CHAPTER I

INTRODUCTION

This chapter presents an Introduction to the study, Identification and formulation of Problem, This section focuses on Need for the study, Objectives of the study, Significance of the study, Assumptions of the study, Area of the study. This chapter also covers industry profile and company profile along with theoretical concepts of the study.

INTRODUCTION TO THE STUDY

Talent refers to ability and aptitude of an individual and to a recurring pattern of thought, feeling or behaviour that can be productively applied. In simple words, talent means one who make differences in the organization through their contribution. In order to retain the talents the talent has to be managed through talent management practices. The term talent management is coined by David Watkins and Introduced by McKinsey Consultants in 1990. It is used to describe the integrated human resource practice with the aim of attracting, developing and maintaining the right individual, for the right position and at the right time. The modern talent management gained its root from origin of 1990s, the multi-national corporate world, recognised the need of talented people and controlling turnover by retaining potential sources. This was the beginning; the companies realize the immense value of the human asset for the success of the organization. The greatest challenge that organization faces is ‘revolving door’. This shows that talent management should be the top most priority of the organization.

The real challenge lies after recruitment of resources that is criticality not lies in recruiting but in retaining them to serve for the recruited organisation. It is the organization which faces this criticality of retaining the workforce reaps the success in the long run. The Indian IT industry is facing a tremendous challenge in retaining employees. A research by Villanova School of Business examined the talent management practices of 28 companies operating in India. Researchers surveyed 4,811 employees of these companies, employees about their attitudes toward their employers, including their intentions to stay. The annual turnover rates that young professionals are averaging at 15% to 30% and it reaches higher up to 50%. The Indian Information technology industry is not
far behind. In the light of the acute attrition rate in Indian Information technology sector, there is a high talent crunch. All this makes talent as the bottom-line that the future belongs to companies that can incorporate and practice talent management as omnipresent practice.

A survey conducted by Middle East Manpower, reveals the factors influencing retention, career growth, advancement, superior working environment and balance of personal and professional life, helps organisations to maintain their pool of talent. Other factors like job content review, style of management and supervision, development and career counselling, work commitment, flexible working hours, shorter work weeks, employee involvement and recognition of employees, impacts employee retention rates. Concentrating in such matters enhances organisational commitment. Recent studies of HRM practices explain that low turnover rates are associated with the employer’s practices that include employee participation and effective development. High turnover can result in the high turnover cost, basic survival becomes issue, productivity and quality issue, loss of expertise, loss of goodwill and damage to brand image, affect morale of remaining employees, patronage and relationships and can even handicap the achievement of goals and objectives of the organisation. The factors stated by Walker (2001) to improve employee retention are: appreciated workforce, providing challenging work, Opportunity to learn and promote, appealing organisational atmosphere, healthy balance between personal and professional life.

There cannot be any organization below the sky that can rest in peace under the granted assumption after the recruitment process stating that its roll is over. Information technology industry does not have any exception in post recruitment process. The effect of losing IT employees has significantly impacted from the two dimensions; tangible and intangible. The tangible dimension includes the expenses of recruiting, selecting, training and development of new staff, whereas the intangible perspective includes the loss of employee morale, motivation and job satisfaction. It is noted that the total costs of replacing an employee amount to 150% to 175% of the salary costs of IT employee. The intangible loss of knowledge, experience and know-how of companies is more significant than the tangible costs of replacing staff. Therefore, IT companies must understand the serious impacts of the loss of employees and find a way to retain them.
Like many organisations worldwide, retention problems are acute in the Indian Information Technology Industry. Attrition in Indian labour market is high, which is around 20% and in IT industry it is very high. Mercer’s survey stated that almost 54% of Indian workers seriously consider leaving their job, this is not because they are unhappy because the results of the survey stated that 76% of Indians are satisfied with their jobs and 75% are happy with their organizations. Attrition can be defined as “reduction in the number of employees through retirement resignation or death”. In simple words, it is the rate of shrinkage in size or number. Adil Malia, President HR, Essar Group, states that GDP of India declined by 5% due to attrition. In IT industry the attrition rate is very high when compare to the other sectors. According to survey conducted by My hiring Club attrition rate in IT industry is 23%, being the highest when compare to 18%, 12% and 11% in banking and financial services, health care and automobile industry respectively. Attrition rate in selected companies hits maximum of 15.9%, 22% and 18.9% for TCS, Wipro and Infosys respectively in last ten years.

The Indian Information Technology industry has played a key role in putting India on the global map. To increase the Indian economy the industry positively influences the lives of its people through an active direct and indirect contribution to various socio economic parameters such as employment, standard of living and diversity. The contribution of the IT sector to India’s GDP is 7.7 percent in 2016. According to NASSCOM, IT sector aggregated revenues of USD 147 billion in 2015, where export revenue stood at USD 99 billion and domestic at USD 48 billion, growing by over 13%. Information technology is playing an important role in India today and has transformed India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs. Estimated Indian IT market revenue in billion USD for 2020 and 2025 is 115 and 190. IT companies currently serve two thirds of the fortune 500 companies and have created forty lakhs direct jobs in India. NASSCOM has confirmed that 2.5-3 million new jobs will be created by 2025. In FY 2017, the IT Industry has provided 1, 70,000 new jobs and contradicted the report of large scale lay off. IT Industry has added approximately 6, 00,000 jobs in last three years which boosts the total employee strength to 3.9 million. IT/ITES industry provides 1.3 crores indirect jobs. NASSCOM report in 2016 states that Indian Technology start-up firms employed approximately 1, 00,000 professionals across
4,750 companies. State owned Software Technology Parks of India (STPI) has generated almost 50% of the employment in Indian IT/ITES Industry. The growth of IT industry in Tamil Nadu has been phenomenon since 1993. The exports of software have increased from 2 crores in 1993-94 to 28,000 crores in 2007-2008 and 82445 crores in 2013. The service sector has been contributing to more than 60% of state GSDP. The number of registered software units has increased from 1114 to 1780 in 2012-13. The total cumulative FDI inflow for 2000-2014 period has been 16 billion USD. Bajpai and Rajdou, (1999), concluded that Chennai as fast emerging, prominent development centre for multimedia software applications. International major software players like Alcatel, EDS and IBM have offices in Chennai and domestic software giants like TCS, Infosys and Wipro operate large development in Chennai. Chennai city is now the second largest exporter of IT and ITeS services in the country after Bengaluru. Tidel Park, Siruseri IT SEZ, Mahindra City contributes majorly to IT industry in Chennai. All the above facts and figures demonstrates the vitality of IT industry in an economy.

IDENTIFICATION AND FORMULATION OF PROBLEM

Due to the impact of LPG, vast amount of FDI penetrated into the country. This economic development led to higher movement of work force from one organization to another organization. As per a survey conducted by global human resource and management consultancy major Hay Group, One in four employees in the organised sector in India is set to switch jobs. The IT companies have highest attrition rate globally. Thus, it is inferred that there is a gap between strategies to retain IT professionals. In order to retain their top position, the companies have to analyse the effectiveness of strategies adopted for attracting, developing and retaining the talented employees. This can be done through analysing the impact of talent management practices on employee retention. Thus the need arises to study the effectiveness of retention practices in top IT companies. Cindy Wang – Cowham (2011), stated that both qualitative and quantitative research has to be carried out to understand how developing talents operates in the organization. Mahan Poorhosseinzadeh and Indra Devi (2012), TM practised more in IT companies than others and there are more independent variables that have significant impact on talent management. Opas Piansoongnern (2013) recommended quantitative research with factors influencing talent management and author recommends talent management analysis in
Viola and Wario (2013), at the end they stated that the factors can be broaden the scope of the factors that influences talent management in organization. Kavita Rani (2014) theoretically attempts to describe various factors influencing talent management. The previous studies focused on identifying the impact of talent management practices, this study investigates wider range of variables.

NEED FOR THE STUDY

The growth of Indian IT Industry is gigantic in the last decade and which creates heavy demand for IT professionals. It is apparent that a large organization is continually rivalling for each other globally; in order to retain employees at all levels of the organization. The personnel recruited are provided with high salary, still recruitment and attrition is a never ending process. So companies have to make continuous effort to retain employees through various human resource practices. In the current globalised environment the relationship has been considerably changed. Now employees are not interested in long term bonding with the organization on other side company has necessity to remove employees when there is a misfit between employee and job. It has been observed that attrition in IT industry is comparatively more than any other sector. Various cost associated with attrition are money spent to train employees. Attrition has ripple effects that departure of top performing employees had effect on clients, which is an unhealthy sign. There is a steep rise in attrition rate in last decade which raised a significant question and catching the minds of researcher to study the strategy to curtail high attrition rate. The top companies like TCS, Infosys and Wipro are not immune to the drive of labour mobilisation across the globe. Thus the need arises to study the effectiveness of retention practices in top IT companies.

OBJECTIVES OF THE STUDY

The research study has been undertaken with well-set objectives to understand the variables involved in retention and to fill the gap in retention strategies adopted in Information technology Industry. The main objectives of the research study are as follows:

1. To identify the influence of talent management practices on organizational commitment.

2. To assess the influence of talent management practices on employee retention.
3. To evaluate the impact of Organizational Commitment on Employee Retention.

4. To measure the mediating role of organizational commitment on talent management practices and employee retention.

5. To identify the good fit of overall model for employee retention.

6. To provide suitable recommendations to the IT industry based on the findings of the study.

**SIGNIFICANCE OF THE STUDY**

The outcome of this study will improve the understanding of the importance of talent management strategies. It aims at measuring the influence of considered talent management practices on employee retention. The successful formulation and implementation of talent management practices and employee retention helps the organization to attain a competitive advantage in the global market. The study aims at exploring the factors in talent management and its impact on retention of talent in IT employees. The study is divided into three dimensions of talent management. They are acquisition of talents, development talents and sustainability of talents. The acquisition of talents includes employer branding, workforce planning, employee value proposition and virtual workplace. The development of talents includes job enrichment, employee empowerment, employee engagement, career opportunities, training and development, knowledge sharing, learning organization and succession planning. Sustainability of talents includes superior support, motivation, work life balance, mentoring and coaching, competency mapping, and performance management and leadership capability.

It establishes the extent to which the employees of IT companies consent the Talent Management Practices can support retention of talented employees. Effective talent management practices will not only increase employee retention, but also enhances organizational commitment of an employee. The committed employee will be more innovative and contribute effectively and efficiently to the organization.

It aims at making recommendations on talent retention strategies for increasing the effectiveness and to promote talent management strategies to retain specialised employees. It throws to the light on criticalities of talent management practices and the outcome will
guide the organization and human resource department in information technology industry and to some extent to other sectors.

The study thus can be used for proactive decision making on talent management practices and retention of employees in Information Technology industry. The study gives recommendations to other IT companies to deal with the problem of employee turnover.

ASSUMPTIONS OF THE STUDY

- It is assumed that the present research is consistent with recent trends in talent management practices applied for retaining employees in Information Technology Industry
- Talent management practices have become highly integrated and it has spread to all levels of the organization
- The grouping of variables are based on expert opinion that is valid
- The research objectives mentioned in the study can be meaningfully examined using statistical analysis
- The number of the sample population was willing to participate in the research study
- The survey instrument schedule is a meaningful method for gathering the range of data required to substantiate the hypothesis.

AREA OF THE STUDY

The study is carried out in one of the metropolitan city of India, The Chennai. To administer the study the companies are selected through NASSCOM ranking. The IT professionals who have a minimum a year experience in Tata Consultancy Services, Infosys Limited (formerly known as Infosys Technologies Limited) and WIPRO Limited are considered for the study.

INDUSTRY AND COMPANY OVERVIEW

INFORMATION TECHNOLOGY INDUSTRY

Information Technology is the area of managing technology that includes computer software, information systems, computer hardware, programming languages. In short,
anything that renders data, information or perceived knowledge in any visual format through any multimedia distribution mechanism is considered part of the IT domain. Duties of IT professionals are data management, networking, engineering computer hardware, database and software design. Information technology is not only limited to conventional personal computer and network technologies, but integration of other technologies such as the use of cell phone, televisions, automobiles and more. This results in increasing the demand of such jobs.

The perspectives of IT impacts on people, organization and society cannot be ignored. Individual, Organization and Society has to accept technology and embrace it. The fourth Industrial revolution brings together digital, biological and physical technologies.

Table 1.1: Revenue generated by Global IT companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (in Billion Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2006</td>
<td>814</td>
</tr>
<tr>
<td>2006-2007</td>
<td>862</td>
</tr>
<tr>
<td>2007-2008</td>
<td>918</td>
</tr>
<tr>
<td>2008-2009</td>
<td>969</td>
</tr>
<tr>
<td>2009-2010</td>
<td>971</td>
</tr>
<tr>
<td>2010-2011</td>
<td>1045</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1093</td>
</tr>
<tr>
<td>2012-2013</td>
<td>1135</td>
</tr>
<tr>
<td>2013-2014</td>
<td>1187</td>
</tr>
<tr>
<td>2014-2015</td>
<td>1251</td>
</tr>
<tr>
<td>2015-2016</td>
<td>1302</td>
</tr>
<tr>
<td>2016-2017</td>
<td>1357</td>
</tr>
</tbody>
</table>

INFORMATION TECHNOLOGY INDUSTRY IN INDIA

India’s IT services industry was originated in Bombay in 1967 with the establishment of Tata Group. The first software export zone, SEEPZ, was established in Bombay in 1973. Indian Information Technology Industry is one of the fastest growing industries. Despite prevailing challenges, India is a prospective hub and emerging economy fuelled by techno-savvy manpower and a world-class Information Technology Industry.

The evolution of India’s IT sector is attributed by following, in early 90s, US based companies began to outsource work on low-cost and skilled talent pool in India, From 1995-2000, IT industry started to mature, there is an increase investment in research and development from the year of 2000-2005. The number of firms in India grew in size and started offering complex services such as product management and go to market strategies and western firms set up number of captives in India, from 2005-2016.

Government policy towards Information Technology sector changed when Rajiv Gandhi became Prime Minister in 1984. His New Computer Policy (NCP-1984) consisted of a package of reduced import tariffs on hardware and software (reduced to 60%), recognition of software exports as a "delicensed industry", i.e., henceforth eligible for bank finance. This laid the foundation for the development of a world-class IT industry in India. Today, Indian IT companies such as Tata Consultancy Services (TCS), Wipro, Infosys, etc. are known in the global market for their IT expertise. Some of the major factors which played a key role in India’s emergence in Information Technology Industry are: India’s investment policies are friendly, forward thinking made India as attracting destination for foreign investors and companies. The Indian education system places strong emphasis on mathematics and science, mastery over quantitative concepts coupled with English proficiency has resulted in a skill set that has enabled India to reap the benefits global IT market. Indian programmers are known for their strong technical and analytical skills and their willingness to accommodate clients through their strong language proficiency. The cost of software development and other services in India is very competitive as compared to the westernised nations. India’s cultural diversity made Indians to be open to new ideas and opportunities. Proportion of young population and their dedication is the key factor above all the factors mentioned.
In the last few years Indian IT industry has seen tremendous growth. Several IT parks have come up at Bangalore, Hyderabad, Chennai, Pune, Gurgaon and they have become IT hubs which are part with Silicon Valley Infrastructure.

The various initiatives by government of India to promote Information technology industry are establishments of Software Technology Parks of India, Special Economic Zones, National Task Force on IT and Software Development, National e-Governance plan and National Cyber Security Policy 2013, constitution of the Technical Advisory Group for Unique Projects, Enactment of Information Technology Act and formulating Information Technology Investment Region.

According to data released by the Department of Industrial Policy and Promotion (DIPP), the computer software and hardware sector attracted FDI of 10.01 billion USD for the period of 2000-2014. Tata Communications plans to invest more than 200 million USD to extend its data centre capacity in India to 1,00,000 square feet. WIPRO has successfully bagged 1.2 billion USD outsourcing from ATCO.

The Indian Information Technology sector continues to be one of the sunshine sectors of the Indian economy showing rapid growth and promise. According to report prepared by McKinsey for NASSCOM called Perspective 2020: Transform Business, Transform India, the export component of the Indian industry is expected to reach USD 175 billion revenue by 2020. Together the export and domestic markets are likely to bring in USD 225 billion in revenue as new opportunity emerge in areas such as public sector and healthcare and as geographies including Brazil, Russia, China and Japan opt for greater outsourcing.

**Government Initiatives**

India has been ranked the third-best country in Asia, with excellent investment potential. The Government of India played a key role in encouraging the gigantic growth of IT Industry. The Central government and State government are expected to spend 6.4 billion USD together on IT products.

Some of the major initiatives taken by the Government of India to promote IT and ITeS sector are: The Indian Government has implemented the “National IT Task Force” 108 Action plan to promote the growth of IT in India, Government has insisted Ministry
of Information Technology to quickly approve and implement IT projects, In May 2000, the Indian Parliament an Information Technology Bill, known as Information Technology Act 2000. India is now one among the few countries to have law for cybercrimes, The Government of Bihar has unveiled 20 km free Wi-Fi zone in Patna, the longest across the planet. Other miscellaneous reasons are Rapid growth in urban infrastructure, Cost saving about to 60-70% of source countries, Tax holidays extended to IT sector and Income tax deduction on royalty fee on tech services to 10%.

Employment prospects in Indian Information Technology Sector

In addition to contributing to country’s economy, this sector is positively influencing the lives of its people through direct and indirect contribution to the various socio-economic parameters, mainly employment. In simple words, IT sector transformed India from land of agriculture to hub of knowledge based services.

It is strongly believed that the employment and prospects in IT sector is strong, healthy and promising. The following table presents the direct IT professionals employed in India from 2009-2017.

Table 1.2: Direct IT professionals Engaged in India (in lakhs)

<table>
<thead>
<tr>
<th>Year/Segment</th>
<th>IT Services and Exports</th>
<th>BPO Exports</th>
<th>Domestic Market</th>
<th>Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>1.0</td>
<td>0.77</td>
<td>0.53</td>
<td>2.30</td>
</tr>
<tr>
<td>2010-2011</td>
<td>1.15</td>
<td>0.83</td>
<td>0.56</td>
<td>2.54</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1.29</td>
<td>0.88</td>
<td>0.60</td>
<td>2.77</td>
</tr>
<tr>
<td>2012-2013</td>
<td>1.4</td>
<td>0.92</td>
<td>0.64</td>
<td>2.96</td>
</tr>
<tr>
<td>2013-2014</td>
<td>1.5</td>
<td>0.95</td>
<td>0.68</td>
<td>3.13</td>
</tr>
<tr>
<td>2014-2015</td>
<td>1.6</td>
<td>1.03</td>
<td>0.74</td>
<td>3.50</td>
</tr>
<tr>
<td>2015-2016</td>
<td>1.84</td>
<td>1.08</td>
<td>0.75</td>
<td>3.69</td>
</tr>
<tr>
<td>2016-2017</td>
<td>1.92</td>
<td>1.15</td>
<td>0.79</td>
<td>3.86</td>
</tr>
</tbody>
</table>

Source: NASSCOM Strategic Review
Information Technology Industry in Tamil Nadu

Tamil Nadu lies on the southern part of Indian peninsula. The education rate of TN is 80.33% and aggregate workforce is 2.78 crores. Infrastructure development of TN is rated as the best among three states in India. With its strong infrastructure and abundant literate and skilled manpower, TN becomes the highly preferred destination for investment.

The growth of IT industry in TN since 1993 has been phenomenal. The major IT giants in TN are TCS, Wipro, Infosys, HCL, Cognizant, Hexaware, Tech Mahindra, Syntel, IBM, Accenture, Honeywell Technology etc. The investment opportunities in TN are listed as follows, Cloud based services and solutions, Hardware manufacturing, Urban and rural planning using GIS and remote sensing, Knowledge process outsourcing, Data centres, E-governance initiatives and IT based education and training.

The government support includes, capital subsidy of 20% on capital investment, training subsidy of INR 1500 per month to per person, exemption from payment of cost of tender, special incentives for facilities in tier 2 and tier 3 locations. Relaxations of FSI up to 100%, exemption in stamp duty and registration fee, reduction in power tariff, administrative incentives, physical incentives, single window clearance mechanism, data security policy, augmenting civil infrastructure etc.

Information Technology Industry in Chennai City

This research is focus on IT Industry in Chennai City. It becomes necessary to trace the origin, factors contributed to growth and recent trends of IT industry in the Chennai, metropolitan city. Chennai city is the capital city of Tamil Nadu which is one of the leader cities in India. Chennai was rated as having the highest quality of life among Indian cities ahead of other four metros, Mumbai, New Delhi, Kolkata and Bengaluru. According to NASSCOM – A T Kearney Report 2008, the seven cities in India have identified as Leader cities in catering to the IT Industry. Thus Chennai becomes the leader city.

The advantage Chennai holds over the other cities has enabled it to attract the IT industry. A NASSCOM study in 1999 has rated Chennai as the best location for setting up software projects within India. Companies such as TCS, Infosys, Wipro, HCL, Satyam, Cognizant, Xansa, iNautix, Capgemini, Oracle Corporation, Hewlett Packard Enterprises,
Verizon, Tech Mahindra, Amazon, Ramco, Microsoft, Bosch, Patni, iGate, etc., have offices in Chennai. It is preferred destination for Knowledge Process Outsourcing (KPO). India’s largest IT Park is housed at Chennai, developed jointly by Ascendas India Ltd, a Singapore-based company engaged in providing business space solutions. The city’s industrial base favours the establishment of many major research and development centres. Chennai city is now the second largest exporter of IT and ITeS services in the country after Bengaluru. Tidel Park, Siruseri IT SEZ, Mahindra City contributes majorly to IT industry in Chennai.

**TATA CONSULTANCY SERVICES LIMITED**

Tata Consultancy Services Limited (TCS) is a Multinational Information Technology service, consulting and business solutions company Headquartered in Mumbai. It is subsidiary of Tata Group. TCS is one of the largest Indian companies. Now it is placed among the most valuable IT service brands worldwide. In 2015, TCS is ranked 64th overall in Forbes World’s Most Innovative Companies ranking, highest ranked IT services company and top Indian Company. TCS provides wide range of information technology related products and services including application development, business process outsourcing, capacity planning, enterprise software, hardware sizing, payment processing, software management and technology education services. In India TCS located in Ahmedabad, Bangalore, Baroda, Bhubaneswar, Chennai, Coimbatore, Delhi, Gandhinagar, Goa, Gurgaon, Guwahati, Hyderabad, Bhopal, Indore, Jamshedpur, Kochi, Kolkata, Lucknow, Mumbai, Nagpur, Noida, Nashik, Pune, Trivandrum and Patna. TCS is one of the largest private sector employees in India and the fourth-largest employer among listed Indian Companies after Indian Railways, Indian Railways, Indian Army and Indian Post. As of June 2017, TCS has over 3, 87,000+ employees. It is world’s third largest IT employer behind IBM and HP.

**INFOSYS LIMITED**

Infosys Limited (NASDAQ: INFY) started in 1981 by seven people with USD 250. Infosys limited (formerly Infosys Technologies Limited) is an Indian Multinational Corporation that provides business consulting, information technology and outsourcing services, Headquartered in Bengaluru. It is the third largest Indian IT services company by revenue in 2017. Market Capitalisation was 34.38 billion as on 12th January 2017. Earlier
it was registered as Infosys Consultants Private Limited and later renamed to Infosys Limited in June 2011. It provides software development, maintenance and independent validation services to companies in banking, finance, manufacturing and other domains. Infosys had a total of 2,00,364 at the end of March 2017.

WIPRO TECHNOLOGIES LIMITED

WIPRO Limited (Western India Palm Refined Oils Limited) is an Indian Information Technology Services corporation headquartered in Bangalore, India. The employee strength is approximately 1,70,000. Abid Ali Neemuchwala was appointed as CEO in early 2016. WIPRO established in 1945 by Mohamed Hasham Premji as Western India Products Limited, later abbreviated to Wipro. Wipro provides a range of IT services, software solutions and research and development services in the area of hardware and software design to companies worldwide. Wipro Global IT Business delivers winning business outcomes through its deep industry experience and a 360 degree view of “Business through Technology” helping clients creates successful and adaptive businesses.

RETENTION STRATEGIES IN CONSIDERED COMPANIES

TCS

Talent Management team know the skills and competencies of all their employees so that they can make more informed decisions in recruiting, deploying and retaining employees. To build a talent pool; TCS changed its hiring strategy and started focusing on JIT hiring or real time management, To maintain database, company developed Resume Information Extractor (RINX), It has started a program called Academic Interface Programme, includes various kinds of training programs like Learning and Development, Foreign Language Initiative, Initial Learning Program, Continuous Learning Program and Workplace Learning and Ignite, Compensation Management System at TCS is based on the economic value added EVA model, TCS conducts appraisal twice in a year, at the end of the project in case of employees hired for specific project, TCS now has an updated knowledge base of employee competencies, allowing managers to quickly and correctly identify candidates best suited for specific position, projects or tasks. TCS has a strategic unit called iON, it is a Human Capital Management Solution. It helps to identify, nurture and retain talent. iON HCM Solution is a complete Enterprise Resource Planning solution
that automates human resource management. It includes add on modules namely Professional Virtual Community (PVC) and Learning Management (LMS) which aid in employee collaboration, training and assessment. iON HCM solution covers Recruitment Management, Workforce Management, Performance Management, Learning Management, Exit management and Compliance Management.

**INFOSYS**

High performing companies like Infosys pays more attention to Talent Management. One such practice is Employee Engagement which is a part of the talent management process. The process includes following: Create a formal employment brand and communicate it to employees, Create a good brand image for company in external environment, Allow employees the opportunity to be heard informally via social media channels and formally via grievance redressing programs, Teach new managers and supervisors the fundamental concepts of talent management and provide meaningful and customizable career paths for employees that allow for a sense of purpose and direction in the organization and provide an element of challenge to employees.

Infosys recognizes the key role of its human assets in sustaining and increasing its competitors. Innovation is a constant process at Infosys, One of the initiatives is Infosys Leadership Institute (ILI) with vision of making leadership and managerial development integral to business.

**WIPRO**

Policies of Wipro provide guidance and encouragement to all employees at all levels. It is committed to training, retaining and developing the highest quality and most dedicated workforce. It strictly hires and promotes employees based on qualifications, performance and abilities. Wipro employees are at liberty to choose their flexibility plan, to help them plan their taxes through their salary stack. Wipro has specially designed policies for work life balance of employees, to have perfect balance of work and life, Wipro has initiated elements like paid holidays, maternity benefits with extended leave of absence and sabbaticals. Wipro has “Mitr”, it is a Wipro counselling initiative to help the employee to cope up with their personal and professional life. Wipro has programs like “Kids@”, “Eco Eye” and “Fit for Life”
Wipro always imbibing knowledge for employee’s growth. It provides state-of-the-art program in Leadership for its employees. This program aims at addressing the ever changing needs of its employees. Wipro has created an e-learning solution available to all its employees. It is a virtual campus with a “Training on Demand” facility, which enables the employees to learn on their own. Wipro launches the “Notch Up” programme. Under this program, the management help the employee to add their qualifications, in this regard it associate with BITS Pilani and ICFAI. At Wipro the management provides the best opportunity to build a flying career with “Wings Within” a transparent job posting system. It is a tool that gives flexibility to apply for the job of the employee’s choice and map their career.

Wipro follows 360 degree appraisal system provides feedback at all levels. Wipro Academy of Software Excellence (WASE), is aimed at preparing some of the best Bachelor of Science students for the applications programming environment. Wipro Infotech Master of Science (WIMS), another unique model of employment, aims at preparing fresh Bachelor in Computer Application and Bachelor of Science graduates for IT infrastructure Management services. Wipro aims not only at grooming employee’s talent but bring out the leader in the employees. It is done through Wipro’s Leadership Program prepares the employee to take the challenge for successfully heading large and strong teams. WIBGYOR- It is a competency framework, WIBGYOR stands for Wipro’s Career Bands Gives You Opportunity and Responsibilities defines the behavioural competencies that need to be demonstrated. These competencies are defined role wise. The most important retention strategies are Brand Name of the Company, Career development opportunities and Onsite Opportunities.

THEORETICAL OVERVIEW OF THE STUDY

HUMAN RESOURCE MANAGEMENT

The world’s first management book, titled ‘Arthashastra’, written three millennia before Christ, mentioned many aspects of human resource practices in ancient India. The field of human resources, evolved from the principles of scientific management. This was the response of industrialization, which requires a more organized way of welfare and vocational guidance. The industry needs to find people with the right attitude, which advocates career for employees. Traditional HRM is described as a process of attracting, recruiting, selecting,
training, assessment and compensation of employees and compliance to labour laws. In modern HRM extended its scope to succession planning, business continuity planning, workforce diversity, labour relations. The role of current HR department has shifted from protector to planner and change agent. As a response to changing workforce, the HR functions gained more impact on the well-being of the organization. The companies to be successful should give special attention to Recruitment and selection, Change management, Performance and behaviour management, Learning Management, etc. The other challenges in front of HR managers are Diversity in Workplace, Need for Talent Management strategies.

**ATTRITION**

As per a survey conducted by global human resource and management consultancy major Hay Group, One in four employees in the organised sector in India is set to switch jobs. This is the highest attrition rate globally. In this acute global competitive scenario, the HR’s greatest challenge is retaining employees. The attrition rate has always been a sensitive issue for all organizations. Calculating employee turnover rate is not that simple as it seems to be. Moreover calculating attrition rate is not only about devising a mathematical formula. It has to take into account the root of the problem by going back to the hiring stage. As a result of attrition company incurs both direct cost and indirect cost. Direct cost is actual money spent each time when an employer has to attract, select and induct a new comer for replacing an employee. Indirect cost is an incomplete or disturbed task, loss of quality. In IT industry the attrition rate is very high when compare to other sectors. The following is the attrition rate in India and Asia and Gulf Countries for various sectors for the year 2010 -2011

<table>
<thead>
<tr>
<th>S.No</th>
<th>Sector</th>
<th>Attrition rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>India</td>
</tr>
<tr>
<td>1</td>
<td>IT and ITES</td>
<td>23</td>
</tr>
<tr>
<td>2</td>
<td>Banking and Financial Services</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>Health Care</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>FMCG</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Automobile and Manufacturing</td>
<td>11</td>
</tr>
</tbody>
</table>

Footnote: Survey Conducted by My hiring Club
Table 1.4: Attrition rate for select IT companies in last six years

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>TCS</td>
<td>13.7</td>
<td>12.8</td>
<td>10.9</td>
<td>13.4</td>
<td>15.9</td>
<td>12.2</td>
</tr>
<tr>
<td>WIPRO</td>
<td>22.0</td>
<td>14.6</td>
<td>13.7</td>
<td>17.5</td>
<td>15.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Infosys</td>
<td>15.6</td>
<td>14.9</td>
<td>17.3</td>
<td>18.0</td>
<td>18.9</td>
<td>14.9</td>
</tr>
<tr>
<td>CTS</td>
<td>19.2</td>
<td>10.7</td>
<td>18.7</td>
<td>15.6</td>
<td>20.0</td>
<td>17.1</td>
</tr>
<tr>
<td>HCL</td>
<td>17.0</td>
<td>16.9</td>
<td>16.1</td>
<td>16.9</td>
<td>16.2</td>
<td>17.9</td>
</tr>
<tr>
<td>Tech Mahindra</td>
<td>15.6</td>
<td>19.0</td>
<td>19.0</td>
<td>18.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
</tbody>
</table>

Table 1.5: Company Wise Attrition Percentage for Past 10 Years for Selected Companies

<table>
<thead>
<tr>
<th>Year</th>
<th>TCS</th>
<th>INFOSYS</th>
<th>WIPRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>9.90</td>
<td>11.2</td>
<td>14.6</td>
</tr>
<tr>
<td>2006-07</td>
<td>11.3</td>
<td>13.7</td>
<td>17.4</td>
</tr>
<tr>
<td>2007-08</td>
<td>12.6</td>
<td>13.4</td>
<td>16.8</td>
</tr>
<tr>
<td>2008-09</td>
<td>11.4</td>
<td>11.1</td>
<td>13.2</td>
</tr>
<tr>
<td>2009-10</td>
<td>11.8</td>
<td>13.4</td>
<td>13.6</td>
</tr>
<tr>
<td>2010-11</td>
<td>13.7</td>
<td>15.6</td>
<td>22.0</td>
</tr>
<tr>
<td>2011-12</td>
<td>12.8</td>
<td>14.9</td>
<td>14.6</td>
</tr>
<tr>
<td>2012-13</td>
<td>10.9</td>
<td>17.3</td>
<td>13.7</td>
</tr>
<tr>
<td>2013-14</td>
<td>13.4</td>
<td>18.0</td>
<td>17.5</td>
</tr>
<tr>
<td>2014-15</td>
<td>15.9</td>
<td>18.9</td>
<td>15.0</td>
</tr>
<tr>
<td>2015-16</td>
<td>12.2</td>
<td>14.9</td>
<td>18.4</td>
</tr>
</tbody>
</table>
RETENTION

Employee retention is most critical issue faced by every organization. Retaining of talents has never been so vital before, it had gained importance in the last few decades. The traditional employees stayed in the particular organization for a long time and even they felt that as prestigious thing. But the view of employee has drastically changed in this regard; current workforce intention to stay in the same organization is very less. The average period of staying in a single organization has come intensely gone down. In order to reap long term success and health of the organization, the organization needs to retain the best employees. Talent retention reduces cost to the company, prevents outflow of company knowledge, uninterrupted customer service, prohibits future turnover, enhance the goodwill of the company.

Retention management is a strategic, coherent process that starts with an examination of why an employee wants to join in an organization. It is a collection of human resources practices developed to minimize voluntary turnover. It is an ability to hold on key employees longer than the competitors. When an employee makes the decision to leave an organisation, mostly, the reason not attributed to one single factor but to a combination of few or more factors. In reality understanding how different factors interact with one another and the impact that they have on an individual’s commitment to an organisation is very challenging.

Recruiting right employees is only a half a battle other half lies with maintaining the recruited workforce. Retention of IT employees is important to sustain a competitive advantage for the companies in today’s global market. Studies on the benefits of retaining IT employees have significant impact on higher operating performance, higher returns on assets and higher returns on capital employed. In contrast, the loss of IT employees is expensive and may hamper the growth of IT companies. Like many organisations worldwide, retention problems are acute in the Indian Information Technology Industry. They affect organisational performance. Managers are facing the challenge of addressing retention problems in the context of increasing competition in the global market. In this background that this research will look into employee retention strategies with an emphasis on context of talent management practices in Indian IT sector.
TALENT MANAGEMENT

Meaning of Talent:

Talent is not an inborn gift, not genes, not experience, not memory, not intelligence. It is a deliberate, continuous, systematic and scientific practice of the particular specific set of skill. Talent refers to a recurring pattern of thought, feeling or behaviour that can be productively applied.

Talent is defined as a special ability that allows someone to do something well or capacity for achievement and talented employees is those who make difference in performance through immediate contribution or in longer term by demonstrating highest level of potential. According to Stahl et.al (2007), Talent refers “to those that rank in the top in terms of competencies and achievements and contributes the most to the competitive advantage of the firm”. In simple words, talent means one who make differences in the organization through their contribution.

The definition of talent varies widely. McKinsey defines talent as a total package of a person’s competency. Whereas Economist states that in recent times the whole workforce of an organization is viewed as a talent (Beechler and Woodward, 2009). In brief McKinsey and Company define talent as “the sum of a person’s abilities, intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive”. They coined a new phrase called “War of Talent”. Bourdreau and Ramstad (2005) states that HR activities need to be extended into a decision science called “talentship”, through this they recommended the organization to identify talent pools where quality and right quantity human talent makes biggest difference to strategic success.

Meaning of Talent Management:

There is no shortage of talented people in the world, but there is a shortage of the right people in the right place at the right time. The term Talent Management is used to describe the integrated human resource practice with the aim of attracting, developing and maintaining the right individual, for the right position and at the right time. Talent of these people determines the success of the organization and lubricates the functioning of the organization. So talent management should be the top most priority of the organization.
The organizations today face acute competition in managing talent. According to Derek Stokley, “Talent management is a conscious, deliberate, systematic approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future requirements of the organization”. Talent Management is also called as Human Capital Management. Bhatla states that Human Capital management is the process of recruiting, managing, assessing, developing and maintaining an organization’s most vital resource – people. It is stated as a strategic process involved in identifying competencies and talents needed for the current and future workforce. It is a method that will be used to recruit, hire, develop, manage and retain high performers.

From the literature review it is evident that organisations are increasingly focusing on Talent Management. According to the Talent Management Survey Report (SHRM, 2006), 53% of organisations have specific Talent Management initiatives in place and this increases to 86% for large organisations. 76% of these organizations consider Talent Management to be a top priority. As the competition for a limited pool of talent increases, organisations are investing more in Talent Management strategies. Every organization and human resource professionals want to measure the progress of Talent Management strategies for the outcomes retention.

The scope of talent management is summarized in the form of activities involved in it: they are; identifying and selecting right talent, implementing a competitive compensation plan, training and continuous development of competencies, practising performance management as an art, aligning, developing and nurturing and retaining the acquired talent. The need for the talent management are as follows; bargaining power of the talent has been increasing due to the shortages of talent in the market, people show a desire to work to live than to live, to work, people want greater meaning from the work, employees are aware of their market value and getting security through their performance.

TALENT MANAGEMENT IN INFORMATION TECHNOLOGY

A research by Villanova School of Business examined the talent management practices of 28 companies operating in India states that the evil combination of lucrative salaries and rising attrition signals a tight market for talent that could restrain India’s growth. In response to this, the IT services sector in India has been developing some of the
best people and talent management practices in the world. The Indian Information technology industry is not far behind. In the light of the acute attrition rate in Indian Information technology, there is a high talent crunch. All this makes talent as the bottom-line that the future belongs to companies that can incorporate and practice “talentship” as omnipresent practice. In this era of dynamism, it is talent and only talent that can bridge the gap and lead an organization towards success. This is what makes talent management a vital area of study for researchers who aim to find out its value addition. The present study is conceptualized with this objective in mind. It focuses on identifying the talent management practices being employed in the selected IT companies in Chennai City and their contribution towards employee retention, organizational commitment and success of the organization.

ORGANIZATIONAL COMMITMENT

The term commitment refers to a force that binds a person towards an object, goal or a role or task or job, etc. Commitment is a multi-dimensional and therefore difficult to conceptualize in a single definition. It can be a force that binds the individual to a course of action and to goals. It got extended to industry as labour is considered as an important factor. Commitment in organizational perspective means employee involving themselves in giving a performance or task and accepting appropriate behaviour in an industrial way of life. It is the summative concept of surrendering and involving themselves. The extreme end of commitment is witnessed when employee forego lucrative alternative course of action and opts to stay in current organization without a dilemma. Committed employees consider it morally right to stay in a company regardless how much pay or status increase or satisfaction other firm gives. Commitment to workplace means committed to career, goals, occupation, team, leaders and organization as a whole. It is a bond employees experience with their organization. It characterizes an employees’ attachment to the organization and impacts on employees’ decisions to continue in the current organization. Employee tends to perform better based on their sense of belongingness, obligation and loyalty towards the organization. Newstrom and Davis (2002), defines employee commitment as the degree to which an employee identifies with the organization and wants to continue and actively participate in it. Like a strong magnetic force attracting one metallic object to another, it will be a measure of the employee’s willingness to remain with the organization for a long period in the future. Organizational commitment represents
a broader attitude than job satisfaction. The former applies to the entire organization, whereas the latter applies to the job and commitment is more stable than job satisfaction. It reflects the employee’s belief in the mission and goals of the firm, willingness to expend effort in accomplishing those and everlasting intentions to continue working.

Commitment of employee not only affects the well-being of them, but also affects the well-being of the organization. It is an active relationship with the organization such that individuals are willing to give something in order to contribute to the well-being of an organization. An organization in India must give serious thought to what drives employee’s commitment as commitment significantly reduce turnover intentions.

Many organizational human practices play a dominant role in building employee commitment and loyalty. The current human resource practices found that work environment, supervisor support and training and development (T&D) are most relevant to increase commitment towards the organization since these factors either demonstrates organizational care and support for employees or creates a sense of belonging and a positive feeling of identification. Few other human resource retention practices also help in building commitment of employees.

**KEY TERMS IN THE STUDY**

**Employer Branding**

Employer branding reflects the image of the company has in the eye of existing and prospective employees. Building employment brand is one of the primary steps to solve the problem of talent attrition. It is defined as “the image projected by the employer through their policies, procedure and actions”.

**Workforce Planning**

Workforce planning is the systematic and proactive process of identifying, the nature and quantity of human skills needed to accomplish a specific objective. It is viewed as macro level talent management process and it concentrates on the type and number of critical talent for the future.
Employee value proposition

Employee Value Proposition is defined as the balance of rewards and benefits an employee receives in return for their contribution in the workplace. Minchigton defines EVP as a package of offerings given by an employer in return for their skill sets, capabilities and experience an employee possesses.

Virtual workplace

Virtual workplace in which employees, operates remotely from each other and from the manager. Virtual workplaces are assembled using a combination of telecommunication and information technologies to accomplish an organizational task. It is the act of changing the workplace; employees can work “anytime, anywhere, in real, or in cyberspace” on interdependent tasks.

Job enrichment

It is the process of adding a task to the job in order increase the control and responsibility of an individual. Job enrichment is a job design strategy for enhancing job content by building into it more motivating potential. Job Enrichment is a job-design strategy for enhancing job content by building into it more motivating potential.

Employee empowerment

Employee Empowerment is the concept through which a certain degree of autonomy and responsibility is giving employees for decision making relating to their job. Empowerment refers to a process in which a manager shares power with a subordinate. The empowerment is any process that provides greater autonomy through the sharing of relevant information and provision of control over factors affecting job performance.

Employee engagement

Employee Engagement is also called as Employee Involvement. It means the extent to which employee is committed to the organization. Engagement measures employee’s attitudes and satisfaction with areas including: pride in working for a company, the belief of a long term future with the company and their relationship with their managers.
Career Opportunities

Career is an individual journey in terms of learning, work and other aspects of life. It is defined as a person’s course of progress through life. A sequential step by step process through which the employees advance in his career. Career planning involves the core process of determining the pathway for the employees to grow and mature in the organization with the added flavour of qualification, competencies and job excellence.

Training and Development

According to Edwin B Flippo, “Training is the act of increasing knowledge and skills of an employee for doing a particular job”. The term training indicates the process involved in improving the aptitude, skills and abilities of the employee to perform specific jobs. It helps in updating old talents and developing new ones.

Knowledge Sharing

Employee talents can be more effectively developed with an incorporated knowledge sharing mechanism to facilitate workplace learning by engaging with the social networks around them. Knowledge sharing practices encourage knowledge production and knowledge flows within the organization with appropriate organizational technical infrastructure.

Learning Organization

A learning organization is much more than information transfer and thus it differs from training and development techniques. Peter Senge states learning organization as a place where people continually expand their capacity to create the results they desire, where new and expansive patterns of thinking is nurtured, where collective aspiration is set and people are continually learning. According to him the five disciplines of learning Organizations are Personal Mastery, Mental Models, Shared Vision, Team Learning and System Thinking. It is the concept through which organization facilitates learning of its employees continue to transform itself. It is the combination of training and development and learning opportunities with the organization for the employees.

Succession Planning

Succession planning plays a major role in the companies’ strategic planning. It is not only meant for CEO but also for all key positions. The process of developing a succession
plan requires a long term strategy for the company involving the key area and key people that requires continuity and development and whom the organization wishes to develop. In a simple words succession planning is doing all the organization can do to ensure the right people are available at right job at the right time. It is the replacement for an employee prior to that person leaving the organization.

**Superior support**

The superior subordinate relationship has to be managed to provide superior performance and continued productivity. Positive relationship can take a variety of exchanges between superior and subordinate. It also influences job satisfaction. Any program to be successful, it needs strong support from people in senior positions and these superiors must serve as positive role models to subordinates. Retention of employees is influenced by strong relationships between superior and subordinates. This deals with how far the superior is trustworthy, empathetic and friendly.

**Motivation**

Motivation is a reason for acting in a desirable way. When employee motivated to perform organization task their commitment increases and hence they are loyal to the organizations and likely to remain there for a long time. Work motivation is a set of energetic forces that originate both within as well as beyond an individual’s being to initiate work related behaviour and determine its form, direction, intensity and duration.

**Work life balance**

Work life balance practices are deliberate organizational changes in programs or organizational culture that is designed to reduce work life conflict and employees to be more effective at work and in other roles. In a broad sense, Work Life Balance is a satisfactory level of fit between multiple role in personal and official life. Good work life balance results in high satisfaction. It means having a measure of control over, where and how the individual works and able to enjoy quality of life.

**Mentoring and Coaching**

Mentoring and Coaching is the one to one discussions to enhance individual’s skills and knowledge. It is a method of motivating and empowering staff to make decisions that helps to achieve organizational objectives. It focuses on developing new skills that benefit
company and individually and they help individuals develop new ways of thinking that enable individual employees to overcome obstacles in their career progression. Mentoring is a long term relationship where a more experienced staff uses their skill and experience to support the development of less experienced junior staff. Coaching is given usually by immediate superior and it is cost effective.

**Skill recognition**

Skills are the capabilities acquired through practice. It can be technical, financial, human or conceptual skill. Retaining existing talent is always easier and comparatively economical than attracting new talent. Whether the organization is small or giant attracting new talent is always expensive. Recognising the skills of existing employees not only satisfies employees, but also contributes to building an image of the organization. Attracting or retaining not depends only on compensation rather many other factors plays a role. One among them is systematic recognition of skills set of an employee.

**Competency Mapping**

Competency mapping is the process of identifying key competencies for a company or a job or functions within it. Competency required for specific job depends on many factors like nature of business, environment of business, organizational culture, organizational structure, nature of assigned job, duties and responsibilities, attitude and motive of co-worker, superior and subordinate, etc. Some of the factors may change with time and thus change the competency required for the same job, same position in the same organization. Competency can provide the logic for designing an organization and will enable human resources to continually add value to its firm.

**Performance Management**

Performance Management is an important business system, it makes a difference in organizational performance, approaches to performance management are changing, and senior managers must be attentive to the performance management in their organization. Performance Management is a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. It establishes shared understanding about what is to be achieved and approach to leading and developing people, which will ensure that it is achieved.
Leadership capabilities

Organization need to recognize the importance of building organizational leadership capabilities, which is going to be a major differentiator for future success. The organization which has proper leadership development process will be of advantage than the organization which doesn’t have structured leadership development program. The organization which considers the leadership development seriously outperforms their competitors.

CHAPTER SCHEME

The study is divided into five chapters.

➢ The first chapter deals with Introduction, Problem identification and formulation, Objectives of the study, Need for the study, Area of Study. This covers profile of Information Technology Industry and profile of companies selected for study along with concept of the study. At the end of first chapter, chapter scheme is presented

➢ The second chapter attempts to review the earlier studies on this problem relevant to Retention Practices.

➢ The third chapter presents the Methodology of the study, Pilot Study, Statistical tools used, Research hypothesis formulated, Limitations of the study and validity and reliability of the main study.

➢ The fourth chapter presents Demographic Analysis, Descriptive Analysis, Differential Analysis, Correlation Analysis, Regression Analysis, Mediation Analysis and Structural Equation Model.

➢ The fifth chapter deals with summary of findings, suitable recommendations and scope for further study and the conclusion of the study.

SUMMARY

In this chapter nature of the study is highlighted, problem identified and research gap stated. The research questions are formulated based on a research problem. This chapter explores factors in employee retention and the area of the study. The objectives of the study are framed in this chapter. This chapter explored profile of industry and company and presented concepts of the study.