments in learning and development are some of the initiatives that organizations are adopting to retain employees. With growing competition, it is imperative for companies to get a right mix of talent and skill.

Sameer Wadhawan, vice president - human resources and services, India & South West Asia at Coca Cola India Inc reiterates that selection of a candidate is half the job done. Moulding the candidate's inherent talent to develop skills beneficial and productive for the organization is a continuous process.

Abhinaya S Rao, head of people, Thought-Works India explicated that in order to retain people, the challenge for organizations in India is to create their own niche, understand people's aspirations and well-being needs, with a constant endeavour to innovate and create synergies between the organization and individuals. The Indian economy is growing more rapidly than the west, thereby presenting new and promising opportunities to young employees and related challenges for employers. The growing base of mid-sized companies has contributed significantly to the increasing flux in talent as experienced in India, especially amongst the different sectors; thereby, creating more challenges for erstwhile players to retain staff.

Retention extends beyond merely keeping employees happy. Many organizations are now rethinking their rewards approach, looking to move towards a total rewards philosophy. Internal role movements are increasingly being seen as a strong tool for engagement. Several others recognize that different demographic segments have separate requirements and expectations. Putting in place alternative career growth paths, creating internal growth opportunities and investments in learning and development are some of the initiatives that organizations are adopting to retain employees. A strong employee value proposition through branding, good diversity and inclusion practices, and corporate social responsibility activities, differential reward
strategies, flexi-work policies, are key plans. All in all, organizations are investing a lot more in understanding the needs and expectations of millennials at the workplace in order to design effective talent management strategies.

*Coca-Cola India*’s flagship programme ‘Pegasus’ enhances functional expertise and skills each year, to take on future roles within the company. Spread over seven months, the participants are exposed to several development opportunities; a 360° feedback and personalized coaching for individual personal development, academic learning sessions to develop general management skills, collaborative business projects for experiential live-learning and importing and exporting learning by replicating best practices.

*Thought-Works India* provides both online and offline forums for people to interact among themselves and with leadership teams, share information, ask questions and express their views. Employees should be provided with unlimited sick leaves and flexible work options, let employees bring their own devices to work, sponsor health and wellness programmes, employee assistance etc.

Chirag Buch, COO and HR head, *Bharti AXA General Insurance* says that the employees, who know what is going on, who feel that they are an integral part of the picture, and who have a goal to strive for, are more likely to be engaged and to stay than employees who are made to feel expendable. Organizations need to maximize their talent advantages by conducting exit interviews which provide insights into reasons why employees leave. HR should step up to new talent challenge to reinvent itself as a partner in growth (http://www.itsmyascent.com/hr-zone/Retention-tactics-revised/97934).

The dynamic nature of HRM in ITES sector has inspired many researchers belonging to different faculties of knowledge to study the various issues related to the high employee attrition in IT industry. Mike (2009) observed that staff attrition represents significant costs to information technology related companies. He further observed that high attrition rates drive up training costs, and increase human resources, recruiting, and productivity costs. They also increase the prospect of quality problems and create substantial continuity problems for longer-lived projects.

According to sustainability report 2012, Genpact recorded quarterly attrition down by 5%, *Edxiation Xavior Limited service* reported an 8% dip, *World Network Services* fell by 7% down from last quarter and Wipro has downer by 5%. According to the report keeping attrition at low is a challenge as demand outstrips the supply of good agents by a big margin. To ensure a consistent flow of trained manpower, IT industry needs to work
with govt. to introduce courses at school and college level in line with requirements of industry (http://www.genpact.com/docs/resource/-sustainability-report.pdf).

Agarwal (2012) experienced that the challenge in the ITES sector is lack of discipline. While there is a similarity with the manufacturing industry, a worker on the shop floor does not have the options that the ITES employee has. These employees belong to a generation that does not like rules – they have had multiple choices from the time they were born. The author further explained that when one hurt the dignity and self-respect of the people of this generation, they are bound to leave, raising the attrition rate. In his opinion, redesigning of the total pay package and inclusion of some short term incentives could help maintain attraction for these jobs.

Radhika (2008) recorded that 40% attrition happens in first 120 days of hiring. She found that the cost of replacing a front-line employee, even by conservative estimates, is very high. She proposed that one’s best bet therefore would be to curb attrition not fuel it where it hurts the most also develop ‘retention matrix’ to keep track of and continue to reward the best performers.

Rosenthal (2008) highlighted the need of some measures to curb attrition rates and include: the remuneration structure is not as competitive as they are in the rest of the Indian market, the benefits package mainly focused on retirement benefits, which is a disconnect since most of these workers are in their 20s.

Anandkumar et al., (2008) analyzed youth trend that current generation, with its radical thought processes and behavioural traits, to be the torch-bearers of change, the most important ingredient in India’s future as a global business leader. Except for non-aggression, they are not ready to carry the older values of sacrifice, savings, being dominated by elders, or being submissive in any sense. Again, they explained the divergent world views and attitudinal approaches of today’s youth. They are not seeking the security of a steady job and they are not in any compromising mode. To sustain business tomorrow, they further suggested that the IT industry has to make the effort to understand the new generation in depth, and any process or value creation of every deliverable has to be based on this generation.

Chaudhury (2007) showed that the causes of attrition in IT industry in Indian are unchallenging work environments, long working hours and limited career growth, less promotional opportunities, lack of proper leadership, non attractive compensation packages, job opportunities elsewhere and poaching of talent by competitors.
Booth and Hamer (2007) found that labour turnover is related to a variety of environmental and organizational factors such as company culture and values, supervisory style, fair pay, corporate value, giving support to each other, trust and respect between employees, manageable workload, development and career building satisfaction and degree of job satisfaction.

Raina (2007) highlighted that the growth of attrition rates has been a major concern for the last two decades. He also found that attrition is more common with the age group of 20-25 years and within three months of joining the organization.

Gupta and Gupta (2007) reported that despite its momentous growth and bright future, IT industry continues to suffer from high attrition rates. New employees come with enthusiasm but their motivation gets depleted as job realities unfold with passage of time therefore attrition can be combated by enhancing the perceived value of working.

Pillai (2007) inscribed that HR policies need to be framed to suit unlike employees across the ladder. The IT entities need to create a brand identity for their firms amongst society to ensure not only regular inflow of employees but also their consistent retention.

Chakraverty (2007) conferred the reasons for attrition and ways to improve the turnover rate in Indian ITES sector. According to him impact of attrition is gone through and employee’s concern is highlighted in addition, initiatives of retention are talked about with reference to employee’s perspective.

Krishnamurthy (2007) marked that a stress-related job and bad dietary habits are a lethal combination, which makes this ITES sector susceptible to lifestyle-related diseases-like obesity, diabetes and high blood pressure. According to her the challenges faced by ITES employees in India faces the problems as: odd work timings, working at night and sleeping during the day which upsets a person’s natural bio-rhythm, monotonous job and repetitive job that offers little diversity which results in low job satisfaction, performance targets, close monitoring by supervisors and linkage of performance to pay and cultural clash.

According to Legal Services India, with increase in mergers, acquisitions, competition and globalization, ITES industry is expected to witness higher demand for new applications and advanced systems leading to growth. India has enormous opportunities emerging from globalization and consequent lowering of tariff barriers. Information Technology has given India formidable brand equity in the global markets. In the last two decades, the Indian ITES industry has contributed significantly to Indian
economic growth in terms of GDP, foreign exchange earnings and employment generation. India has been a particular beneficiary of IT and accounts for 65 percent of Global IT and 45 percent of ITES off shoring market. Indian IT companies have a unique distinction of providing efficient business solutions with cost and quality as an advantage by using state of art technology (http://www.legalservicesindia.com/article/merger-and-acquisition-in-the-information-technology-industry-1749-1.html).

The advantage of a good system of English education, cost advantage and 10-12 hour time differential with the US has helped India to rapidly grow in IT business. Successful IT firms are clear leaders in people engagement. The culture is driven from the top. Given the dynamism and the need of ITES firms, successful HR professionals have applied innovation and marketing to drive new engagement models. They have evolved a new HR mantra for the ITES industry – by engaging and being a one point of contact for people issues they have made a huge impact. They are empowered and work with passion to make a difference in the day-to-day business. They identify problems and work proactively. They realize the need to equip themselves with marketing and finance skills to be effective in their job (Nakkiran and Franklin, 2005).

Team members bring a multitude of knowledge, experiences and perspectives, creating a unique learning environment where conflict is often referred to as the norm (Miles et al., 1997). Knowing, how to deal with conflict when it occurs is fundamental to the well-being of any team. Moreover, controversy and debate can be used to facilitate learning (Johnson and Johnson, 2014). Groups in general and small teams in particular have been objects of extensive study because of their intrinsic complexity. Many of these studies, however, are along lines of experimental research and take place in controlled situations in non-educational settings (Johnson et al., 2000; McGrath et al., 2000).

Moreover, research on how small groups operate has been conducted predominantly in the fields of organizational behaviour, information sciences, communication studies, and clinical and educational psychology (McGrath et al., 2000), and less in the area of educational technology. Studying team conflict from this perspective has potential to improve information and communication technologies (ICT)-supported teamwork as an instructional strategy. The use of ICT to support teamwork adds more complexity to the group phenomenon. By offering flexibility, convenience and low-cost communication, networked technologies are used to support collaborative efforts as a complement to face-to-face interaction or as major means for communication.
when teams are geographically dispersed. But there has been little educational research aimed at investigating computer mediated teams. Kerr (1996) emphasised the need for studies of the sociology of groups and the relationships between groups and technologies. Only a subset of research on small groups has looked at the role of ICT in managing team conflict and improving communication among team members.

Findings were, however, ambiguous. On one hand, it seems that technologies can contribute to managing conflict in teamwork (Hsu, 1999; Rockart and Short, 1991). Conversely, they can create dissatisfaction and lower confidence in group outcomes (McGrath and Hollingshead, 1994), and can make achieving consensus more difficult (Andriessen, 2003). Because conflict is a continuing mediator of performance, investigating its dynamics is a serious matter for educators and teams. Additionally, when mediated by technologies conflict management practices change (Poole et al., 1991; Riopelle et al., 2003), and this also needs to be investigated.

Every team experiences conflict at some level. As Lauzon (1999) pointed out conflict within communities of practice seems to result from contradictions embedded in self definitions. Although small groups are distinct from communities of practice, many forms of disagreement still originate in tensions between explicit and implicit beliefs, values and practices. He defined conflict as any statement of disagreement that creates discomfort and disaffection among people in a team (Hobman et al., 2002).

Types of conflict at the task and relationship levels have been described frequently in the literature (Levi, 2001; Rahim, 2002; Stewart et al., 1999). Task-related conflict occurs when team members disagree about the tasks themselves, how those tasks should be performed and/or completed (Stewart et al, 1999), and how well they should be performed (excelling vs. meeting minimum requirements). Relationship related conflict is centred on relationships, psychological and social constructs, when team members experience interpersonal incompatibility. Both relational and task-based conflict can have positive and negative effects on teams. These kinds of conflict often occur together. When members disagree about an issue, the debate sometimes can turn relational. What seems to be a ‘legitimate’ and therefore an impersonal conflict can easily turn into a relational, personal conflict (Forsyth, 1999).

Conflict is more frequent in heterogeneous teams than in homogeneous ones (Levi, 2001). Group heterogeneity in this study was a result of different nationalities, social classes, races, age groups, gender, economic status, religions, affective
orientations, ethnicities, lifestyles and expertise. Conflict is a fundamental aspect of teamwork (Forsyth, 1999; Levi, 2001; Putnam, 1986). Whitworth (2005) claimed that ‘conflict within organizations is inevitable, but without conflict there would be no creativity, and hence no innovation’.

In an early phase of conflict research, theorists argued that conflict was detrimental to teamwork and that it impacts organizations negatively (Jehn, 1995). Conflict was perceived as destructive and ineffective, as a problem that needs to be minimised and controlled. In that earlier view, conflict represents a danger to effective teamwork by taking time, by being irrelevant to the tasks, and by disrupting the relationships among team members (Smith and Berg, 1987).

More recent research, however, has shown that conflict can be beneficial to teamwork (Forsyth, 1999; Johnson and Johnson, 2003; Levi, 2001; Tjosvold, 1992; Tjosvold and Tjosvold, 1991; Worchel et al., 1993). In terms of conflict management, this study followed Thoma’s model (1992), which is organized around two dimensions: a) cooperativeness as an attempt to satisfy the other’s concerns, and b) assertiveness as an attempt to satisfy one’s own concerns. Combinations of these dimensions lead to five modes of handling conflict: a) Avoidance corresponds to evasiveness and failure to confront. It is low in both assertiveness and cooperativeness, b) Accommodation consists of an attempt to achieve others’ goals at the expense of one’s own. It is low in assertiveness and high in cooperativeness, c) Competition entails use of power as one member tries to force her view on others. It is high in assertiveness and low in cooperativeness, d) Compromise requires that each side of a dispute makes concessions. It is intermediate in assertiveness and cooperativeness and e) Collaboration attempts to identify and achieve outcomes that satisfy the interests of all members involved. It is high in both assertiveness and cooperativeness.

Khan, (1999) has endeavoured to present the transformed face of HRM in the 21st century of globalized world and concluded that the impact of the transformation of the HR function and processes should be measurable and HR programs have to be more answerable in short- and long-term perspectives.

Satpathy, (2002) studied problems of finding out an alternative solutions to work-life equation based on Indian philosophy and culture and developed a model called ‘Management by Care’ to deal with such problems in Indian organizations.

According to Dynamics of human resource management essay- Seth, (2004) explained that attracting and nurturing talent has become the single most dominant
force and emphasized that talent can flourish only if the enabling social and physical infrastructure is in place. Punia, (2004) addressed specific contemporary challenges of employee’s retention and empowerment in light of organizational changes which highlighted the fact that Indian organizations are finding it difficult to retain the talent and are resorting to newer strategies of empowerment to retain the best talent. Joshi, (2008) considered the consequent attrition that is often a major setback to a company on various fronts, the practice of rehiring former employees is in fact catching on to recall exceptional talent, especially when the organizations face a severe shortage of trained, skilled personnel. Shastri, (2004) opined that while the steady supply of new recruits has helped fuel the growth of IT companies in India, attrition has held the industry back and a major cause of attrition is the lack of skilled team leaders and senior managers. Gupta and Gupta (2008), studied the challenges posed to IT organizations at various levels and find that at the lower management level, the major challenges include meeting targets, dealing with customers and maintaining work life balance; at middle level management the major challenges are to motivate employees and handle attrition and absenteeism while at upper management level, clients’ demands, motivation, competition and costs are the major challenges (https://www.ukessays.com/essays/management/dynamics-of-human-resource-management-essay.php).

Prashant Chawla, COO, Integreon, a Mumbai-based KPO (2006), pronounced that there are three types of stress an employee may experience — tight deadlines, repetitive nature of the job and late night shifts. Raina, (2006) mentioned that key reasons for attrition are: health problems, physical strain, no time for personal life, long working hours, odd shifts, long transit time, insufficient leaves and slow growth. While studying the causes of high attrition rate, Aashu Calappa, VP-HR, ICICI OneSource, articulated that accountability puts employees under stress but companies are now making efforts to help their employees cope with stress because it is an occupational hazard.

Scalem and Ravindranathan, (2006) assessed that major factors leading to high attrition rate are: poaching, hiring policies and HR systems, monotony of the job, lack of career movement and growth aspirations and nature of training. Raman, (2006) cited the reasons for ‘drag attrition’ as insecurities, vulnerabilities, very few chances of promotion, no scope for skill up-gradation, stress, chronic fatigue, health problems, loss of personal life etc. whereas for ‘drive attrition’ are employer’s policy, policy for terminating the employee, no e-titlement for national holidays etc. Ramiya (2008) attempted to find out
the reasons for employee attrition other than compensation or salary and accordingly one of the top reasons for talent attrition he found is “external equity of compensation” (https://www.ukessays.com/essays/management/dynamics-of-human-resource-management-essay.php).

According to Conference Board Inc and McKinsey & Co., (2012) the industry leaders who are setting best practices in HRM and retention actually pay less than the laggards and are leveraging effective people management practices rather than higher compensation to keep their teams intact. This is especially true in case of large players; where they continue to employ 2,000 personnel every quarter to bring down the sourcing cost effectively. The ITES companies have tied-up with colleges to train the talent while they are doing their college degree. This has proved to be an effective model for cost reduction as well as manpower retention.

Prakash, (2005) recommended a change in the workforce profile through a change in education system. Mr Dan Sandhu, CEO, Vertex India (2005), feels that attrition in ITES industry is not the problem but the output of other problems in a company. He emphasized the importance of bringing change in candidate's attitude to match the company's value structure. Girish Suryavanshi, associate VP, Mphasis (2006) thought that though India is still a preferred IT destination, there is a need to improve infrastructure growth in cities where ITES industry have a large presence (http://jaipuria.edu.in/pgdm/wp-content/uploads/2014/03/A-study-on-the-management-of-human-resource-personnel-in-Indian-domestic-Bpo-industry.pdf).

Another interesting thing that emerged from prior researches is that reducing attrition may not always mean increasing retention. Attrition may reduce if the negative characteristics of the job are taken care of. However, that does not mean employees increase their willingness to stay in the same organization. Thus, different set of factors emerged for attrition and retention respectively. There is a dire need of tackling the problem of attrition in the ITES industry of India and for this various HR practices need to be implemented simultaneously. According to a study conducted by myhiringclub.com (2014) the IT and ITES sectors in India saw the highest attrition rate of 23 percent in the first quarter of 2010-11 among talented employees, making retention of critical manpower resources a key challenge for India Inc. The study summarizes that the major reason behind this attrition was that firms had started paying more to newly hired employees. Beside pay packages, career level growth, dissatisfaction with supervisors and work
pressure are the main factors. Employees with experience of up to five years had the highest attrition rate followed by those with 5-10 years of experience and then the 10-15 years' experience bracket. Interestingly, senior-level employees with more than 15 years of experience had a very low attrition rate. The study also underscored that entry level and young blood employees want to reach on higher pay packages as soon as possible to fulfill their need and avail good facilities of life. If they continue with the same job, they can get a 10-20 percent salary hike, but if they switch jobs, they can easily get somewhere around a 25-40 percent salary hike from current CTC.

According to Hillmer, (2004) higher attrition rate causes panic among employers and the direct impact of a higher attrition rate comes in hiring costs which impacts organizations as they will have to work harder to retain their employees. Losing employees reduces effectiveness and increases expenses as intellectual capital is lost and new individuals have to be trained to take over the positions. It is just as important to factor in the real costs related to time and productivity loss. These costs include: costs due to the employee leaving, recruitment costs, training costs, lost productivity costs, lost sales costs and new hire costs. Calculations of such numbers can easily reach 150% of the person's salary. If the calculations are for a managerial/sales position then it can reach to 200-250% (Bliss, 2001). An in-depth mathematical model used to determine the costs of attrition took an employee who makes about $60,000 annually and figured that the costs would exceed $100,000 (Tziner and Birati, 1996).

The ‘Digital India’ programme is an innovative programme and augurs well for the future. With the role of HR-managers and leaders being an active part of each of key ministries, it will help in streamlining procedures and day to day activities on the digital front. This will not only help in smooth functioning of the administration, but will also help in creating a data bank of information that will help in more ways than one. The role of DEITY (The department of electronics and information technology) and DIAG (Digital India Advisory Group) would greatly be benefited by the state and central government alike. The ‘Digital India’ programme will not only turn the page to the other side but will open a new avenue of opportunities for technology developers and software engineers. For any developing country, growth depends on innovation and technological advancement. Such programs will help in strengthening India's core and lay a strong foundation for it to be digitally at par with other developed countries (http://www.itsmyascent.com/hr-zone/Ready-to-go-digital/152745).
Sukhpreet Kalra, associate director, recruitment, Accenture agrees that the continuing surge in number of engineering colleges and volume of engineers India has been producing has ensured the country as a whole is prepared for this boom in terms of numbers. He further emphasized that India has best MAP (Mobile, Aadhar and People) in place which will help it take in such a boom by complementing each other passing through e-governance. It also increases mobile penetration; integrate Aadhar with various socio-economic programmes and create infrastructure to impart a skill-based curriculum (http://www.itsmyascent.com/hr-zone/The-IT-boom-returns/153179).

Ramesh Shankar, executive VP – HR, Siemens Ltd articulated that there was a time when we were ‘data-rich but information-poor’. Like the Make in India campaign, Digital India offers a gentle push to an industry fraught with unexplored possibilities as companies across the globe are increasingly using advanced analytics to optimise output and reduce costs. He further explicates that the steady acceleration of the Digital India programme, companies will have no choice but to align them to stay on course without contingent risks of cyber security and privacy. This initiative galvanises diverse multifunctional departments together and will become a crucial link to its success between the government and the corporate themselves.

Jitendra Chaddah, director, operations and strategic relations, Intel India reveals that Indian IT industry has a large base of over 3.5 million professionals, who are primarily catering to the global markets and need more such professionals with new and relevant skill sets to serve the technology needs of the country. He further envisaged that the skills that will be in demand are in the areas like sensor technology, virtualisation, cyber security and authentication, analytics and data management, mobile application development and cloud computing. He further advised that to ensure availability of these skills, the collaboration between the government, industry and academia will becomes very important for example to develop a curriculum that supports the industry requirements of today and tomorrow.

LNV Samy – VP (engineering, technology products), Unisys articulates that the Digital India initiative will create a spike in the demand for SMAC (Social, Mobile, Analytics and Cloud) specialists. According to him, India is emerging as a global analytics hub, with all major IT players as well as start-ups developing comprehensive and niche analytics solutions. He added that, given that one of the key objectives of this initiative is to provide transparent and efficient governance by digitising citizens’ services, huge
amounts of data will be generated that will need to be stored, mined, and analysed leading to significant demand for qualified *Big Data* analysts.

Anupam Jauhari, VP and global head, HR, *Infogain* feels that skill development is of paramount importance for developing an able digital workforce and addressing the requirements for particular roles within ITES will forward the industry to touch greater heights (http://www.itsmyascent.com/hr-zone/The-IT-boom-returns/153179).

TK Srirang, head– HR, ICICI Bank, expresses that digitalisation and automation of machines like ‘robots’ have gradually been replacing human effort for repetitive tasks. He further predicted that automation will certainly impact the service sector as a lot of jobs are repetitive and transactional and a lot of employment will migrate to knowledge-based jobs and we need to be ready for the shift. The need for specialisation gives rise to hyper-specialisation. According to him the challenge for organizations is to skill and re-skill their workforce ahead of time and in a manner that can give them a strategic advantage. In future, organizations will have core teams but a lot of work will happen through networks of professionals who are all experts in some areas. He further elucidated that nowadays technology allows people to connect with any employee, anywhere through a virtualized world. In addition, the ability to track performance and measure it by data is far superior now. But we need to balance things by using data to drive better performance in the area of analytics. He further explained that most organizations have become centralised. But we will soon see decentralisation – different strategies for different locations and units; and micro-market strategies, which are relevant to different consumer segments. We need to synthesise analytics to suit micro-market consumers. He exemplified three industries for instance: a) *Education*: Here teachers will get replaced with e-education. Education should and will get democratised. One of the biggest challenges today is teacher absenteeism. Technology allows you to develop the best quality content and source the best teachers. We just need one person to hold the basic structure together rather than teachers for every subject; b) *Medicine*: Here technology will give us access to the best doctors. Rural postings can be done away with in future as anyone will be able to contact any doctor anywhere. Agencies are already charting a roadmap to do this; c) *Banking, Financial services and Insurance (BFSI)*: Here technology has given us documentation and e-records. Too much time is spent on data retrieval at government offices, which needs to get digitalized. Digitalisation will make payments cashless (http://www.itsmyascent.com/hr-zone/The-digital-revolution/152779).
According to Passaris (2006), leaders are defining the new rules of engagement of their human resource on the economic landscape as they come to grips with contemporary challenges and new opportunities. Leaders thus, need to articulate a pragmatic vision, exercise effective leadership, manage human resources effectively and develop a competent business strategy. They should create synergies that will allow them to integrate the interactive ingredients of new economy in order to enhance their competitive advantage. Their business strategy should embrace flexibility, a quick response time and a proactive approach to economic opportunities.

From staffing perspective, the government will now have to recruit CIO’s who will be able to carry forward the transition of data and take it to digital level. One of the main concerns that we see is of security, here CIOs have to be vigilant and strategic on implementing a security plan that is concrete for the government to adhere and follow. Another important role that the CIO will have to play would be that of an advisor, i.e., to advise ministries on planning and taking this program to grass root level so that the vision of digital India can be fulfilled. Looking at current job market, we see that the role of CIO’s have evolved, they are no longer seen as technology leaders but as key contributors to the company’s overall performance. Hence, CIOs will have to well-versed with all aspects of technology and governance.

The evolution of human resources from administration to industrial relations to personnel management is an oft-repeated story, as is the positioning of the HR function in organizations in India. It is probably a function that has evolved the most in the recent past and continues to do so at a scorching pace. With the shift in global economics and boundaries between countries in terms of trade and commerce becoming increasingly blurred, especially with the advent of e-commerce, India is increasingly being looked at as the next global talent hub. Managers in multinationals based in India are now increasingly being picked to be sent to manage global operations. Human resources have thus emerged as one of the most important assets in an organization and a tool for gaining competitive advantage. Different sectors in the Indian business landscape have different approaches to this notion but the underlying principal has remained the same: the right people with the right attitude will lead the business in the right direction at the right pace. Basically, the philosophy should be to hire the right people and leave them alone to do what they do best (http://www.itsmyascent.com/hr-zone/The-HR-story/152781).
By way of an example, aviation industry seeks to pick up people with inherent capabilities of managing diversities - cultural, professional, demographic or gender-based. Another such example of human resources aligning itself to corporate strategy is the hospitality industry, which apart from having similar needs as aviation, seeks to build an employee base, which primarily likes dealing with people, is tolerant, patient and always thinking of improving the experience for the customer. It is common knowledge that the most desirable quality for a sales-based workforce is the drive and passion to achieve and exceed given targets through a display of genuine passion for the firm and products or services rendered (https://www.itsmyascent.com/hr-zone/The-HR-story/152781).

HR has come a long way from a mere recruitment and administration function to a strategic and core function, which leads new-age initiatives across talent management, employee engagement, culture, productivity and development. Today, most large and small business groups have talent management programmes that create a talent pipeline and groom potential leaders right from the very beginning; the core purpose being to enable them to become effective leaders for the firms, while at the same time successfully imbibing the ethos, values and culture of the organization. Focus on talent, engagement, culture, communication and productivity is now the norm for transforming the organization into one that seeks to remain relevant in a fast-changing world. Unique, flexible working schedules, employee social engagement programmes, opportunities for personal and academic development, value awards, culture champions and other such recognitions are being given to those who’ve aligned themselves better to the company’s mission (http://www.itsmyascent.com/hr-zone/The-HR-story/152781).

The famed pyramidal structure of an organization is now evolving into a diamond, with a bulge in middle management talent, only because of encouragement that is being actively given to employees who wish to grow. The Indian firm, today, has to deal with a pleasant problem of having to choose from a large pool of talent. Thus for an organization, it has become imperative to grow and evolve, for only if it grows, will there be ample opportunities for its talent pool to grow – else the talent pool is bound to migrate to greener pastures. Clearly, human resources is evolving into a function that needs to be flexible and adaptable to deal with fuzz notions (culture/engagement) and hard facts (productivity/leadership) and thus needs to be very intuitive with respect to an organization’s requirement for growth and progress. A combination of upholding the organization’s values in its employees and in turn providing the employees a platform to
deliver results is truly at the core of human resources practices (http://www.itsmyascent.com/hr-zone/The-HR-story/152781).

With expanding reach and effect of globalization and technology, organizations have adopted technology in various functions and departments in the recent past. A significant amount of reports and facts has revealed that the use of technology has had a great impact on functioning of various departments. Jumping on the same bandwagon is the HR function that has recently adopted technology in a huge way. And the benefits and results are there for all to see. Validating the same, according to a NASSCOM report, the usage of technology by HR is playing a key role in improving employee satisfaction levels (NASSCOM Strategic Review, 2012).

Amit Kumar, head- HR, Convergys India explains that HR service automation is one in which organizations use tools or technology to automate and thereby make HR services achieve faster, more efficient, effective, accurate results and delivery – both to the end-users (as in the case of employees) as well as those who use the information to gather and report data from said services for decision-making.

Mukesh Kumar, executive director, HDFC ERGO General Insurance Company Ltd believes and has witnessed, that a technologically-linked HR function is in sync with, and is directly proportional to employee satisfaction. He further professes that all major HR functions from day-to-day HR operations to talent acquisition, development, engagement, performance management and succession planning can be immediately automated for efficiency and ease. He further emphasized the link between the usage of technology by HR and employee satisfaction. At the click of a button, employees can access/update personal details, health card, salary statements, leave balances, apply for leaves, do their tax planning, give approvals on mobile platforms and many more for which they would have otherwise been dependent on human intervention. The faster the turn-around time, the more satisfied the employee. Employees like real stakeholders, can contribute to talent acquisition by referring their friends for an appropriate opening in organization. As per the NASSCOM report, the positive impacts of employee satisfaction include improved clarity and transparency of HR policies, a better two-way communication and an improved perception of HR (NASSCOM, 2012).

Kishore Sambasivam, director, Total Rewards, SAP Labs India, says that technology can drive employee satisfaction as it helps to drive efficiencies, transparency, consistency and effectiveness of various HR programmes. He shares that technology
reduces cycle time and helps in time management as most systems are available 24x7 and hence providing much needed flexibility to employee managers. It also contributes to faster roll-out of HR programmes, benefits administration, provides choice and add-on options. He adds that, there would be a positive impact on employee satisfaction on account of automation of HR processes.

Sambasivam anticipates HR analytics to be a huge focus area for companies as they scramble for talent and work towards building efficiencies, employee engagement and retention. Analytics can be used to hire the right talent, forecast future requirements, determine employee morale and motivation, anticipate retention risks and drive a more aggressive use of competencies for hiring, skill-development, performance management and succession planning. Workforce planning, curbing attrition, leadership development and e-learning are other under-explored areas where automation can enable better channelizing of energies and investment. As the role of HR continues to evolve from being transactional to strategic, HR professionals will be the key to solving challenges such as increasing retention/reducing attrition, quality talent hiring and talent development (http://www.itsmyascent.com/hr-zone/HR-weds-technology/152773).

The mechanism of internal communication of an organization is a vital component of its everyday functioning. A smooth system for internal communication not only keeps employees engaged and abreast of the latest developments in the company, but also enables them to work in sync with each other across different departments. In this sphere, social media and IT have truly revolutionised the present systems used by organizations. They provide innovative and cost-effective solutions for internal communication while being highly efficient and productive (http://www.itsmyascent.com/hr-zone/The-IT-factor/116857).

Zarir Batliwala, HR head, TeamLease IJT, tells that in today's high-context work environment, role of effective internal communications takes on great significance. Happy employees reduce attrition and also make for a happy organization. Internal communication helps to build a positive corporate culture, which enhance employee morale and productivity (http://www.itsmyascent.com/hr-zone/The-IT-factor/116857).

Shourya Chakravarty, Senior VP and Head, HR, Aptech Ltd, elaborates that today's employee communication mechanisms have to be in the digitised format where today's generation spends most of their time daily. Employees across age-groups prefer the digitised space more as compared to the printed space. The role of IT is critical here
as it has to build effective and interactive tools, which can further the purpose of employee alignment with the organization. He further explained that there must be an online grievance redressal mechanism; so that employees can feel that their issues are heard. Webcasts are another way for the organizational leadership to stay in touch with employees and connect with geographically-spread employees (http://www.itsmyascent.com/hr-zone/The-IT-factor/116857).

Keyuri Singh, Vice President, HR, Blue Star Infotech, explains that they have tools such as: a) Ozone: a community-driven corporate intranet that connects all the employees together and hosts discussion forums and blogs on various subjects of interest, b) Yammer: a social network service that allows the management and employees to tweet within the organization to post information and updates, c) Open Minds: an online ideation platform for employees to post queries and ideas, which are discussed by all employees for new business ideas or innovation, d) Video conferencing, Microsoft Communicator and Skype: are tools to communicate even when remotely located and e) Facebook presence: to connect friends (ex-employees, employees and other interested parties) together and share updates and get a feedback (http://www.itsmyascent.com/hr-zone/The-IT-factor/116857).

The dynamic nature of HRM in ITES sector has inspired many researchers to study various issues related to high employee attrition. Anand et al., (2012) revealed that employee attrition reveals a company's internal power and weaknesses. Vijay and Sekar (2013) highlighted the need of the research studies focusing on capturing the perception of employees’ knowledge about computer workstation arrangements and optimal posture while working on computer. Mohamed et al., (2012) observed from an organizational perspective that, higher the intra-organizational trust, more satisfied and productive the employees tend to be. New employee need to be constantly added, after proper training and getting them aligned to the company environment. Gupta (2010) identified attrition as a burning problem for ITES industry, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources. Mike (2009) observed that attrition drive up training costs, and increase human resources, recruiting, and productivity costs to ITES companies. Khanna, (2009) and Agarwal, (2009) analyzed that the predominant challenge in the ITES industry is lack of discipline. According to them, employees belong to a generation that does not like rules – they have had multiple choices, and the minute one hurt the dignity and self-
respect of the people of this generation, they are bound to leave, which is probably the reason, the attrition rate is so high.

Chandrasekar (2011) considered human resource as the most valuable asset in an IT organization in India which is progressing with an unparalleled velocity. He agonized that despite the momentous growth and brilliant future, the ITES industry has experienced high attrition rates since inception. In this study, he further made a comprehensive attempt to explore the dimensions of attrition by identifying and assessing the contribution of the factors toward attrition, and comparing the dimensions across the various demographic variables.

While reviewing the literature available on attrition and employee retention in IT industry, it has been observed that most researches in HRM have addressed only specific problems related to its environmental analysis like challenges, growth and opportunities, the problem of attrition, the HRM systems, and issues of job stress, job satisfaction, individual performance etc. Researches done in area of employee motivation, performance management and employee satisfaction have been done in areas like education (Sharma and Jyoti 2008, Smerek and Peterson 2006), pharma industry (Unnikrishnan, 2008) consumer durable industry (Bhattacharya, 2007), petro-chemical industry (Wright et al., 1999), etc but IT sector has not been explored to a great extent.

Literature review has also shown how various researchers have identified reasons behind the escalating problem of attrition and how many of them have even suggested recommendations to control it (Misra 2007, Prakash and Chowdhary 2004, Joshi, 2004). Some researchers have also worked on various domains like the HRM systems and practices (Budhwar et al., 2006), job satisfaction (Sharma 2006, E-sat survey, 2005), and burnout syndrome (Kanwar et al., 2009). However, no systematic and comprehensive work has been found that collaborates all facets viz., retention, employee motivation, new industrial approach, leadership, talent management etc to combat the most burning issue of present times i.e., attrition in IT industry. But the vast majority lacks the strategy, culture, and solutions to do so due to lack of conflict management approaches. In order to understand both the concepts of attrition and HRM, we need to study the literature in the light of both. Therefore, this research is designed to study the nature, state and factors affecting high employee attrition in Indian IT companies. The study also focuses on the role of conflict management and suggesting remedial measures to address the high attrition problem.