1st Chapter

- Covers the introduction to the study and a review of the objectives of the study.

Introduction

A large amount of research is done and lot is written about Human Resource Management and all of its functions be it job analysis, recruitment, selection, training and development, compensation management or anything else. But now the demand of the hour is something else and that is nothing else then employee retention, although sufficient information is available on that as well. Without which literature on any other aspect of Human Resource Management would be meaningless. Without which all the efforts the organisation makes in recruiting the right people for the right job would become waste. Without which the time, money, effort, and all the resources applied on training and development of the employees would go waste. Without which all the efforts the company makes in creating customer loyalty would squander. And the overall loss which it causes is beyond the possibility of being identified and written.

When the management forecasts the need for human resources it makes in a lot of effort in planning about it, such as how many people would be required in which positions and when, then it initiates the recruitment process – gives the advertisement in the newspapers, asks employees to refer names of their friends or acquaintances, contacts recruiting agencies, goes for campus selections etc., then it selects the employees through a long selection process, in which it applies a lot of its resources. Once they are selected and placed the management identifies their training needs and provides them the required training, pays them handsomely, provides them with many other benefits, and goes all out to keep them happy, and in this process spends thousands of rupees. But one fine morning the management comes to know that all the time, effort, money, it has spent on the employees had been a waste as the employee is no more interested in working with the organisation.
Today's businesses are more dependent than ever before on their top performers to innovate and provide services that differentiate a company from its fierce competitors. In other words, corporations are reliant upon their human assets to survive and thrive.

Organisations are increasingly afflicted with issues of employee retention. Employee retention issues lead us to focus on Attrition Management. Most forward-thinking managements today realize that having valued employees is what differentiates them from their competitors. Good people make an organisation survive and flourish. As more and more companies are realizing this, their focus on retaining key performers is increasing. The numbers of jobs are increasing as the economy improves, and reducing the attrition of talented workers needs extra attention. While some amount of employee turnover may be considered as unavoidable, in recent times, job-hopping is causing a lot of concern to employers. This trend is not specific to any industry. High turnover in seen is almost all sectors. But it is certainly more alarming in the BPOs and MNCs. In an extremely competitive market, it has become imperative for organisations to look into the causes of this high turnover and come up with a strategy for retaining their employees. Increased attrition levels need to be monitored and managed carefully as they eventually affect the overall performance of the organisation.

American based companies which are clients to the Indian software firms indicate employee attrition as a very big problem.(Arora, 2002). The companies are worried as technical specialist employees may leave the organisation as their project is still on.

The reasons of employee turnover are many. Broadly, we can classify them as external reasons and internal reasons. The factors which are intrinsic to the job or organisation can be classified as internal reasons and the factors which are related to the environment or personal life of employee in other words, something other than the organisation’s functioning can be classified as external reasons. Further the internal factors can be classified into two types, firstly, those which occur as consequence of the employer’s actions such as not paying adequately, not recognising the contributions of the employee, etc., and secondly, those which are a consequence of the employee’s actions like bad behaviour at work place, non-performance, etc.
The researcher collected as much information as possible on the topic of employee turnover and employee retention, and other issues related to it. The researcher referred many resources available on the internet and in the literature, to identify the causes of employee turnover as well the techniques used by companies to control employee turnover.

Broadly, the topics covered under the literature review are: an over view of the problem of employee turnover (attrition), the causes of attrition, the meaning and importance of employee retention, various strategies that can be adopted to retain employees and the benefits of employee retention strategies.

**Significance of the Study**

Retention of the employees is a very important aspect for the success of any organisation. In current times where there is ever increasing inflation, the employee hiring, training & development lead to increase in the expenses of the organisations. The research is done considering the importance of retaining the employees. The existing employees are better than new employees as they would already have all the functions of the organisation.

The findings of the research can be used by employers and managers of BPO / IT industry to devise right employee retention strategies and reduce employee turnover in their organisations. The research also provides information to those who are studying the factors that lead to employee turnover in IT and BPO sectors. The findings also will help future researchers in identifying other research questions.

The research also gives an idea to banks and investors to make investment decisions. Further it provides information to other major stake holders of IT/BPO sectors, like the government, trade bodies, recruiters of IT and BPO companies.
**Statement of Problem**

The ability to retain quality employees is critical to a successful HR function. In spite of providing higher salaries and good facilities an average rate of attrition rate exists in the organisation, and it is higher in the BPO and IT industry.

**Explanation of the concept**

Employee retention is the retaining of employees from leaving the organisation. Due to increase in the industrialisation and government facilitation, businesses have been ever increasing. Entrepreneurship is being sought by many students after they complete their education. Availability of capital is also very encouraging for the new entrepreneurs. As a result there are so many opportunities for starting business for people. It is leading to a non-compromising attitude among the employees. The employees tend to leave the companies at slight incitement leading to higher rates of employee turnover. The rate of employee turnover is known as attrition.

There are two types of attritions namely Drive Attrition and Drag Attrition. Drive attrition is one where the reasons for Attrition originate from the employers side, such as

- The policies and terms of employment and termination
- Lack of provision for holidays related to culture
- Lack of flexibility in providing leaves.

Drag attrition is one where the reasons for Attrition are personal or innate to the employees, such as

- Better opportunities outside the organisation.
- The ambition to climb up the corporate ladder.
- Opportunity for skill up gradation.
- The stress on the job.
- The working hours, etc.
The problem being researched is the internal and external factors of employee turnover. Some factors of employee turnover are common to all organisations and some are unique to some organisations and some, unique to individuals. The problem of attrition needs to be studied so that solutions for the same can be found, and suggest to the industry enabling them to take steps to reduce the employee turnover.

**Scope of the study**

As the title and objectives of the study represent the scope of the study is limited to finding out the internal and external factors responsible for employee turnover. As employee turnover may be because of both or any reason.

Whatever a human being does he does with a purpose, or in other words there is some motive behind the actions of people. The study aims at finding what motivates employees to either continue or to discontinue working in an organisation. Further, sometimes certain things motivate employees but the management perceives something else as the motives of employees. The design of the employee retention strategies depends on the perception of the management about the motives behind employee turnover. The study aims at ascertaining the perception of employers, as to what motivates an employee to continue to work in the organisation.

Apart from the above mentioned things the study also aims at studying the relationship between job satisfaction and employee retention. It is generally believed that satisfied employees are more likely to continue to work in the organisation.

The study found out the internal and external factors responsible for employee turnover in IT and BPO sectors. Generally the conditions of work are different in IT sector and other sectors in the modern industry. Hence the motivations of employees to continue or discontinue may differ in IT and BPO sectors, the study aims to identify the same.
Further the entire focus of the study is over the IT and BPO sectors. It ascertains the perception of the employers as to what motivates an employee to continue to work in IT and BPOs. It also finds out the relationship between job satisfaction and employee retention in IT and BPO companies.

The survey was conducted using the option of Google forms to circulate the questionnaire to the employees working in IT and BPO companies. As the employees working in the IT and BPO sectors are computer savvy, it was easier for them to send the questionnaire through mail.

The survey was done in three major cities of the country i.e. Hyderabad, Bangalore, Chennai, using the option with Google forms.

**Objectives of the study**

1. To find out the internal and external factors responsible for employee turnover.
2. To find out what motivates an employee to continue to work in an organisation.
3. To ascertain the perception of employers, as to what motivates an employee to continue to work in the organisation.
4. To find out the relationship between job satisfaction and employee retention.

**Review of objectives of the study**

The management of an organisation can initiate appropriate employee retention strategies only when they understand the prominent reasons for the attrition, and also when it knows what motivates the employees to continue to work in the organisation. The research addresses both these questions. Apart from it, the research also identifies the perception of the employers or managers as to what motivates an employee to continue to work in the organisation. It is understood from the review of literature that there is direct relation between job satisfaction and employee retention. Thus, the study also finds out the relation between the two. The objectives of the research are given below.
Hypothesis

The research had three hypotheses to be tested. Data analysis in the following chapters has proved whether the hypothesis mentioned below are accepted or rejected.

1. Employee retention is a controllable factor and can be controlled by the introduction of employee retention techniques.
   i. Null Hypothesis – $H_0$: Employee retention is a not a controllable factor and cannot be controlled by the introduction of employee retention techniques.
   ii. Alternative Hypothesis – $H_1$: Employee retention is a controllable factor and can be controlled by the introduction of employee retention techniques.

2. Employee turnover is caused more because of internal factors of the organisation than the external factors.
   i. Null Hypothesis – $H_0$: Employee turnover is not caused more because of internal factors of the organisation than the external factors.
   ii. Alternative Hypothesis – $H_1$: Employee turnover is caused more because of internal factors of the organisation than the external factors.

3. The type of social atmosphere or the interpersonal relationships within the organisation has an effect on the employee retention.
   1. Null Hypothesis – $H_0$: The type of social atmosphere or the interpersonal relationships within the organisation has no effect on the employee retention.
   2. Alternative Hypothesis – $H_1$: The type of social atmosphere or the interpersonal relationships within the organisation has an effect on the employee retention.
**Research Methods**

The method used to do the research was both qualitative and quantitative. There is already a lot of information available relevant to the objectives. Much number of researches were done to ascertain the factors responsible for employee turnover in various sectors. Although not many researches were regarding the employee turnover in IT and BPO sector, the information is useful and helped in planning the quantitative data collection as certain variables are common in IT, BPO and other sectors.

**Data Sources**

The findings of the study are based on the data collected from two sources, viz: primary sources and secondary sources.

**Primary sources:**

The information was primarily collected through a set of two questionnaires. One questionnaire was made for probing information from employees and another questionnaire was made to seek information from managers (see annexure). The employee contained in it about 49 questions and the manager questionnaire contained about 28 questions.

Before the designing of the questionnaire, personal interviews with some employees working in the IT and ITeS sector were conducted. From the inputs given by the employees working in the above said sectors the questions for the questionnaires were framed.

**Secondary sources:**

Information was also collected through secondary sources. There is no dearth of information in the secondary sources. Abundant of data or information is available both in online mode and in the print format. Due to the fact that many universities requiring the students to upload their research work online, the data is available easily.
Information was collected from various research papers and articles uploaded on the internet. Many websites were used to collect information relevant to the research question and objectives (see bibliography).

Apart from internet, books written on the topic, edited works of various authors, newspaper articles, opinions of writers etc. was used to do justice with the topic.

**Research Samples**

Due to the vast size of the population, which runs into lakhs of employees and tens of thousands of managers, the research was done using a small random sample. The population is very diverse in terms of demographics due to high demand and supply of labour.

A total of 200 responses from employees were taken for arriving at conclusions, and a total of 50 responses from managers were taken.

A random sampling technique was used. The employee’s questionnaire was sent to more than a thousand employees by using the Google forms option. (See annexure for link) and the managers questionnaire was sent to more than a hundred managers through the Google form option (see annexure for link).

The email ids of the employees and managers working in IT, ITeS and BPO companies were taken from various forums like Career Guidance Council, an NGO of professionals operating from various cities in South India, National Human Resource Development Network database etc.

**Design and procedures used**

The data collected was tabulated using MS Excel application. The data was analysed using statistical tools and procedures. For the purpose of accuracy in arriving at the findings and conclusions from the data collected, required help of experts in statistics was taken. The data was analysed using statistical techniques like correlation and Chi-square. Wherever needed simple techniques like mean and average was also applied.
For the sake of making the calculations more accurate, the software package available for the purpose, SPSS, was used. The findings arrived through the statistical techniques are neatly presented by using tables, graphs, pie-charts, etc., wherever relevant.

**Description of data gathering instruments**

As mentioned above, two questionnaires were used for collecting data from the respondents, as the respondents were of two types, i.e. employees and managers. The questionnaire for employees contained in it 49 questions that dealt with various aspects of the job, employees opinion about various dimensions within their organisations, their satisfaction level portioning to the various dimensions of their jobs.

A few of the dimensions on which the questions were designed includes but not limited to selection procedures in their companies, the various HR procedures, their opinion about the working conditions within their companies, the various aspects of job which lead to quality of work life of them, work hour options and leaves they can avail, the fringe benefits they get, their opinion about the factors leading to employee turnover according to them, the facilities they get in their organisation, the type and quality of relationship they share with their colleagues and their managers, the level of involvement they experience in their organisation, the recognition they get for their work and performance, training, development of employees. Apart from these the employees were asked to rate their satisfaction level to various aspects of their job they are experiencing.

The questionnaire used to collect information from managers included 28 questions and they were related to the points mentioned above regarding the employee’s questionnaire. The questions focused on the opinion of the manager regarding various dimensions for their work and other related aspects.
Tools and techniques of data collection

Data collection for the research is done from both the sources i.e. primary as well as secondary. The availability of existing literature online and offline helped a lot in making the primary research more relevant. Due to advent and wide spread of information technology a lot of research information is available on internet.

As mentioned above data collection for primary sources was done through a set of two questionnaires one for employees and one for managers. The questions were made both in soft and hard format. The soft format of the questionnaire was made using the Google forms option available in www.google.com. The forms were sent by mail to various respondents who filled the questionnaire and submitted the same. The information entered by the respondents got automatically recorded in MS-Excel format, making it easier to tabulate, analyse and interpret.