Chapter-1

Introduction
1.1 Background of the study

“Management is a multi-purpose organ that manages Business, manages Managers, manages Workers and Work” [28].

The evolution of Human Resource Management (HRM) can be traced back to the Human Resource (HR) movement in the ancient period. It is only 100 odd years old, started as the techniques and study of human behaviour at work, has become formal and structured with certain basic practices established as core and a host of other practices left to design and implement as per their individual business driven practices [28]. By the 1960s the emphasis began to shift from legal compliance to conflict handling and here for the first time people started talking of Team Building. Typically stated that teams as groups of individuals with complementary skills who thought alike. The typical “liberal rhetoric” spoke of team as conflict resolving mechanism [36].

In the fourth century B.C. the labour organization was Co-operative sector method. The wages were paid strictly in terms of quantity and quality of work turned out and punished was imposed for unnecessarily delaying the work or spoiling. The latter half of the 10th century A.D., the relation between the employer and employees were marked by justice and equity [28]. In the modern age up to 1930 the personnel management duty was to focus on employer employee relationship [36]. Two principal themes began to emerge in those early days:

1) A concern for the welfare of workers, the employer’s need to guide and control workers and their efforts. These themes feature throughout the development of personnel management and contain many of the conflicts and ambiguities which have shaped its history.

2) To a considerable extent, the key influences on the development of personnel management – the scientific management, industrial welfare and human relations movements, the development of trade unions and collective bargaining, and the growth of employment-related legislation – were responses to the interplay of these twin themes. [28]
The Industrial Revolution began with power, plant and people – harnessed in new factory-based production units – began to replace cottage-based industry and agricultural work as the major sources of employment. These new employment patterns led to population shifts – mostly, the process of urbanisation – which would alter the nature of society dramatically. Workers could get higher wages in the factories than they earned under the cottage system, so there was a ready supply of labour. However the factory – which is a productive system where organized work activities takes place started. In the factory system a large scale employment takes place, employing manpower and capital. Similarly, other organizations where organised work with help of Human Resource takes place were developed to fulfil the needs of human beings.[36]

Today, we have an unquenchable thirst for information. The society has changed significantly from the Barbarian to the Agrarian to the Industrial Society and from the Industrial Society to a Society dominated by the Service Sector.

This structural transformation has brought about discernible changes in the way people think. We are all living, not in an Agrarian or Industrial Society but in an Information society. In fact, we generally refer to the present times as the IT Age or Information Era. In today’s world human beings are considered as the asset of the organization, so there is a need to develop new strategies to stay relevant in a changing global business environment is the challenge of Human Resource Department of an organization.

Every organization has its own culture. Organizational Culture is the product of all the organizational features, its people, its success and its failure. Organization culture reflects the past and shapes the future. The objective can be achieved in several acceptable way called “Equifinility”.

*Human Recourse Departments need to develop new strategies to stay relevant in a rapidly changing global business environment* [16].

“Human Resource Management refers to attracting, developing and maintaining an effective workforce”. [28]

“Human Resource Management may be defined as the planned HR deployments and activities intended to enable an organization to achieve its goals”. [31]

“Human Resource Management is a strategic process and involves attracting, developing, and maintaining a talented and energetic workforce to support the organization’s mission, objectives and strategies”. [28]
The definitions defined by authors describe Human Resource Management as “Human Resource Management is the incorporate process of nurturing people for developing and harnessing their skills and competencies and integrating it with organization’s objectives and strategy in such a way that all the stakeholders of the organization including shareholders, employees, suppliers and customers stand to gain in a socially desirable manner.”[28]

The dynamic in the industrial sphere have brought about a social amalgam (as per the report of National Commission of Labour). Over the years certain changes have taken place in Industrial Labour, particular in the organized sector. The product quality is directly related to skills and qualification of organization employees. The economy is gradually getting integrated with the global economy. Globalization has considerable influences on HR functions.

The challenges of HR department are to understand how to retain employee in changing global environment and change behaviour of the employees as per the survey, research and report from the different sectors and organization.

“Employees are more likely to stay with their company during lean times, and so companies have taken them for granted. When the economy strengthens, experience tells us that employees will begin weighing their options and considering other jobs.

Employment relations, irrespective of the industry, time, place, and people engaged, and culture, is mutual, reciprocal, and interdependent. An important aspect of all employment relations is continuity. But neither the employer nor the employees are assured of that continuity in mutual relations for reasons that may be involving both or either of them. The most critical challenge the employers especially in new industries face is the high rate of attrition caused by the scarcity of manpower coupled with continuously increasing demand for manpower. The challenge the employer faces is not just limited to high attrition rate but the more important problem is retaining the performing employees in their jobs and with the organization for a relatively longer period of time. The employer has to deploy all his skills and intelligence in retaining the employees and keeping the attrition rate at a low level.

The global shortage of highly skilled workers, who can be regarded as IT Employees in the post-industrial economy, has created a serious economic issue that is somewhat separate from the recent global financial downturn[28]. It is expected that the current skills gap will enlarge, and global competition for talent will become more severe under a continuous revolution of information and communications technology (ICT)[18]. This is because global demographic trends show that the pool of new highly skilled workers is
dropping drastically, especially for the scientific, technical, and engineering and mathematically based jobs (STEM)\textsuperscript{[18]}.

This indicates that IT Employees are in high demand in today’s knowledge-based economy and tight labour market, as business growth for IT companies relies heavily on their productivity\textsuperscript{[4]}. Although training is a prominent approach\textsuperscript{[18]} to resolving the shortage of IT Employees, retention of existing talent becomes more essential and critical\textsuperscript{[18]}.

The Information technology industry in India has gained a brand identity as a knowledge economy due to its IT and ITES sector. The sector has increased its contribution to India’s GDP from 6.1\% in 2009-10 to 6.4\% in 2010-11 and 7.5\% in 2011-12. The industry had expected and has grown 19\% during 2012-13, NASSCOM (2013). According to NASSCOM, the IT–BPO sector in India aggregated revenues of US$ 88.1 billion in Financial Year 2011\textsuperscript{[28]}. The top seven cities that account for about 90\% of these sectors exports are from Bangalore, Chennai, Hyderabad, Mumbai, Pune, Delhi, Kolkata, Coimbatore and Kochi\textsuperscript{[36]}.

Pune, a major industrial town, hosts numerous multinational and national software giants along with BPO and KPO firms. World class SEZs like Hinjawadi IT Park and Magarpatta city and small IT hubs speared in the other part gives Pune a distinct advantage. The city is a major educational hub and churns out thousands of technocrats every year.

A lot of small and big IT-units has come into the Pune, and therefore a major segment of youngsters have selected their profession in IT sector. When so many IT industries are available, employees have an option of changeover their job very frequently. Before switching the job, employees consider some factors, some of which are: working hours, good working conditions, challenging projects, perks, decent salary package, career growth, salary package, support from peers, and support for higher education. The minute they feel, they are being underutilized, they start searching the job which leads to turnover. To avoid such situation, IT units have to give attention on retention. The IT industry’s challenges are to retain the employees because the software cost is distributed on – development cost and ownership cost. The distribution of efforts and error in software development indicates that 64\% of software errors are due to requirement specification’s or design and 36\% are error in implementation. It is estimated that only 40\% of initial development time is spend on specification and design. The cost of correcting a software error increases rapidly with the stage in life cycle where the error is discovered; eight times more costly at coding stage or 100 times more costly at development stage. The cost of software development increases due to shortage of software personnel and attrition of personnel. The maintenance phase will also
push up due to different personnel at different time. It is very important to retain software personnel in IT sector else the cost of the software project will increase rapidly which can be double or more and it will reduce the growth and profitability.

The thesis is about retention of IT Employees in Pune. What retention factors are important in retaining IT Employee in IT industries? From the findings it is argued that some diverse set of tentative retention factors will help to retain IT Employees.

1.2 Overview of Retention

Employee retention, according to Harvard Business Essentials, is the ‘converse of turnover—turnover being the sum of voluntary and involuntary separations between an employee and his or her company’ (2002 cited in Starosta, 2006, p. 60)\(^2\). However, Waldman and Arora (2004)\(^3\), postulate that discussing employee retention within the context of employee turnover is insufficient; instead, focus should be on the way in which employee retention promotes the preservation of a workforce that is able to meet the needs.

In today’s fast paced business environments where employees are constantly striving to achieve business goals under time restrictions; open mindedness and transparent work culture plays a vital role in employee retention. Employees are a valuable asset to any organization. It is essential to protect this vital resource as talented and motivated employees play a critical role in overall growth and success of the organization. Employee retention is keeping employees that have been already hired. Retention of Key employees is critical to the long term health and success of any organization. Focusing on employee’s retention techniques can positively impact the organization as it increases employee productivity, performance, quality of work, profits and reduces turnover and absenteeism.

Employee retention is beneficial for the organization as well as the employee. Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidates search are involved. Hence failing to retain a key employee is a costly proposition for an organisation. Various estimates suggested that losing a middle manager in most organizations cost up to five times of his salary. It is a known fact that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning.

The retention of high performing employees has become more challenging for managers as this category of employees frequently move from one job to another as they are
being attracted by more than one organization at a time, Crispen Chipunza (2009)[5]. Handling the employee retention issues has got a serious attention at all level of management in IT units. The problem of employee retention has hit all categories of employees equally. Employee retention is one of the largest universal phenomenon’s being faced by the IT units. The HRD of IT units should put in appropriate efforts to retain the employees. Apart from conventional retention practices there are non-conventional retention practices followed to retain the skilled and knowledgeable employees. The various tools are used by HRD for employee retention which is employee reward program, career development program; performance based bonus, employee referral plan, loyalty bonus, employee recreation, Gifts at some occasions, accountability, making the managers effective and easily accessible, surveys etc.

1.2.1 Classification of retention.

The different types of retention are Selective retention, Cultural retention, Customer retention, Forced retention, Grade retention and Employee retention.

Selective retention - Selective retention is the process of remembering the messages more accurately. The messages which are closer to their interest, values and beliefs in relating to the mind, is the process when people more accurately remember messages that are closer to their interests, values and beliefs, than those that are in contrast with their values and beliefs, selecting what to keep in the memory, narrowing the informational flow.

![Classification of Retention](image)

**Figure-1.1 Classification of Retention**

Cultural retention - Cultural retention is the act of retaining the culture of a specific ethnic group of people, especially when there is reason to believe that the culture, through inaction,
may be lost. Many African-American, European and Asian organizations have cultural retention programs in place.

**Customer retention** - Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company’s ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.

**Forced retention** - Forced retention refers to the act of applying pressure to employees to deter them from leaving a company. The most common way to do this is through legal means, such as non-competing and non-disclosure agreements. Given an adequately broad agreement, a company may threaten employees who try to leave for competitors (or in some cases, non-competitors) with legal action. In some countries, the government may implement similar laws or policies to prevent or discourage employees from leaving certain companies or government organizations. It has also been applied to companies which offers significant financial benefits to employees to encourage them to stay, in particular after a merger (for example, a minimum period to qualify for stock options), but this usage is commonly considered incorrect.

**Grade retention** - Grade retention or grade repetition is the process of having a student repeat an educational course, usually one previously failed. Students who repeat a course are referred as "repeaters". To be eligible for grade retention, the employee must have served in the retained grade or in a higher grade for at least 52 weeks prior to the reduction-in-force; or the position in which the employee is being reduced must have been classified at the higher grade for at least one year prior to the reclassification action resulting in the downgrade.

**Employee retention** - "Employee" means an individual who is employed by the agency, including an employee who is moved from a position under a dominant rate schedule to a dominant rate position with a lower representative rate, provided the employee was employed on other than a temporary or term basis just prior to the placement.

**1.2.2 Need for retention.**

In a company, the goal of employers is usually to decrease employee turnover, thereby decreasing training costs, recruitment costs and loss of talent and organizational knowledge. By implementing lessons learned from key organizational behaviour concepts employers can improve retention rates and decrease the associated costs of high turnover.
Employee retention is beneficial for the organization as well as the employee. Various factors can be considered for retaining the employee:

a. Hiring is not an easy process.
b. An organization invests time and money in grooming an individual and makes him ready to work and understand the corporate culture.
c. When an individual resigns from his present organization, it is more likely that he would join the competitors.
d. The employees working for a longer period of time are more familiar with the company’s policies, guidelines and thus they adjust better.
e. Every individual needs time to adjust with others.
f. It has been observed that individuals sticking to an organization for a longer span are more loyal towards the management and the organization.
g. It is essential for the organization to retain the valuable employees showing potential.

The management must understand the difference between a valuable employee and an employee who doesn’t contribute much to the organization. Sincere efforts must be made to encourage the employees so that they stay happy in the current organization and do not look for a change.\[36\]

1.2.3 Benefits of retention.

Employees are an organization’s intellectual asset that is responsible for the day-to-day business operation. Although retaining competent employees in an organization generates goodwill in the work force, it also has a positive effect on the product or services a company offers. Employee retention is a financial gain for organizations.

- **Acquiring Talent** –
  a) When organizations retain their employees, they avoid hiring costs.
  b) The hiring process is risky.

- **Training and Development** - Retaining workers reduces training costs. When companies retain employees, training cost can be used to further develop the work force.

- **Skilled Labour Force** - Employment retention develops a strong staff. Working individually or in teams these individuals share knowledge and expertise.
- **Impact on Customer Service** - Employee retention has a positive impact on customer service. It prevents disruption in customer service, loss of business and possible negative business impacts.

- **Reduce employee stress** - Employees will appreciate the time that such a service saves them - enabling them as a result to spend more time with their families and friends.

- **Retention improves productivity** - By employers understanding the wants and needs of the employees, they can help them achieve them, and therefore foster tremendous productivity and growth and loyalty from those employees.

- **Provide access to new markets** – As the employees are retained in the organization, it improves customer loyalty and makes an organization an employer and vendor of choice which gives access to new market.

- **Retention improves sustainability in competitive age** - Retain the high performers that give it a competitive edge.

- **Retention reduces spirals into more turnovers** - When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.

### 1.2.4 Retention Policy

Employee retention is one of the primary measures of the health of an organization. Exit interviews with departing employees provide valuable information. High rates of employee turnover cost businesses a great deal of money. The costs of replacing a worker include dismissal benefits such as severance packages, administering an exit interview, money spent on advertising for the open position and the cost of screening and interviewing applicants, not to mention the loss of productivity when a new employee replaces one with greater experience. Even in communities without an employee retention policy, businesses might institute internal policies that seek to promote from within or retrain existing employees rather than allow employee turnover costs to cut into the bottom line. One can use to retain remaining staff by heeding these results also.

(i) A satisfied employee knows clearly what is expected from him every day at work. Changing expectations keep people on edge and create unhealthy stress. They rob the employee of internal security and make the employee feel unsuccessful
(ii) The quality of the supervision on an employee receives is critical to employee retention. People leave managers and supervisors more often than they leave companies or jobs. It is not enough that the supervisor is well-liked or a nice person, starting with clear expectations of the employee, the supervisor has a critical role to play in retention. Anything the supervisor does to make an employee feel unvalued will contribute to turnover. Frequent employee complaints centre on these areas.

-- lack of clarity about expectations,
-- lack of clarity about earning potential,
-- lack of feedback about performance,
-- failure to hold scheduled meetings, and
-- failure to provide a framework within which the employee perceives he can succeed.

(iii) The ability of the employee to speak his or her mind freely within the organization is another key factor in employee retention.

(iv) Talent and skill utilization is another environmental factor your key employees seek in your workplace. A motivated employee wants to contribute to work areas outside of his specific job description. How many people could contribute far more than they currently do? You just need to know their skills, talent and experience, and take the time to tap into it. As an example, in a small company, a manager pursued a new marketing plan and logo with the help of external consultants. An internal sales rep, with seven years of ad agency and logo development experience, repeatedly offered to help. His offer was ignored and he cited this as one reason why he quit his job. In fact, the recognition that the company didn't want to take advantage of his knowledge and capabilities helped precipitate his job search.

(v) The perception of fairness and equitable treatment is important in employee retention.

(vi) When an employee is failing at work, I ask the W. Edwards Deming question, "What about the work system is causing the person to fail?" Most frequently, if the employee knows what they are supposed to do, I find the answer is time, tools, training, temperament or talent. The easiest to solve, and the ones most affecting employee retention, are tools, time and training. The employee must
have the tools, time and training necessary to do their job well – or they will move to an employer who provides them.

(vii) Your best employees, those employees you want to retain, seek frequent opportunities to learn and grow in their careers, knowledge and skill. Without the opportunity to try new opportunities, sit on challenging committees, attend seminars and read and discuss books, they feel they will stagnate. A career-oriented, valued employee must experience growth opportunities within your organization.

(viii) No matter the circumstances, never ever threaten an employee’s job or income. Even if you know layoffs loom if you fail to meet production or sales goals, it is a mistake to foreshadow this information with employees. It makes them nervous; no matter how you phrase the information; no matter how you explain the information, even if you’re absolutely correct, your best staff members will update their resumes. I’m not advocating keeping solid information away from people, however, think before you say anything that makes people feel they need to search for another job.

(ix) Your staff members must feel rewarded, recognized and appreciated. Frequently saying thank you goes a long way. Monetary rewards, bonuses and gifts make the thank you even more appreciated. Understandable raises, tied to accomplishments and achievement, help retain staff. Commissions and bonuses that are easily calculated on a daily basis, and easily understood, raise motivation and help retain staff. Work is all about the money and almost every individual want more.

1.3 Attrition/ Turnover/ Job Hopping.

Job hopping, turnover, attrition, quitting, worker mobility,”[36] job shift; “willingness to change companies”[28]; work flows [36] have been used interchangeably in the researchers’ perspective.

Employee turnover is perceived in a number of different ways. Employee turnover refers to the number or percentage of workers who leave an organization and are replaced by new employees. The turnover can be Involuntary, Voluntary, Desirable and Undesirable.

The most common negative reasons for leaving a job are:

- Poor salary and benefits
• A lack of training and development opportunities
• Dissatisfaction with management
• Not getting along with colleagues
• The journey to work
• Lack of work/life balance

The former include factors like pervasive job dissatisfaction, distrust and disengagement \[28\]. However, it has been shown\[28\] that job search, and the consequent turnover intention, is not related to the employee dissatisfaction, as it is linked to some off-the-job “shock” or jarring event, such as receiving an unsolicited job offer or a family member’s addition or demise. It may be pertinent to note here that scholars have distinguished between “job searching” from “leverage-seeking search” in the sense that the former is linked to change of the jobs, the latter is indicative of seeking leverage against the present employer, seeking leverage implies using the available job alternatives as a leverage against the present employer such that his/her present organization shall strive to make a better counter-offer and make efforts to retain him/her\[1\]. Other extrinsic factors accountable for job hopping include low commitment, and prevalent job alternatives\[28\] reported that there existed a positive corrected average correlation between perceived employment alternatives and turnover\[2\]. Other factors which have been attributed to job hopping are availability of ample job opportunities in the market, company closure, lack of job security in the current job, technological obsolescence, higher pay offered by the rival companies, better promotion avenues, better perks associated with the future positions, perceived brand image of the rival company; “cohort effects”\[13\]; Hobo syndrome (defined as the tendency of individuals to change jobs as a practice\[2\]) and so on.

Viewed from a broad perspective\[16\] the process of job hopping commences with the dissatisfaction experienced by an individual with his present job\[14\] followed by his search for alternatives, followed by a comparison of those options with his current job using an expected-value-like decision process, and, finally, the decision to leave if any of the alternatives is adjudged to be preferable than his current situation or position.

Many research has demonstrated the differences among the different organizations in the same sector vis-a-vis job hopping, attrition; turnover intentions etc. This may be attributed to factors like perceived brand image of the rival companies and the better opportunities in the rivals than the present one, pay dispersion\[18\].

Findings out whether labour turnover is high or low in specific sector and why attrition occurs is a useful yardstick to measure HR management performance based on
evidence and to provide HR management with data that can serve as the barometer of the workforce sentiment, and provide guidance for policies and corrective measure where seen appropriate and needed.

1.3.1 Reasons behind employee turnover

There are certain circumstances that lead to employees leaving their organization. The most common reasons can be:

- **Job is not what the employee expected to be**: Sometimes the job responsibilities don’t come out to be same as expected by the candidates. Unexpected job responsibilities lead to job dissatisfaction.

- **Job and person mismatch**: A candidate may be fit to do a certain type of job which matches his personality. If he is given a job which mismatches his personality, then he won’t be able to perform it well and will try to find out reasons to leave the job.

- **No growth opportunities**: No or less learning and growth opportunities in the current job will make candidate’s job and career stagnant.

- **Lack of appreciation**: If the work is not appreciated by the supervisor, the employee feels de-motivated and loses interest in job.

- **Lack of trust and support**: Trust is the most important factor that is required for an individual to stay in the job. Non-supportive co-workers, seniors and management can make office environment unfriendly and difficult to work in.

- **Stress from overwork and work life imbalance**: Job stress can lead to work life imbalance which ultimately may lead to employee leaving the organization.

- **Compensation**: Better compensation packages being offered by other companies may attract employees towards themselves.

- **New job offer**: An attractive job offer which an employee thinks is good for him with respect to job responsibility, compensation, growth and learning etc. can lead an employee to leave the organization.

1.3.2 Impact of employee turnover

A company’s philosophy, mission and values are fundamental to success; human capital is an organization’s most valuable asset, must be fully engaged and satisfied to keep the business running. The impact of high turnover will lead to low productivity, loss in revenue and poor customer service. Employee turnover has some obvious costs associated with it, including recruitment, training and salary. However, every time an employee leaves,
there are a variety of hidden costs which might not have considered [4]. Employee turnover costs the U.S economy 5 trillion dollar every year. Human resource department spends “1.5 times the lost employee’s salary” on recruiting, hiring, on boarding and training a new hire [36]. The costs of employee turnover for – profit organizations have been estimated to be upto 150% of the employee’s compensation package.

Turnover increases workload on the remaining employees, which in turn pulls down morale, often resulting in reduced productivity, efficiency and poorer quality. A vacancy created due to departure of an employee could take up 100 days to fill, during which time product development and “time to market could be delayed”. Such delays have resulted in lower margin – upto 10% and loss market shares- as much as 30% [28].

Various Dimensions of Turnover impacts:

- Decreased Performance in the workplace.
- Struggle to complete all necessary or important daily functions
- Replace a lost employee cost as much as three to five times the annual salary.
- Slippage - Lost sales, production delays and lags in new product launch.
- Delay to complete the task and increases customer dissatisfaction.
- Turnover spirals into more turnovers
- Ripple effect – making everyone less effective, impact on the peer group, management chain and time devoted to finding a new employee.
- Lost credibility
- Loss of Company Knowledge increase time gap to reach the destination. Disruption of potential customer loss

1.4 Scenario of attrition and retention of IT sector.

In FY 2010 IT sector has contributed around 5.6% to India’s GDP [36]. India’s human capital advantage has been one of the prime reasons for the burgeoning growth of the IT sector. The IT sector has seen tremendous growth and today the market has become extremely competitive. With other sectors also moving on a high growth trajectory, talent attraction and talent retention has become a major challenge for the employers.

Over the years, IT sector has been the most attractive sector to work in and thus has been attracting the finest talent available in the country. It provides an admirable work environment, attractive compensation and rewards along with good career growth opportunities. However the advent of economic downturn saw an adverse impact on the IT companies with most of them going for huge salary cuts, downsizing and tightening of perks.
The attrition rate for IT companies was in the range of 14-25 percent for the fiscal year 2010-2011. Recruiting the right employees is a challenge but motivating and retaining potential employees is an equally important challenge for employer. Selecting and retaining top performers is essential for business success and effectiveness. The scenario today looks quite complex on one hand with increasing work opportunities and seeking of talent by organizations and on the other hand, they find it challenging to retain these key employees. An increase in employee turnover means decrease in productivity, loss of expertise, lower quality thus leading to loss of business opportunities coupled with higher recruitment cost for the employer.

1.5 Need for the study

The need of the study is to understand the reasons for employee leaving the job, which will help the IT-Units to retain the employees and contribute in increasing productivity.

The IT employees are in high demand in today’s knowledge-based economy and tight labour market, as business growth for IT companies relies heavily on their productivity. The productivity has also offered a sustainable competitive advantage by continual innovation of products and services that contain optimum output of quality (Davila, Epstein, & Shelton, 2006; Drucker, 2007; Huang & Lin, 2006).

The reason for choosing IT employees is that they are a key source of profit, skill, and sustainable competitive advantage (Drucker, 1993), executing daily operations of programming for the projects of customers. In addition, it is hard to recruit for this group of IT employees in today’s position (Gordon, 2009; Hoffman, 2009).

Hoch, Roeding, Purkert, and Linder stress that “The scarcity of software professionals is the major barrier to growth in the software industry and one of the key challenges of software leaders. Thus, this group of employees is a highly appropriate focus.

There is a great cost associated with hiring and retraining new employees, so the best way is to retain employees. Retention of Key employees is critical to the long term health and success of any organization. It is a known fact that retaining the best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning.

Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence failing to retain a key employee is a costly proposition for an organization. Various
estimates suggest that losing a middle manager in most organizations costs up to five times of his salary.

**1.6 Problem Statement**

In this era of globalization IT employees are blessed with good opportunities, so they are highly mobile and not restricting to particular job. IT Industry, being a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm. In IT, there are lots and lots of avenues and opportunities available in the hands of IT employees. The retention in IT industry is vibrant, due to fast changes in Information Technology and industries are engaged in different technology, accordingly there is a shortage of skill human resources.

A significant difference has been established between what employers assumed the key causes of turnover and actual reasons employees gave for leaving. Turnover of the employees in the IT units are high because most of the talents are youngster and Information Technology are changing very fast and employees does not wants to become absolute in this domain. In small span of time, employee get higher position, responsibility and other status in IT as compare to other industries.

A lot of small and big industries have come into the market, and therefore a major segment of youngsters have selected their profession in IT sector. When so many IT industries are available, employees have an option of changeover their job very frequently. Pune – IT Industries has been the home for majority of the software development companies and organizations both of Indian origin and firms formed as the IT wings of leading multinational companies. During the last three decades Pune has grown into a destination for both the IT sector entrepreneurs and the young engineers and professionals wanting to make a career in the IT industry. But it is also a fact that the industry has been facing the problem of high rates of employee attrition due to the sudden growth of the industry and simultaneous scarcity of the qualified manpower in the changing environment and technology. This rate has varied from year to year and from IT-unit to IT-unit and place to place.

Handling the employee retention issues has got a serious attention at all level of management in IT units. The problem of employee retention has hit on all categories of employees and different age group equally.

The exit interviews are an ideal way to recording and analysing the factors that have led staff to leave the organisation. The success of exit interview depends on employee’s willingness to give full and honest feedback. The common observations are that staffs are uncomfortable giving honest feedback because of various reasons that are- the interview may
be carried out by a line manager/colleague but departures do not feel comfortable to indicate past working relationship with them / the interview was carried out by a senior director which was quit intimidating/ the interview is carried out by HR department and staff can think that his feedback could affect his future references. The best way to gain staff buy-in is to ensure that, the process is implemented by someone who is seen as impartial and a method by which the employee is given the opportunity to speak freely about their opinions.

The retention problem is highly persisted in IT industry. The shortage of manpower both in numbers and skills is a prime challenge for HR managers in IT-units. The compensation, career planning and technological obsolescence are the facts for employee turnover in IT-Units. There are many other factors also which influence employees to leave. The demographic details of the IT professionals should also be considered while designing the retention strategies as some of these variables have proved to have influence on retention.

A high rate of attrition, job hopping, turnover effect the organization in many ways like it leads to more expenses, loss of company knowledge, interruption of customer service, as well as the goodwill get effected.

1.7 Objectives of the study.

This study makes an attempt to figure out what the real problem of attrition is and effectiveness of polices followed by the IT companies to retain their human resources. The study is done from the employee’s and employer prospective.

To retain the employees in the organization and prevent them from job hopping has become a challenge for HR managers of IT industries. The challenges cannot be achieved without appropriate retention plans and policies. The research objectives identified in this study are:

- To review the existing stage of knowledge and the gap in knowledge with reference to problems of employee turnover and retention in IT-units.
- To find the retention factors influencing attritions in IT-units with special reference to Pune city.
- To find and study the relationship between employee retention and growing age.
- To understand the Conventional and Non-conventional retention practices implemented by the IT units for retaining the employees and their effectiveness.
- To understand the turnover of employee at different level of hierarchy in IT-units.
- Analyzing the exit interviews, to understand employee perception of turnover.
- To obtain the best possible suggestion to contribute in management practices for retention.

1.8 Research Questions

While focusing on employee retention strategies for investigation, the questionnaire that seeks to understand the perceptions of the managers and employees which covers different strategies would seek to analyze the following questions:

- Why does an employee continue to work with organisation?
- Can these reasons be further explore to measure each ones impact on retention?
- Can HR management utilize the knowledge and understand of the retention variables to improve the effectiveness of the policies?

1.9 Hypothesis

In tune with above objectives the following hypotheses have been formulated:

Hypothesis-1: There is a relation between some of the retention factors that are positively related to employee decision to stay with the organization.

Hypothesis-2: A few of the retention variables influence frequent job hopping by the employees.

Hypothesis-3: There is a significant relationship between employee’s age group and number of job change in IT-units.

1.10 Research Methodology

The conceptual model of the research is based on the review of the literatures, and the theoretical framework of the hypothesis considered. As the research approach is dependent upon a researcher’s paradigm, quantitative and qualitative approaches were used for this research. It is deemed that a positivist paradigm is the suitable approach to answer the research question because the theoretical framework was deduced from the existing theories. In addition, the research examined the relationship between the retention variables and IT Employee decisions to stay, which existed externally and objectively.

A significant difference has been considered between what employers assumed the key causes of turnover and actual reasons employees gave for leaving. The exit interviews are an ideal way to recording and analysing the factors that have led staff to leave the organisation. The exit interview data depends on employee’s willingness to give full and honest feedback but due to various reasons staffs are not uncomfortable giving honest
feedback that can be – the departures do not feel comfortable to indicate past working relationship with their colleagues, the interview might be carried out by a seniors in hierarchy who were not liked by them because of various reasons, one is caucus about his feedback for future references, etc. The best way to gain staff buy-in is to ensure that, the process is implemented by someone who is seen as impartial and a method by which the employee is given the opportunity to speak freely about their opinions.

Keeping views of these the research is design using employer prospective and employees prospective.

*Table-1.1: Research methodology implemented*

<table>
<thead>
<tr>
<th>Employee prospective</th>
<th>Employer prospective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Descriptive research</strong> involves hypothesis formulation and testing. All of the variables and procedures used in descriptive studies are described as completely and accurately as possible so as to permit future replication.</td>
<td><strong>Diagnostic</strong> study deals with a problem that extensively exists and challenges especially the Human Resource Managers and the organizations to develop different strategies to keep people with the organization for a sufficiently longer time.</td>
</tr>
</tbody>
</table>

| **Questionnaire Method** used to collect the data from employees. The data to be collected from the IT employees who has left the job at least once. Questionnaire is to be filled by the employee for his previous reasons of leaving. | **Interview Method** used to collect the data from HR managers in Structured and Unstructured form for the analysis of the effectiveness of HR practices for retention. |

In case of some objectives, data will be collected in structured and non-structured form and quantitative analyses using mean, frequency, etc. are used to answer the objectives. For the analysis of hypotheses Cochran Q-Test, Friedman chi-square test, Skewness test and Kurtosis tests, Bivariate- co-relation test, chi-square of contingency and One way ANOVA test can be used.
1.11 Limitation

Although this research was carefully prepared, researcher has reached its aim. There were some unavoidable limitations.

1) The IT industry units taken for the study were listed under Maratha Chamber of Commerce.
2) The IT units are not segregated national or multi-national, they are taken randomly.
3) The result is based on information collected on HR practices implemented by the IT units in 2009 to 2012.

1.12 Study Time Zone

Another important characteristic of the present research process is the time zone. The time zone is recognised to be appropriate to the research aim and the researcher’s resource.

However, literature review, questionnaire design, the pilot study, primary data collection and HR practices on retention policy in IT industries were performed in the period from 2009-2012, as indicated in Table-1.2.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Different type of research activity carried out</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 to 2010</td>
<td>Literature review, Questionnaire design, Pilot Study Main Study (Primary data collection), Data collection from HR Managers</td>
</tr>
<tr>
<td>2011 to 2012</td>
<td>Data analysis, Multi-Case study analysis</td>
</tr>
<tr>
<td>2013 to 2014</td>
<td>Thesis writing</td>
</tr>
</tbody>
</table>

1.13 Organization of thesis

The thesis is divided into seven chapters consisting of Introduction, Information Technology: an overview, review of Literature, research methodology and data collection, Data analysis and result, case study and conclusion and recommendations.

Chapter – 1: Introduction: It gives the historical development of Human resource department. The further discussion on various reasons of turnover, classification of turnover, rate of turnover, retention, advantages of retention and challenges to Human Resource Department of IT industries. Aim and Objective, hypothesis, research methodology and limitation of the study are formulated in this chapter.
Chapter – 2: Information Technology: an overview- It consist of IT sector in India, the Indian economic impact due to IT sector, government policy for IT sector and the present scenario of IT sector.

Chapter – 3: Literature review: This chapter gives a review of literature survey undertaken for research study. Various reports, article and research studies are review to understand the present scenario of turnover, attrition and job hopping in various sectors as well as in IT Industries. The further information’s on retention, retention policy and strategies are implemented in various organizations and IT industries.

Chapter – 4: Research Methodology and data collection: Chapter consist of meaning and best suitable sequence of research methodology of this research. Research design, sampling, data collection method and data analysis procedure are explained step by step with tables, figures and the interpretations for the same.

Chapter – 5: Data analysis and result: Data collected are tabulated in required form using Microsoft excel sheet. The hypotheses formulated were tested based on the information collected with the appropriated statistical test using SPSS. Since the researcher was based substantially on nominal and ordinal data, Cochran Q-Test, Friedman Chi- square Test, Wilcoxon Signed Ranks Test, Skewness, Kurtosis, Bivariate correlation, Chi- square of contingency and One way ANOVA.

Chapter – 6: IT-units retention practices- Multi-case study: An attempt has been made here to understand the reasons for turnover. Retention policy and strategies use by HR department of some IT industries. This study indicates the success of retention and the different retention practices adopted to maintain the tolerance of attrition in different IT industries.

Chapter – 7: Finding, Suggestions and conclusion: In this chapter, the overall conclusions are drawn on the basis of literature survey, research results and case study. It also presents the conclusion made on the research topic and various recommendations along with area of further study and research contribution.

1.14 Conclusion

Information technology as an industry today occupies a strategic place in Indian economy and business. Its origin and growth in India have been phenomenal during the last two decades. Not only the economic and business environment has undergone a change but one can also see changes in the social sector as well. The education and employment fields have changed. It has played a key role in putting India on the global map. It has contributed
substantially to the economic power of the country – it is envisioned to become a US $ 225 billion industry by 2020. With the new millennium, this industry has become the country’s premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation in addition to becoming the global brand ambassador for India.

Employee attrition is a very challenging problem not only in the industrialized countries but also in India which is fast industrializing since the adoption of New Economic Policy in 1991. In fact, attrition is considered to be one of the biggest challenges Indian corporate sector is facing today. According to these companies, it is a complex issue and has several dimensions.

To retain the employees in the organization and prevent them from job hopping has become a challenge for today’s organization. The challenge cannot be achieved without appropriate retention plan and policy. Retention of employees can prevent the loss of key talent and will result in high turnover. Retaining the employees by giving them the basic needs and with some extra rewards or creating a work environment which will make employee feel happy to come to work is important. Organizations need to understand what will make their employees to be loyal and happy working with them. The study further identified those composite variables that enhance retention and understand employee’s perspectives as without which it is difficult to the organization to achieve success.

This study on Employee Retention Strategies was undertaken to identify the retention strategies in practice in Indian and multi-national IT organizations in Pune. At the same time it was felt essential to examine whether the strategies that have proved effective in retaining employees in other than IT industries have any similarities. Though this study primarily aimed to cover the IT industry in Pune on a sample basis, it was also decided to have the case study approach to know the retention strategies followed in IT industries.
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