CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

For decades there were plenty of jobs and plenty of skills to fulfill the employer needs. India is moving quickly to its rightful place on the world stage. According to a recent projection, it is expected that 25% of the world’s work force will be Indians by 2025 and this scenario may last for next 25 years until 2050\(^1\). Because of this there will be shortfall in the supply of work force within India, so the companies should concentrate on how to retain its employee for a longer period of time. The employer has a choice to hire and also the job was not complicated. The societal trend was to work for a company for longer period for about 30-40 years and then get retired but today retention of employees is a great problem\(^2\). Employee retention refers to the various policies and practices which lead the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new employee, make them a corporate ready material and bring them at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures so that an individual stays in an organization for the maximum period of time. An employee leaving a company is like a stone thrown in a still pond, it ripples of disruption spread through the organization, creating an unbalance. In any

\(^1\) Indain Society for Technical Education, Vol. XXXII, No.6, June, 2012.
\(^2\) Keeping Good people Strategies for solving the # 1 problem facing Business Today, Roger E.Herman, 1999.
business, this unbalance can be expensive. Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tools.

Schuler and Jackson (2006) observed that recruiting people to meet the organization’s human resource needs is only half the battle in the war for talent management. The other half is keeping these people. Organizations that keep their employee turnover rates lower gain an advantage against their competitors by reducing overall labor costs and improving productivity.

Moseley, Jeffers and Paterson (2008) have stated that employee retention is important to organizations, as increased turnover creates instability and puts additional workload and stress on remaining staff, increasing job dissatisfaction and therefore potentiating the turnover cycle.

Retention of employees is critical to the long-term health and success of any organization. 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.

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

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3 www.managmentstudyguide.com
costly proposition for an organization. Various estimates suggest that losing a middle manager in most organizations costs up to five times of his salary.

Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Retention of key employees and treating attrition troubles has never been so important to companies.

Employee turnover can cost a company in recruiting and administrative fees, lack of attention to quality from employees on their way out, and slower productivity until new resulting from poor quality and delays can be even more costly. These costs may never be recouped.

After a company has invested considerable time and money recruiting and training its employees, it must now determine how to make sure those valuable employees are productive and get them to remain loyal to its firm. Retention of employees is essential to maintain client relationships and keep recruiting and training costs in line. Losing an experienced employee almost always results in significant costs to any firm. The keys to employee satisfaction and retention are founded on strong leadership and sound management practices. If one can master these arts, they should have happy, loyal employees and clients, resulting in growth, profits and personal gratification.

From the employer's perspective, employees are an investment. Interview is to make sure that an individual has good work ethic, motivation, and drive. Most of the time, employees are considered a financial investment.
Yet there's much more to it than that. There is a significant emotional investment that is crucial to accelerating business strategies and reaching organizational goals.

Companies have come to realize that keeping employees is much more cost-effective than replacing them. Retaining valuable employees has other benefits, as well - retaining the vault of knowledge that's been accumulated, skills learned, and trust and relationships they have built with customers and co-workers.

Employees today are different. They are not the ones who don’t have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don’t, they would be left with no good employees. A good employer should know how to attract and retain his employees\(^4\).

Despite swings in the economy at large, employers are facing a steady and unprecedented labour shortage. In almost every industry the demand for Human Resource will exceed its supply. The U.S Bureau of labour statistics predicts that the situation will become worse. Projected sort fall of 10 million workers through 2008. Other experts estimate that the labour inversion may last for 25 years\(^5\).

As the competitive environment stretches into the future the companies have to identify the needs of the employees and retain them or a longer period of time. So this study is attempted with a view to identify the

\(^4\) www.articlesbase.com

need for employee retention of Automobile Industries in India, and concludes that there are various factors namely job satisfaction, rewards, training and development, career development have greater impact on employee retention. Verlander EG, Eans MR have stated that conversational strategies may be used as a set of best practices for all employees to retain them for a longer period of time. Literature and best Human Resource practices indicate that, if employers treat their employees as valued contributors, they tend to remain in the organization for a longer period of time. On the other hand organizations train, offer competitive compensation plans and increase benefits to secure their employees loyalty, in spite of all these efforts, many organizations experience a shortage of employees and high turnover rates. In the event of employee shortages and increased service delivery demands, it is important to explore the factors that contribute to retention of employees who contribute a major source of wealth of knowledge and skill for any organizations.

In this connection this study will explore the factors influencing on employee retention practices of the selected five automobile companies namely Ashok Leyland, Force Motors, Eicher Motors, SML ISUZU and Tata Motors, which are mainly engaged in manufacturing of LCV and HCV vehicles. In this segment the retention strategies includes the Working Environment, Welfare Measures, Rewards and Recognition, Retention Strategies and Leadership & Supervision. It can be inferred from the analysis, and a variety of recommendations can be generated, which, will help the organization to frame the policies and practices that will specifically address the issues of employee retention in the following pages.

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1.2 CHANGES IN THE AUTOMOBILE INDUSTRY

This study will reveal the changes that have taken place in the automobile industries in India, which is one of the largest industries in the world and one of the fastest growing globally. India's passenger car and commercial vehicle manufacturing industry is the sixth largest in the world, with an annual production of more than 3.7 million units in 2010. According to recent reports, India is set to overtake Brazil to become the sixth largest passenger vehicle producer in the world, growing 16-18 per cent to sell around three million units in the course of 2011-12. In 2009, India emerged as Asia's fourth largest exporter of passenger cars, behind Japan, South Korea, and Thailand. In 2010, India reached as Asia's third largest exporter of passenger cars, behind Japan and South Korea beating Thailand.

The Indian Commercial Vehicles (herein after referred as “CV”) market is segmented on the basis of gross vehicle weight (GVW) into: Heavy Commercial Vehicles (herein after referred as “HCV”) and Light Commercial Vehicles (herein after referred as “LCV”). GVW is defined as vehicle weight plus the rated payload, the rated payload being the maximum weight permitted to be loaded on to the vehicle under the Motor Vehicles Act, 1988. Vehicles with a GVW of more than 16 tonnes are classified as HCV and vehicles with a GVW of less than 7.5 tonnes are classified as LCV.

CV depending on end-use can be either passenger carriers or goods carriers. During 2008-2009 passenger carriers accounted for 14% of LCV volumes and 21% of HCV volumes, reflecting the dominance of goods carriers in the industry. Over the last two decades, both the LCV and the HCV segments have broadly grown at similar rates, although volume growth in the
HCV segment has been more volatile. Growth in the industry is linked to economic activity and the level of investments in infrastructure development, and exhibits cyclicality. The LCV segment, though cyclical, usually exhibits steadier demand patterns on account of the relatively wide usage range.  

Automakers around the globe are also engaged in developing new technologies and products, such as electronic fuel cells, navigational systems that manage congestion problems, and “telematics” (telecommunications capabilities). Information technology networks will be fully integrated into the Research and Development herein after referred as “R and D”), procurement, manufacturing, and distribution functions of the enterprise structure. The Internet and Web-based communications are expected to drive the next transformation in the automobile industry. The next frontier in distribution channels is fully to implement a build-to-order system. While dealerships might not become obsolete, the efficiency of the pull system will reduce their inventories and associated costs. Implementing a system similar to the Dell Direct model could mean significant cost reductions in the distribution and purchasing functions of firms in the industry. However, consolidation has not proven to be a panacea for optimizing productive capacity in the industry. Mergers have typically occurred between companies that have complementary product lines and therefore the opportunities for retiring some plants are diminished. Effective rationalization brings job losses.

As of 2007, overcapacity in the global automotive industry is estimated at 20 million units, which is approximately one-third of global annual production or the productive capacity of the western European

Entrepreneurswebsite.com.
automakers. With minimum efficient scale of production at an assembly plant estimated at 200,000 vehicles, dozens of assembly plants are likely to close as automakers strive to improve their profitability. Capacity unitization of about 75 percent is the tipping point below which automakers are in state of experiencing financial losses.

Auto industry analysts predict major organizational and geographical changes in the global auto industry in response to innovations in auto-manufacturing techniques, reconfigurations in models and demand for vehicles, and growing environmental concerns. A new model of labour utilization will develop as suppliers and automakers adjust to flexible manufacturing practices and the globalization of their operations.

As of 2010, India is a home to 40 million passenger vehicles. More than 3.7 million automotive vehicles were produced in India in 2010 (an increase of 33.9%), making the country the second fastest growing automobile market in the world. According to the Society of Indian Automobile Manufacturers, annual vehicle sales are projected to increase to 5 million by 2015 and more than 9 million by 2020. By 2050, the country is expected to top the world in car volumes with approximately 611 million vehicles on the nation's roads.  

Overcapacity, therefore, has triggered mergers, acquisitions, and network alliances. Auto companies are consolidating and simplifying control and development functions, and attempting to minimize new investment initiatives, the number of unique parts in their vehicles, the number of design

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and production tools used, the number of components made in-house, and the number of direct supplier relationships. Assemblers are also utilizing modularization to simplify final assembly processes, and they are experimenting with various organizational designs as part of the restructuring process. Automakers and parts suppliers are utilizing vertical and horizontal strategic alliances with the expectation that they will facilitate the development of new products and the spread of automotive productive capacity to new geographic regions. These ventures, however, will also create new competitors, particularly in emerging economies.

The automobile industry will also need to continue to address a range of environmental concerns related to carbon dioxide levels and other health risks. While estimates vary widely as to the impact that vehicle emissions have on the global environment, automakers have made emissions and safety adjustments to their automobiles over time. In the United States, rules and guidelines that originated in the 1970 states that Corporate Average Fuel Efficiency Standards (herein after referred to as “CAFE”) and federal safety regulations have brought about significant emission reductions. Thirty years since CAFE standards were put in place; new cars in the United States emit approximately 1 percent of the smog-producing compounds emitted by new cars in the 1970s. This progress is not solely the result of government regulations, however. The Alliance of Automobile Manufacturers of trade association of nine automakers from the United States, Germany, and Japan has identified clean energy technologies as a means to further economic growth in the industry.
1.3 OPPORTUNITIES AND INITIATIVES IN AUTO INDUSTRY

In India the government has formed departments namely Department of Heavy Industry (herein after referred to as “DHI”), during the year 1987 in the form of Ministry of Heavy Industries and Public Enterprises, which is the nodal authority in India for promoting the development and growth of the automotive sector. The department is also concerned with the development of the heavy engineering industry, machine tool industry, heavy electrical industry, industrial machinery. From the Figure 1.1 it is understood that when compared to all other sectors the automobile sector has highest growth and this clearly indicates that the opportunities and initiatives taken by the government has paved the way for higher growth rate of automobile industry.

![Figure 1.1](image)

**Figure 1.1 Figure depicting growth rate of different industries**

Source: Institute of technology and innovation management

In this connection the Government of India is in the process of forming a National Automotive Board here after which would become a
formal set up to look into the issue of recall of vehicles and hence improve manufacturing standards. The prospective body, to oversee technical and safety aspects of vehicles, will have representatives from all the nodal ministries and automotive bodies such as the Automotive Research Association of India.⁹

In order to attract investments into the sector, the department makes several policy announcements (including incentives) from time to time. The major being, the 'Auto Policy' of 2002, which aims to promote integrated, phased, enduring and self-sustained growth of the Indian automobile industry as well as double its contributions to the economy by 2010. Its objectives are to

1. Exalt the sector as a lever of industrial growth and employment.
2. Ensure a balanced transition to open trade at a minimal risk to the Indian economy and local industry.
3. Induce constant modernization of the industry and facilitate indigenous design, research and development;
4. Develop domestic safety and environmental standards at par with international standards.

As a result of all such initiatives, the norms for foreign investment and import of technology into the sector have been progressively liberalised and at present 100% Foreign Direct Investment (herein after referred to as “FDI”) is permissible under automatic route. The industry has attracted an

⁹ indiabudget.nic.in/ub2007-08/eb/sbe48.pdf
investment of more than Rs. 50,000 crore in 2002-03 which is to go up to Rs. 80,000 crore by the year 2007.

These policy measures and incentives together with advantages like low-cost, high skill manpower, well-developed and globally competitive auto ancillary industry, established automobile testing and R and D centers for production of steel at lowest cost.

1.3.1 Government Policies towards Indian Automobile Industry

Automobile industry in India also received an unintended boost from stringent government auto emission regulations over the past few years. This ensured that vehicles produced in India conformed to the standards of the developed world. Though it has an advantage in India, thanks to low costs and government policies it soon faces stiff competition from it multinational competitors all eyeing for a share in the ever growing Indian auto sector. The policies adopted by Government will increase competition in domestic market, motivate many foreign commercial vehicle manufactures to set up shops in India, whom will make India as a production hub and export to nearest market.

1. Bring in a minimum foreign equity of US $ 50 Million if a joint venture involved majority foreign equity ownership
2. Automatic approval for foreign equity investment upto 100% of manufacture of automobiles and component is permitted
3. FIIs including overseas corporate bodies (OCBs) and NRIs are permitted to invest up to 49 percent of the paid-up equity capital of the investee company, subject to approval of the
board of directors and of the members by way of a special resolution.

4. Investments in making auto parts by a foreign vehicle maker will also be considered a part of the minimum foreign investment made by it in an auto-making subsidiary in India. The move is aimed at helping India emerge as a hub for global manufacturing and sourcing for auto parts.

5. Specific component of excise duty applicable to large cars and utility vehicles will be reduced to 15,000 rupees per vehicle from 20,000 rupees earlier.

6. The Proposal by the Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products, as this will surely had an impact on the Automobile Industry.

7. The announced reduction on the basic customs on bio-diesel is great news for all companies working on environmental saving technologies.  

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1.4 CHALLENGES FACED BY INDIAN AUTOMOBILE INDUSTRY

Indian auto industry is one of the most promising and growing auto industries across the world. But at this juncture the Indian auto industry is facing various challenges catering to the growing domestic market. The industry must focus its R&D efforts in line with the global trends, which is to build vehicles that are considerably more fuel efficient and less polluting. The challenges faced by auto industry are depicted below from the following Figure 1.2\textsuperscript{11}

![Figure 1.2 Challenges Faced by Indian Automobile Industry](image)

\textsuperscript{11} SAE Survey 2008
1.4.1 Rising Oil Price

International price of crude oil has crossed an upper limit per barrel and is rising at an alarming rate. The skyrocketing crude oil price rise will affect the economic growth of most of the nations of the world including India. The prospects of India and China of becoming economic superpower will be seriously affected. Also, the rise in oil prices will impact the growth of global automotive industry. Unless the use of alternative fuels increases, it is very unlikely that the situation will change for the better. This necessarily means that more and more investments should be directed towards Research and Development (here in after referred to as “R and D”), establishing mechanisms to translate R and D results into products and their efficient manufacturing. This will also require radical redesigning of engines.

1.4.2 Fuel Technology

Technology is significant and needed to ignite the growth of auto industry. Whether it's a two-wheeler or a car, technology drives the growth. The challenge of alternative fuel technology ensures a brighter vision of the auto industry in the country. The increasing environmental pollution has become a concern for manufacturers and all associated with the industry. All of them are struggling hard to come up with a holistic and integrated approach to reduce carbon dioxide emission. Some of the initiatives to reduce the level of automotive emission include introduction of fuel-efficient cars, obligatory periodic maintenance, and inspection of automotives, designing automotives with recyclable materials, use of alternative fuels like CNG, LPG, biodiesel, and introduction of electric and hybrid cars. Car manufacturer like Maruti Suzuki has already introduced the new concept of using recyclable substance for car production in its dazzling car Maruti Suzuki A-Star. After the
production of Maruti Suzuki A-Star, the company thrives to apply the same concept in all its future car models.

1.4.3 Nurturing Talented Manpower

Apart from the above said issues nurturing talented manpower and human resources also has been a key growth driver in any industry including the automobile industry. Though India has a vast pool of talented and skilled professionals, the country needs initiatives and support to treasure these resources to excel in all areas of the industries. Automobile industry is no exception and highly skilled manpower will further become the most reliable source of competitive advantage across the global as well as Indian automobile industry. More than even before creativity, innovative ideas, and expertise in different areas have become an asset these days. In spite of all these challenges the automobile industry has been growing tremendously and in this connection the industry tries to retain its employees for a longer period of time so that they can face the competitive situation of employee retention easily without any difficulty. Therefore, Society of Indian Automobile Manufacturers (herein after referred to as “SIAM”) has introduced new strategies to optimize the skills and support proposals to train youth across the country including the rural areas. Ministry of Rural Development, National Skills Development Corporation, Indian Government, and the Indian Automotive Industry, are working in synergy to generate a vast pool of skilled manpower for the Indian Auto Industry.
1.4.4 Shortage of manpower

The area that needs to be paid attention is the shortage of human resources in automobile industry. The government as well as the professionals have realised that creative people in India need to be given training by which they can come into the mainstream and design contemporary products in general and automobile products in particular. National Institute of Design at Ahmedabad is playing an important role in producing good designers. However, the output of the institute is very small. Therefore, in the first of its kind National Policy of Design, the Government has suggested to establish four such institutes, immediately. Even these institutes will not be able to meet the current demand for designers. Therefore, many more institutes need to be established either through public-private partnership or solely by private sector.

1.5 HUMAN RESOURCE MANAGEMENT AND EMPLOYEE RETENTION

Human resource management (herein after referred to as “HRM”), is the strategic and coherent approach to the of management an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business. The term human resources (herein after referred to as “HR”) have largely replaced the term personnel management as a description of the processes involved in managing people in organizations. HRM is evolving rapidly. Human resource management is both an academic theory and a business practice that addresses the theoretical and practical techniques of managing a workforce.
There is a long-standing argument about where HR-related functions should be organized into large organizations. The HRM function and the HR profession have undergone tremendous change over the past 20-30 years. Presently, organizations consider the "HR Department" as playing a major role in staffing, training and helping to manage people so that people and the organization are performing at maximum capability in a highly fulfilling manner.

Thus the HRM function includes a variety of activities, and the key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies. Usually small businesses (for-profit or nonprofit) have to carry out these activities themselves because they can't yet afford part- or full-time help. However, they should always ensure that employees are aware of the personnel policies which conform to current regulations. These policies are often in the form of employee manuals, which all employees have to know. In this way human resource management is seen by practitioners in the field as a more innovative view of workplace management than the traditional approach.

1.5.1 Retention in manufacturing sector

The real objective is to retain only those people who contribute to the company's performance in terms of improving the quality of goods and services, or increasing the level of customer satisfaction. Increasing the
organization’s level of professionalism, instituting an objective performance appraisal system, and ensuring a match between responsibility and authority are the 3 most-used techniques to improve retention. Almost 1 in every 2 manufacturing and servicing companies confess that their retention-related woes are acute.

The Human Resource department and the senior management are the organizational centers vested with the responsibility of retention management. However, the process is shared: in most organizations, the HR department, the individual functions, the top management, teams, and the trade unions manage the retention function, individually and together.

The best organizations focus on retaining and getting the best out of every employee. They believe in creating multiple responsibility-centers for retention management, and ensure that senior managers find time to be personally involved in the processes of retention management.

In these competitive times, the specific measures to improve an organization’s retention record range from career counselling workshops to team-building exercises. Of course, the exact nature of the initiatives to be used is a function of the industry in which the company operates, and the level of management at which the initiative is targeted. However, the ideal practices remain constant across manufacturing, marketing, and services companies: career-counseling and job-enrichment exercises at the junior level; promoting from within and training at the middle level; team-building exercises and welfare initiatives at the senior level; and culture-building and empowerment at the top level.
Most companies believe that retention is far more important at the junior, middle, and senior management levels than at the top. Retaining their best employees requires companies to launch initiatives along several dimensions, introducing good housekeeping practices in offices and shop floors, making performance appraisal systems transparent, objective, and participative, professionalizing the senior management team and ensuring that employees take pride in their work.

Besides the above mentioned factors there are some additional factors which will definitely improve employee retention in the manufacturing sector they are as follows

1.5.1.1 Brand name

Many of the employees consider the brand name of the organization for taking up assignments. Employees feel prestige of the institution as their personal to run with the organization. Working in a famous company or organization, generally makes people to adore with commitment. Dignity of the institution is one of the major factors for attachment of the employees all along without any fear for future. It gives maximum satisfaction to the employees and diversification of their ideas towards the institutional development. Employees naturally inclined to generate their future plans and prospects with the existing organization and tend towards their sustainability and regularity in their firm. This will lead to the Employees retention more. Employees may not think to leave the organization because of its brand name and about the familiarity of the company in the society and wanted to stay with the organisation for ever not only for the sake of the Company but also for their future prospects.
1.5.1.2 Wage policy

The wage policy of the any organization definitely attracts the employees a lot. Many employees look forward for monetary benefits and social security measures adopted by the organization or firm. Adoption of a regular time scale of pay with proper efficiency bars including adoption of grade pay system, for various categories of posts existed in an organization from top to bottom is much more important for the retention of employees. Employees naturally observe the salary structure of each category of post and fringe benefits extended by the organization or company. A systematic wage policy, revision of pay scales in the convenience intervals, provisions for additional allowances, rewards for extra-ordinary work of the employees from time to time, will definitely attract the employees and more retention is possible.

1.5.1.3 Career advancement schemes

Career advancement scheme is one of important aspect as it deals with regular promotions, professional growth and development of an employee in any firm. Every employee expects advancement in their career by way of promotions, grades, and relocation to next higher category or grade for furtherance of his interests. For every 5/10/15 years of service of an employee, automatically, the employee should be placed in the next higher category or scale of pay or grade with monetary benefits so that the employees will have greater job satisfaction. If such a systematic policy on promotions and career
growth is implemented, employees turnover will be reduced and experienced persons will continue in the firm for its growth.

1.5.1.4 Social security measures

Social Security measures are very much obligatory on the part of any concern to adopt for the welfare of their employees. Employees Welfare Schemes, Health Schemes, Group Insurance Policies, Payments of Bonus, Ex-gratia, Incentives, Awards, will render much security to its employees in the society, and the employees will not quit from any company. Retention is possible greatly if any organization/firm adopts suitable Social Security Measures.

1.5.1.5 Judicious disciplinary rules

Disciplinary rules should framed in such a way that they should not be in any way contrary to the law. Every employee must be treated with equal treatment in a justified manner for which a set of rules called “Disciplinary Rules” should be framed and adopted. There should be a classification of category of posts, grades, Controlling authorities duly specified in a clear terms, quantum of punishments. This will strengthen the employees’ caliber and dedicated employees will be formed in any institution without fear and favour leading to much retention in the concerns.

1.5.1.6 Organizational culture

There is emphatically a need to formulate organizational culture in every organization. The organization must resort to plan where it wants to go
before trying to make any changes in the organization culture. The organization must choose for mission, vision, and values to provide a framework for the assessment and evaluation of the current organizational culture. Organizational culture grows over time. People are comfortable with the current organizational culture. They need strategic changes to suit to the present day needs. Employees in the entire company talk about organizational culture. They need to expect some sort of convenient organizational culture. Culture is the environment that surrounds us at work all of the time. Culture is a powerful element that shapes our work, enjoyment, relationships and work processes. A congenial organizational culture makes people happy and retains them forever. It will definitely lead to employee retention.

1.5.1.7 Terminal benefits

Providing terminal benefits at the end of the service of an employee will be a added advantage as it provides security for future life. Each and every employee must expect some quantum of money at the end of his service to lead a peaceful life after retirement. However there are statutory obligations on the part of the organizations to provide Employee Provident Fund and gratuity. This may also cause for retention of employees.

1.6 Reasons for attrition

Employees expect more from their jobs, including a healthy working environment and a sense of accomplishment. For many firms, surprise that employee departures can have a negative effect on the execution of business plans and may eventually cause a parallel decline in productivity.
The research shows the general reasons for employee departures and depicted from Figure 1.3.

**Figure 1.3 Reasons for Employee Departures**

Source: Research report ‘Employee Attrition’, Reed Consulting, UK

i. Employee/manager relationship.

ii. Inability to use core skills.

iii. Not able to impact the organization’s goals, mission.

iv. Frequent reorganizations; lack of control over career.

v. Inability to grow and develop.

vi. Employee/organization values misalignment.

vii. Lack of resources to do the job.

viii. Better organizational climate.

ix. Unclear expectations.

x. Lack of flexibility; no work life balance.

xi. Salary with other non-monetary benefits.
1.6.1 Reasons of attrition in Automobile sector

Today manufacturing is technology-dependent and there are high levels of atomisation in every industry. Technology drives everything and anyone can be trained on technology-related matters these days. The typical reasons why employees wish to leave any organization for another are the same: better compensation, better opportunities, the nature of the job, health problems. At all levels of management, the pattern remains the same across manufacturing, marketing, and service companies: junior managers cite compensation as the primary reason for leaving; managers at all other levels choose career opportunities and health and the nature of the job are relevant only for senior-level and top managers.

Manufacturing Industries are competitive only at the entry level and senior levels. This is evident from the fact that the Manufacturing Sector is seen to be a good launch pad for fresh Engineers. Employees in Manufacturing, especially in Line functions, are least satisfied with the level of innovation in their compensation package. The voluntary job related reasons for employee to change from one company to other is depicted in Figure 1.4

\[12\] Gallop
Figure 1.4 Reasons for attrition in automobile industry
Source: Gallop

While the salaries at the entry and junior levels of management are competitive, the manufacturing sector finds itself hard put to match salary levels of the new economy sector in the middle and senior levels of management.

The manufacturing sector has a challenge of retaining talent at the upper echelons of the management. Perhaps the biggest reason for this is that this sector finds its hands tied when it comes to making counter-offers to separating employees.

Pay grades are defined very rigidly in this sector and there is very little room for negotiation. Besides, the rise in salary levels across levels is not as high.
There is clearly a need to bring in ‘a breath of fresh air’ in compensation structuring in the manufacturing industry - less employees here perceive fairness and transparency in salary hikes, promotion practices etc. More employees are unhappy with the level of innovation in their compensation package as also with the ability of the package to address medical needs of dependent parents. Although employees agree that their salaries are competitive and their pay package flexible, more employees in this sector are dissatisfied with existing reward-for-performance systems.

In an intensely competitive environment, where Human Resource managers are poaching from each other, organizations can either hold on to their employees tight or lose them to competition. For gone are the days, when employees would stick to an employer for years for want of a better choice. Now, opportunities are abound.

1.7 GLOBAL PERSPECTIVE OF RETENTION MANAGEMENT

From the global point of view, retention management includes competitive salary, work-life balance, providing adequate training to the employees, conducting semi-annual reviews to determine employees job performance, conducting celebrations and providing suitable rewards and recognitions for the employees as an act to motivate them for their good performance. These factors could be viewed globally both from employer and employee perspective.

When it comes to retaining current employees, the latest research shows that two inter-related retention strategies out perform all others by a considerable margin. Firms are strongly advised to adopt these measures. The first relates to the assessment and reward of managers. The second to use the
periodic retention focused interviews. Managers are the linking factor between the two strategies and their role is a vital one if the plan is to succeed. Without the support of managers many a retention strategy that looked good on paper has failed to deliver in practice. Other measures may be applicable in certain circumstances. It is important to take note of the destinations of departing employees. It may be that employees are leaving to join indirect competitors for their services rather than traditional rivals. Understanding the appeal of the real competition is a vital element of any retention effort. This can be done on a micro or macro basis though it is wise to recognize that it is the individual that makes the decision to leave and their criteria are what really matters. Employee attitude surveys will sometimes provide valuable insight with regards to turnover. However, it has to be said that there are serious reliability issues with both surveys and exit interviews. Where additional employee insight is needed, the nominative group technique is to be recommended. This form of focus group is especially appropriate for diagnosing the causes of turnover within different groups.

![Figure 1.5 Global View of Employee Retention Management](irc.queensu.ca)

**Figure 1.5 Global View of Employee Retention Management**
Source: irc.queensu.ca
Besides these the other factors are depicted in Figure 1.5 from which it is inferred that the top three retention factors are employee engagement (4.51), work-life balance (4.19), and learning and development opportunities (4.15). The other five factors also remain significantly important to retaining talented employees which include role clarity (4.13), organizational value alignment (4.04), career advancement opportunities (4.02), employee recognition/appreciation (3.96), and compensation (3.68). Figure 3 rank orders the factors that contribute to employee retention.

1.8 INDIAN PERSPECTIVE OF RETENTION MANAGEMENT

As of now, the following strategies are followed in retaining any the employees which has become a challenge for any company in the market. The management has to provide a good working environment, better compensation both monetary as well as non-monetary, better co-ordination and communication among superiors and subordinates, providing flexible working schedules, better investment for training and development so that they can provide the employees a better learning environment. In addition to this the management should provide support, promote corporate culture and employee empowerment so that they will have job satisfaction which will lead to high employee retention.

The Indian perspective of retention management is depicted in Figure 1.6.14 where higher preference is given for better communication

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13 www.google.com
14 Research.timesjob.com
among superior and subordinates, training and growth opportunities and 16 percentage has mentioned that by improving monetary benefits retention could be improve.

![Figure 1.6 Indian Perspective of Retention Management](source: Research.timesjob.com)

1.8.1 Employee Retention Strategies

Automobile companies have now realized the importance of retaining their quality workforce. Retaining quality performers contributes to productivity of the management and increases morale among employees. For any organization to do well and earn profits it is essential that the high potential employees stick to it for a longer duration and contribute effectively. The employees who spend a considerable amount of time tend to be loyal and committed towards the management and always decide in favour of the organization. When an individual spends a good amount of time in an organization, he gets emotionally bonded to it and strives hard for furthering the brand image of the organization, based on these there are four basic factors that play an important role in increasing employee retention include salary and
remuneration providing recognition, benefits and opportunities for growth. The four basic factors are well exhibited in the Figure 1.7\textsuperscript{15}.

![Figure 1.7 Employee Retention Strategies](Retention.naukrihub.com)

**Figure 1.7 Employee Retention Strategies**
Source: Retention.naukrihub.com

1.8.2 Importance of Employee Retention

Employee retention has become a major concern for corporates in the current scenario. Individuals once being trained have a tendency to move to other organizations for better prospects. Lucrative salary, comfortable timings, better ambience, growth prospects are some of the factors which prompt an employee to look for a change. Whenever a talented employee expresses his willingness to move on, it is the responsibility of the management and the human resource team to intervene immediately and find

\textsuperscript{15} Retention.naukrihub.com
out the exact reasons leading to the decision. The ways in which employee retention benefits the selected automobile companies are as follows

1.8.2.1 Hiring is not an easy process

The Human Resource professional shortlists few individuals from a large pool of talent, conducts preliminary interviews and eventually forwards it to the respective line managers who further grill them to judge whether they are fit for the organization or not. Recruiting the right candidate is a time consuming process.

1.8.2.2 Investment of time and money

A new joinee is completely raw and the management really has to work hard to train him for his overall development. It is a complete wastage of time and money when an individual leaves an organisation all of a sudden. The Human resource department has to start the recruitment process all over again for the same vacancy which involves a lot of time and money waste.

1.8.2.3 When an individual resigns and join the competitors

In the above situation the employees tend to take all the strategies, policies from the current organization to the new one. Individuals take all the important data, information and statistics to their new organization and in some cases even leak the secrets of the previous organization. To avoid such cases, it is essential that the new joinee is made to sign a document which stops him from passing on any information even if he leaves the organization. Strict policy should be made which prevents the employees to join the competitors. This is an effective way to retain the employees
1.8.2.4 The employees working for a longer period of time

These employees perform better than individuals who change jobs frequently. Employees who spend a considerable time in an organization know the organization in and out and thus are in a position to contribute effectively.

1.8.2.5 Every individual needs time to adjust with others

One needs time to know his team members well, be friendly with them and eventually trust them. Organizations are always benefited when the employees are compatible with each other and discuss things among themselves to come out with something beneficial for all. When a new individual replaces an existing employee, adjustment problems crop up. Individuals find it really difficult to establish a comfort level with the other person. After striking a rapport with an existing employee, it is a challenge for the employees to adjust with someone new and most importantly trust him. It is a human tendency to compare a new joinee with the previous employees and always find faults in him.

1.8.2.6 Loyalty towards the management

The employees enjoy all kinds of benefits from the organization and as a result are more attached to towards the organization. The employees hardly badmouth their organization and always think in favour of the management. For them the organization comes first and all other things later.
1.8.3 Employee retention tools

The selected automobile companies are applying the following employee retention tools for retaining its employees for a longer period of time. They are as follows

1.8.3.1 Employee Reward Program

The Organization can make a provision of Monthly or Quarterly Award (depending upon the budget) for the best employee, Awarding 2 or 3 best workers each month. The award can be in terms of gifts or money. If it is money then it should be divided into two parts, first part to be given with the next month salary and the remaining after 6 months. In this way he/she can be retained for 6 more months. These rewards shall be considered at the time of appraisal.

1.8.3.2 Career Development Program

Every individual is worried about their career. The organizations can provide them conditional assistance for certain courses which are beneficial from your business point of view. Conditional assistance means the company will bear the expenses only if he/she gets an aggregate of certain percentage of marks. And entrance to that course should be on the basis of a Test and the number of seats to be limited. For getting admitted to such program, the organization can propose them to sign a bond with the company, like they cannot leave the company for 2 years or something after the successful completion of the course.
1.8.3.3 Performance based Bonus

The employee always comes to know about the profit of the company which is of course based on the strategic planning of the top management and the productivity of the employee. To get more work out of the employee, companies can make a provision of Bonus. By this employee will be able to relate himself with the company’s profit and hence will work hard. This bonus should be productivity based. The company can make sure that this bonus is not adding extra-pressure on the budget of the Company and the company can arrange this by cutting a part of the salary hikes and presenting it to the employees in the form of bonus.

1.8.3.4 Employee Referral Plan

Company can introduce Employee Referral Plan. This will reduce the cost (charges of external consultants and searching agencies) of hiring a new employee and up to an extent you can rely on this new resource. On every successful referral, employee can be given a referral bonus after 6 or 9 months of continuous working of the new employee as well as the existing employee. By this the organizations can get a new employee at a reduced cost as well as are retaining the existing one for a longer period of time.

1.8.3.5 Loyalty Bonus

The Company can introduce a Loyalty Bonus Program in which they can reward their employee after a successful completion of a specified period of time. This can be in the form of Money or Position. This will encourage the fellow employees as well whether they are interested in money or position, they will feel fascinated.
1.8.3.6 Giving a voice to the Knowledge Banks

First of all the organizations should try to retain their workforce intact, as they are the intellectual asset of the company. And above that you can’t afford losing your knowledge banks. These are the people who stabilize the process. They can be involved in some of the decisions.

1.8.3.7 Employee Recreation

The organizations should also let their employees to enjoy in a light mood. Companies can take their employees to a trip or for an outing every year or bi-yearly. You can make use of this trip as well. It can be started with an opening note about the management views and plans, strategies etc. At the same time they can involve the top management into some of the fun activities as this will make feel the employees that they are very close to the management and everybody is same.

1.8.3.8 Gifts at some Occasions

The management can give some gifts at the time of one or two festivals to the employees making them feel good and understand that the management is concerned about them.

1.8.3.9 Accountability

The organizations should make each employee to be filled with this sense, he/she will seldom think of leaving the company.
1.8.3.10 Making the managers effective and easily accessible

The Organization should make the management easily accessible so that the employee expectations can be clearly communicated to the top management, as it is impossible for the top management to reach each employee frequently.

1.8.3.11 Surveys

The management should conduct regular surveys for feedbacks from employee about their superiors as well as other issues like food, development plans and other suggestions. This will make them feel of their importance and the caring nature of the company. Some of the suggestions might be of real good use for the company.

1.9 STATEMENT OF THE PROBLEM

In Global economy Employee Retention has become a burning problem because, most of the employees are leaving the organizations as they like on account of taking up employments elsewhere. Even in some of the cases, the employees are not even informing the organizations about their intention to leave. However, some of them are giving prior notices to leave the organizations and firms as per the norms of the organization and taking better prospects. This will create a great disturbance to the organizations for want of suitable substitutes immediately due to sudden relief of its employees. Organizations and firms are taking up Program for recruitment of the employees to fill up the consequential vacancies. Because of the new employees appointed from time to time in the place of the employees left, the organization suffers a lot to stimulate the new employees for desired
objectives and goals. This will affect badly on the HR policies of the automobile Organizations. To overtake this problem, major steps have to be undertaken for the retention of the employees in an organization for the better sustainability and cognitive involvement.

Individuals and organizations both aim at satisfying their needs. However there exists a gap between the organizational and individual goals, this creates a major problem between employer and employee relation. So the organizations have to take steps to reduce these discrepancies so that retention of employee will be high for any organization. The individuals should also realize their actual needs and should inform the management for betterment of their career. Attrition rates are higher in any organization where human resources are undervalued, any organization which aims for higher retention should concentrate on retention as a key factor.

Understanding Employee Opinion and analyzing the retention factors are critical to an organizational success. An employee interprets their organization environment with their own perception. Many studies concerning employee retention have been conducted in many sectors namely Business Process Outsourcing, Information Technology and Health Care Industry. One of the sectors that was not paid attention was Automobile Industry, which contributes to a major portion of the National Income.

Thus, the present study aims to analyze and enhance the employee retention practices in the selected automobile companies in India. The study also aims to provide certain suggestions and recommendations to the organization for retaining its employees.
1.10 COMPANY PROFILE

Introduction

One of the major industrial sectors in India is the automobile sector. Subsequent to the liberalization, the automobile sector has been aptly described as the sunrise sector of the Indian economy as this sector has witnessed tremendous growth.

Automobile Industry was licensed in July 1991 with the announcement of the New Industrial Policy. The passenger car industry was, however, delicensed in 1993. No industrial license is required for setting up of any unit for manufacture of automobiles except in some special cases. The norms for Foreign Investment and import of technology have also been progressively liberalized over the years for manufacture of vehicles including passenger cars in order to make this sector globally competitive.

At present 100% Foreign Direct Investment hereafter referred to as “FDI” is permissible under automatic route in this sector including passenger car segment. The import of technology/technological upgradation on the royalty payment of 5% without any duration limit and lump sum payment of US$ 2 million is also allowed under automatic route in this sector. With the gradual liberalization of the automobile sector since 1991, the number of manufacturing facilities in India has grown progressively. The turn of the twentieth century witnessed the dawning of the automobile industry. Tinkering bicycle, motorcycle, buggy, and machinery entrepreneurs in Europe and the United States led to the first prototypes of automobiles in the late nineteenth century. French woodworking machinery makers Rene Panhard and Emile Levassor built their first car in 1890 with an engine designed in Germany by
Gottlieb Daimler and Wilhelm Maybach. Armand Peugeot, a French bicycle maker, licensed the same engine and sold his first four lightweight cars in 1891. German machinist Carl Benz followed the next year with his four-wheeled car and in 1893 Charles and Frank Duryea built the first gasoline-powered car in the United States. Ransom Olds is credited as the first mass producer of gasoline-powered automobiles in the United States, making 425 “Curved Dash Olds” in 1901. The first gasoline-powered Japanese car was made in 1907 by Komanosuke Uchiyama, but it was not until 1914 that Mitsubishi mass-produced cars in Japan.16

Each region in the triad North America, Europe, and Asia has made significant contributions to process, product, and organization throughout the twentieth century. These innovations together have shaped the competitive structure of the automotive industry that exists today. The organization of production inputs—such as labor and suppliers of components and materials—as well as the configuration of distribution channels are also important dimensions of the growth and evolution of the industry. Furthermore, various forces outside the industry shape industry structure and strategies: trade flows; regional and international movement of capital; regional and global policies on trade, environmental regulation, and intellectual property, particularly in emerging economies; and the infusion of information technology throughout the procurement, production, and distribution systems.

The automotive industry is dynamic and vast, accounting for approximately one in ten jobs in industrialized countries. Developing countries often look to their local automotive sector for economic growth opportunities,

16 Society of Indian Automobile Manufacturers Report 2011
particularly because of the vast linkages that the auto industry has to other sectors of their economy. The Segment wise market share in 2010-11 is exhibited in Figure 1.8

I Two Wheelers

II Three Wheelers

III Commercial Vehicles and Passenger Vehicles

Figure 1.8 Segment Wise Market Share in 2010-11
Source: Society of Indian Automobile Manufacturers Report 2011

The turnover of the auto component industry stood at Rs. 1821.27 billion (USD 39.9 billion) for the period April 2010 to March 2011, registering a growth of 34 per cent (in rupee terms) over the previous year.18

17 Confederation of Indian Industry
18 Society of Indian Automobile Manufacturers Report 2011
1.10.1 Growth Drivers of Indian Automobile Market

1. Rising industrial and agricultural output
2. Rising per capita income
3. Favourable demographic distribution with rising working population and middle class Urbanization
4. Increasing disposable incomes in rural agricultural-sector
5. Availability of a variety of vehicle models meeting diverse needs and preferences
6. Greater affordability of vehicles
7. Easy finance schemes
8. Favourable government policies
9. Robust production

1.10.2 India's Position in World's Production

1. Well-developed, globally competitive auto ancillary industry
2. Established automobile testing and R&D centres
3. Among one of the lowest cost producers of steel in the world
4. World's second largest manufacturer of two wheelers
5. Fifth largest manufacturer of commercial vehicles
6. Manufactures largest number of tractors in the world
7. Ninth largest car manufacturer in world

The above said statement has been inferred from Table 1.1.
Table 1.1 India’s Automobile Production

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Vehicle</td>
<td>353703</td>
<td>391083</td>
<td>519982</td>
<td>54906</td>
<td>417126</td>
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<tr>
<td>Three wheelers</td>
<td>374445</td>
<td>434423</td>
<td>556126</td>
<td>500660</td>
<td>501030</td>
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<td>Passenger Vehicle</td>
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<td>109300</td>
<td>1545223</td>
<td>1777583</td>
<td>1838697</td>
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<tr>
<td>Two Wheelers</td>
<td>6529829</td>
<td>7608697</td>
<td>8466666</td>
<td>8026681</td>
<td>8418626</td>
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<td>Total</td>
<td>86467853</td>
<td>9743503</td>
<td>11087997</td>
<td>1085390</td>
<td>11175479</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automobile Manufacturers

1.10.3 Domestic Sales

Table 1.2 Automobile Domestic Sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Vehicle</td>
<td>1061572</td>
<td>1143076</td>
<td>1379979</td>
<td>154882</td>
<td>1551880</td>
</tr>
<tr>
<td>Commercial Vehicle</td>
<td>318430</td>
<td>351041</td>
<td>467765</td>
<td>490494</td>
<td>384122</td>
</tr>
<tr>
<td>Three wheelers</td>
<td>307862</td>
<td>359920</td>
<td>40390</td>
<td>364781</td>
<td>349719</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>6209765</td>
<td>7052391</td>
<td>7872384</td>
<td>7249278</td>
<td>7437670</td>
</tr>
<tr>
<td>Total</td>
<td>7897629</td>
<td>8906428</td>
<td>10123988</td>
<td>9654435</td>
<td>9723391</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automobile Manufacturers

The following points are inferred from Table 1.2.

1. Passenger car sales increased by 4.24 per cent to 1.946 million units (from 1.867 million units in 2010), two-wheeler sales by 16.22 per cent to 13 million units and three-wheeler sales by 4.74 per cent to 525,000 units

2. For 2011-12, passenger cars sales are expected to grow at 0-2 per cent, two-wheelers at 13-15 per cent and commercial vehicles at 18-20 per cent.

3. Overall automobile exports registered a growth rate of 28.97 per cent during April December 2011. Passenger Vehicles
registered grew 18.14 per cent in this period while two wheelers, commercial vehicles and three wheelers segments recorded growth of 29.75 per cent, 24.66 per cent and 42.63 per cent respectively.

1.10.4 Major Players of Indian Automobile Industry

In the following Table 1.3 Light Commercial Vehicle (herein after referred as “LCV”), Heavy Commercial Vehicle (herein after referred as “HCV”), Medium and Heavy Commercial Vehicle (herein after referred as “M and HCV”), and Multiple Utility Vehicle (herein after referred as “MUV”).

Table 1.3 Major Players in Indian Automobile Industry

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Companies</th>
<th>Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ashok Leyland</td>
<td>LCVs, M&amp;HCVs, buses</td>
</tr>
<tr>
<td>2.</td>
<td>Asian Motor Works</td>
<td>M&amp;HCVs</td>
</tr>
<tr>
<td>3.</td>
<td>Baai Auto</td>
<td>Two and three wheelers</td>
</tr>
<tr>
<td>4.</td>
<td>BMW India</td>
<td>Cars and MUVs</td>
</tr>
<tr>
<td>5.</td>
<td>Daimler Chrysler India</td>
<td>Cars</td>
</tr>
<tr>
<td>6.</td>
<td>Eicher Motors</td>
<td>LCVs, M &amp; HCVs</td>
</tr>
<tr>
<td>7.</td>
<td>Fiat India</td>
<td>Cars</td>
</tr>
<tr>
<td>8.</td>
<td>Force Motors</td>
<td>MUV sand LCV s</td>
</tr>
<tr>
<td>9.</td>
<td>Ford India</td>
<td>Cars and MUV s</td>
</tr>
<tr>
<td>10.</td>
<td>General Motors India</td>
<td>Cars &amp;MUVs</td>
</tr>
<tr>
<td>11.</td>
<td>Hero Honda Motors</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>12.</td>
<td>Hindustan Motors</td>
<td>Cars, MUV s and Lev s</td>
</tr>
<tr>
<td>13.</td>
<td>Honda</td>
<td>Two wheelers, cars and MUVs</td>
</tr>
<tr>
<td>14.</td>
<td>Hyundai Motors</td>
<td>Cars and MUV s</td>
</tr>
<tr>
<td>15.</td>
<td>Kinetic Motor</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>16.</td>
<td>Mahindra &amp; Mahindra</td>
<td>Three wheelers, cars, MUV s, LCV s</td>
</tr>
<tr>
<td>17.</td>
<td>Maruti Suzuki</td>
<td>Cars, MUV s, MPV s</td>
</tr>
<tr>
<td>18.</td>
<td>Piaggio</td>
<td>Three wheelers, LCV s</td>
</tr>
<tr>
<td>19.</td>
<td>Royal Enfield Motors</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>20.</td>
<td>Skoda Auto India</td>
<td>Cars</td>
</tr>
<tr>
<td>21.</td>
<td>Suzuki Motorcycles</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>22.</td>
<td>Swaraj Mazda Ltd</td>
<td>LCVs, M &amp; HCVs, buses</td>
</tr>
</tbody>
</table>
1.10.5 Modern economic origins of the automobile industry

The auto industry has passed through several stages: (1) craft production (1890-1908), in which dozens of small enterprises vied to establish a standard product and process; (2) mass production (1908-1973), precipitated by Henry Ford’s moving assembly lines, which became the standard operating mechanism of the industry; and (3) lean production (1973–present), which was initially developed at Toyota under the leadership of Taichi Ohno during the 1950s, and which introduced a revolutionary management process of product-development and production.

Mechanization of auto production has also been transformed over the past century, led by the need for faster and lower-cost production on the supply side of the industry. Ford’s mass-production system relied on standardized designs to enable the construction of assembly plants that were fully automated and utilized interchangeable auto parts. In its heyday, between 1908 and 1920, Ford streamlined the assembly process to the point where it took just over an hour and a half to produce one car. Setting the industry standard for production enabled Ford to take the lead in market share, but it also led to a complacent mindset that hindered innovation. In the 1920s General Motors improved on Ford’s assembly line process by introducing flexibility into the production system, enabling faster changeovers from one model to the next. However, it took half a century after Ford stopped mass producing Model T’s in 1927 for another production paradigm to emerge as the standard in the global automotive industry. Toyota’s lean production system which had its beginnings in 1953 drove productivity to new heights by replacing the “push” system with a “pull” system. Instead of producing mass quantities of vehicles and pushing them through to dealerships to sell to
customers or hold as inventories, the lean system pulled vehicles through the production process based on immediate demand, minimizing inventories at suppliers, assemblers, and dealerships. Just-in-time production also gave a larger responsibility for product design, quality, and delivery to assembly workers and suppliers than did the mass-production system. Suppliers were not vertically integrated into auto assembler operations, but rather networked to the assemblers via long-term contracts. This total system of cost-minimization and responsiveness to customer demands revolutionized auto manufacturing on a global scale, although the model has been adapted to regional conditions.

Product innovation in the automotive industry has mainly been a response to customer demands, although product positioning is a critical strategic variable for automakers. Ever since General Motors began producing different types of vehicles for different product segments, thereby ending the reign of Ford’s low-price, monochromatic Model T, the ability to vary products on several dimensions has been the main strategic variable of auto producers. U.S. automakers have mainly been responsive to customers’ desires for comfort, speed, and safety, and have developed rugged drive trains, plush suspensions and interiors, and stylish chassis and bodies. In contrast, European auto producers have focused their attentions on performance and agility features of vehicles, such as steel-belted radial tires, disc brakes, fuel injection, and turbo diesel engines. For Japanese producers, the miniaturization culture and the scarcity of fuel, materials, and space largely determine the specifications of cars.

Organizational innovations have also occurred over the past century. In concert with the introduction of mass production techniques came the
vertical organization of production processes. Auto assemblers internalized the production of critical components in an effort to minimize transaction costs associated with late deliveries and products that were not produced to exact specifications. For example, the share of components purchased from outside suppliers relative to the wholesale price of an American car dropped from 55 percent in 1922 to 26 percent in 1926. During the Great Depression, this propensity to internalize production eased, with suppliers gaining independence and importance in the replacement parts market. Automakers found that a highly vertical organizational structure did not permit the flexibility in operations necessary for product innovation. In the 1930s, Ford’s vertically integrated and centrally controlled organizational structure gave way to the multidivisional organizational structure that was implemented by Alfred Sloan at General Motors Corporation (herein after referred to as “GM”). Sloan’s decentralized configuration of GM fostered an independent environment for the development, production, and sales of a wide variety of vehicles. With the lean production revolution came. The introduction of organizational reform referred to as the extended enterprise system. Although Japanese auto manufacturers established and diffused efficient mechanisms of supply chain management throughout the industry, Chrysler Corporation is credited with successfully implementing these innovations in the American venue.

1.10.5.1 Competitive structure

Rivalry among assemblers in the automotive industry, once contained within national boundaries, has evolved into global competition. First movers established market dominance in the early 1900s, and their brands are still the most recognized by consumers today. The fact that auto
producers choose market strategies based on what their rivals are doing indicates that this is an oligopolistic industry. What is interesting here is that market leadership remains dynamic: It is not a given that General Motors or Toyota or Daimler Chrysler will be the market leader of tomorrow.

Before industry standards for products and production were established, hundreds of automakers existed, each vying to establish a beachhead in the industry. In the United States, for example, the year 1909 saw the largest number of automakers in operation in a given year 272 companies. It is estimated that in the first twenty years of the industry’s existence, over five hundred firms entered the industry in the United States alone. The 1920s brought a wave of precipitous exits by auto manufacturers, with many firms merging into more profitable companies. In the 1930s General Motors became the market leader, with Ford slipping to second place because of a yearlong changeover in production from the Model T to the Model A. By 1937 General Motors, Ford, and Chrysler long referred to as the Big Three had 90 percent of total sales in the U.S. market, forming a dominant-firm oligopoly (General Motors accounted for 44.8%, Chrysler 25%, and Ford 20.5%). By the 1960s, only seven domestic auto producers remained.

In the late 1990s Japanese auto manufacturers took over more than a quarter of the U.S. market, and Big Three market share slipped below 70 percent. Today, there are only two-and-a-half U.S. automakers General Motors, Ford, and DaimlerChrysler—collectively capturing 58.7 percent of the U.S. market. GM still has the largest share of the U.S. market (27.3%), but Toyota’s market share in the United States is just one percentage point below Chrysler’s (13%). Worldwide, market concentration has also been declining
since the mid-1980s, with entrants such as Hyundai/Kia diluting the collective market share held by dominant automakers.

Market rivalry in the auto industry centers on two strategic variables: (1) product variety and quality, and (2) transactions price, which is manipulated to boost sales. The tension between shareholder concerns about short-term profitability and a company’s desire for long-term viability is palpable. Automakers must attract and maintain a solid customer base, building allegiance to brand name in an effort to maximize earnings in the long term. Maintaining high customer repurchase rates is critical to long-term profitability in the industry. Therefore, automakers attempt to attract and keep customers from the purchase of their first car in their late teens until retirement and thereafter. Product variety at all of the major automakers spans the full spectrum from small to full-sized cars, although some automakers are better known in particular market niches. For example, Mercedes, BMW, Lexus, Infiniti, and Acura capture a third of the upscale market in the United States, whereas Buick, Ford, Mercury, and Toyota are known for their family-styled traditional cars. Turnkey reliability is the hallmark of Japanese makes, whereas Ford, Chevrolet, and Toyota appeal to buyers of small or sporty vehicles. The fastest growing market segment in the United States in recent years has been sport utility vehicles (SUVs). By the early 2000s, SUVs captured 55 percent of vehicle sales.

Auto producers have used various means to develop a full line of product offerings for a broad spectrum of customers. For example, GM has historically used acquisition or shareholdings to offer a variety of brands—including Chevrolet, Oldsmobile, Pontiac, Buick, GMC, and Cadillac. In the late 1970s, GM purchased shares in Suzuki and Isuzu subcompacts and
imported those vehicles, in part to satisfy Corporate Average Fuel Efficiency requirements. In recent years, Ford-Mercury-Lincoln has also diversified its portfolio by acquiring Volvo and Jaguar. Toyota, Honda, and Nissan initiated a clever marketing ploy in the 1980s aimed at selling luxury vehicles in the United States: They named their luxury brands Lexus, Acura, and Infiniti, respectively, even though these cars are built on the same platforms as their other vehicles.

Product quality has been converging over time. As recently as 1998, European and Japanese makes had fewer vehicle defects than average for cars in their first few months on the road, whereas U.S. and Korean cars had more defects than average. By 2004 vehicles from all four regions were within ten defects per hundred vehicles of the average, which had fallen from 176 to 119 defects per hundred vehicles. Interestingly, both the Japanese and the South Korean newcomers outperformed U.S. and European vehicles on this quality scale.

To attract customers to a brand, small cars are at times used as a loss leader; that is, a firm will sell their low-end vehicle at a price below invoice, while recuperating large returns on SUVs, luxury brands, and specialty cars. Another pricing strategy that is often used by automakers to clear inventories and to get the customer in the door is discounting. At particular times of the model year (which typically begins in October and ends in September of the following year) direct assembler-to-customer discounts as well as dealer-to-customer discounts are used to adjust transaction prices to ebbs and flows in demand. If the revolutionary pull system becomes pervasive in the auto industry, the need to manage inventories through end-of-model-year discounting could become obsolete. However, product positioning will
continue to be an important competitive variable for automakers because demographic attributes drive the needs and desires of customers.

Automotive suppliers have been gaining global importance in the automotive industry, taking on the primary responsibility for product development, engineering, and manufacturing for some critical systems in the automobile. In its initial stage of development, the auto industry was comprised of auto assemblers that integrated parts production into the enterprise. Independent auto parts producers mainly supplied aftermarket parts. Throughout the twentieth century, this vertically integrated structure within assemblers has been replaced by a more network-oriented tiering structure. Here, assemblers coordinate design and production efforts with premier first-tier suppliers, while these suppliers are responsible for global coordination of the supply of their subassemblies and for the coordination of production by sub-tier parts manufacturers. Thus, first-tier suppliers have been rivaling automakers in market power and in share of value added to any given vehicle. While it seems unlikely at this time that such suppliers will evolve into complete vehicle manufacturers, the profit generated by the sale of a vehicle is shifting toward the supplier and away from the traditional assembler. Automakers, therefore, face stiff rivalry both from other automakers and from dominant suppliers. Only a select few suppliers have achieved “true global competency” in the production of automotive systems, but the industry trend is pointing in this direction. The “Intel Inside” phenomenon seen with computers in which the supplier’s brand identity is critical for the sale of the final product has not yet taken over the automotive industry, although “Hemi Inside” could be an emerging example.
As manufacturing momentum shifted towards auto parts suppliers, so too did the share of labor. Since the early 1960s, total employment in the U.S. auto industry has ranged between 700,000 and just over 1 million workers. Up until the mid-1980s, auto assemblers employed the majority of those workers, but from then on the employment share for automotive parts suppliers in the United States has consistently been greater than the share of workers at assembly plants. Between 1987 and 2002, the share of automotive sector employment at assembly plants declined from 44 percent to 36 percent, whereas the share of workers at automotive suppliers increased from 46 percent to 54 percent. Add to this change the influx of mostly non-unionized automotive transplants (foreign suppliers and assemblers), the outsourcing of parts and assembly to foreign nations, and the general sectoral shift away from manufacturing toward the service sector, and it is clear that the 1980s marked a turning point for labor in the U.S. auto industry.

Labor unions that represent autoworkers in the United States have had to weather a myriad of undulations in domestic business cycles since 1935, when the United Auto Workers (UAW) was founded. (Other unions that represent auto workers in the United States include the International Association of Machinists and Aerospace Workers of America, the United Steelworkers of America, and the International Brotherhood of Electrical Workers.) Recent changes in the organization of the auto industry and in the ownership of domestic firms, however, present uniquely formidable challenges to union strength. First, the implementation of lean manufacturing techniques and the drive to achieve globally competitive prices, quality, and delivery standards is likely to precipitate job cuts as suppliers strive to increase productivity. Second, only a few automotive transplants in the United States
allow union status namely, NUMMI (GM-Toyota), Diamond Star (Chrysler-Mitsubishi), and Auto Alliance (Ford-Mazda), all of which are joint ventures with U.S. companies. Yet, total transplant employment is rising between 1993 and 2003 employment at transplants in the United States rose from 58,840 to 93,408. The UAW continues to strive to organize labor at transplants and is targeting supplier parks near unionized assemblers in an attempt to maintain location control. Third, outsourcing of production in a continuously globalizing industry diminishes the bargaining power of unions not just in the United States, but in Europe as well. Fourth, auto assemblers and suppliers are increasing their utilization of temporary workers. In Germany, BMW has a pool of temporary workers that can be utilized at different factories as needed, and in the United States auto assemblers are increasingly employing contract workers to reduce costs.

The globalization of the auto industry appears to challenge the status quo for labor in traditional regions of vehicle production. As employment in the industry shifts toward the supplier sector and toward emerging economies, the attempt to maintain good wages at traditional plants is paramount for autoworkers. Total hourly labor cost at GM and Ford for 2005 was estimated at $65.90, with $35.36 in wages and $30.54 in benefits, healthcare, and retirement costs. Other estimates for 2004 show earnings of production workers at assembly plants at $1,217 per week, whereas workers at parts plants earn $872 weekly, and workers in all manufacturing industries make an average of $529 per week. Autoworkers—particularly those who work in assembly plants in developed countries—certainly have a great deal at stake as the industry continues to globalize.
By contrast to labor, the power that dealerships exert on assemblers has historically been minimal. The push system of production meant that dealerships were the repositories for the inventory overruns of auto assemblers. Also, up until the 1960s, dealerships could legally be controlled by automakers. Therefore, auto dealers earn the majority of their profits from aftermarket sales of parts, accessories, supplies, and service, all of which are a small portion of their business.

1.10.6 Organizational Structure of Automobile Manufacturing Companies

![Organizational Structure of Automobile Companies](image)

Figure 1.9 Organizational Structure of Automobile Companies

References for business.com
1.10.7 Profile of Major Players in India

1.10.7.1 Ashok Leyland Ltd

Ashok Leyland is a commercial vehicle manufacturing company based in Chennai, India. Founded in 1948, the company is one of India's leading manufacturers of commercial vehicles, such as trucks and buses, as well as emergency and military vehicles. Operating six plants, Ashok Leyland also makes spare parts and engines for industrial and marine applications. It sells about 60,000 vehicles and about 7,000 engines annually. It is the second largest commercial vehicle company in India in the medium and heavy commercial vehicle (M&HCV) segment with a market share of 28% (2007–08). With passenger transportation options ranging from 19 seaters to 80 seaters, Ashok Leyland is a market leader in the bus segment. The company claims to carry over 60 million passengers a day, more people than the entire Indian rail network. In the trucks segment Ashok Leyland primarily concentrates on the 16 ton to 25 ton range of trucks. However Ashok Leyland has presence in the entire truck range starting from 7.5 tons to 49 tons. The joint venture announced with Nissan Motors of Japan would improve its presence in the Light Commercial Vehicle (LCV) segment (<7.5 tons). Ashok Leyland is the second technology leader in the commercial vehicles sector of India. The history of the company has been punctuated by a number of technological innovations, which have since become industry norms. It was the first to introduce multi-axled trucks, full air brakes and a host of innovations like the rear engine and articulated buses in India. In 1997, the company launched the country’s first CNG bus and in 2002, developed the first Hybrid Electric Vehicle.
The company has also maintained its profitable track record for 60 years. The annual turnover of the company was USD 1.4 billion in 2008-09. Selling 54,431 medium and heavy vehicles in 2008-09, Ashok Leyland is India's largest exporter of medium and heavy duty trucks. It is also one of the largest private sector employers in India with about 12,000 employees working in 6 factories and offices spread over the length and breadth of India.

In 2010 Ashok Leyland acquired a 26% stake in the British bus manufacturer Optare, a company based on the premises of a former British Leyland subsidiary C.H.Roe. In December 2011 Ashok Leyland increased its stake in Optare to 75.1%. The Hinduja Group also bought out IVECO's indirect stake in Ashok Leyland in 2007. The promoter shareholding now stands at 51%. Leyland has a state of the art research and development center at Vellivoyal Chavadi which is located near Chennai.

1.10.7.2 Tata Motors Ltd

Tata Motors Limited is an Indian multinational automotive corporation headquartered in Mumbai, India. It is the eighteenth largest motor vehicle manufacturing company in the world by volume. Part of the Tata Group, it was formerly known as TELCO (herein after referred to as “TATA Engineering and Locomotive Company”). Its products include passenger cars, trucks, vans and coaches. Tata Motors is South Asia’s largest automobile company; it is the leader in commercial vehicles and among the top three in passenger vehicles. Worldwide it is the world's fourth-largest truck manufacturer and second-largest bus manufacturer. It has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad.
Tata remains India's largest heavy commercial vehicle manufacturer and Tata Daewoo is the 2nd largest heavy commercial vehicle manufacturer in South Korea. Tata Motors has jointly worked with Tata Daewoo to develop trucks such as Novus and World Truck and buses namely, Globus and Star Bus. In 2012, Tata has started developing a new line to manufacture competitive and fuel efficient commercial vehicles to face the competition posed by the entry of international brands like Mercedes-Benz, Volvo and Navistar into the Indian market.

1.10.7.3 Eicher Motors

Eicher Group is a conglomerate of the firms Eicher Goodearth Ltd., Eicher Ltd., Eicher Motors Ltd., Eicher International Ltd., and ECS Ltd., based at New Delhi, India. The Eicher company has around 2500 employees located in four manufacturing facilities and 49 marketing and area offices around India. The group has around 600 suppliers of components and sub-assemblies. The group’s products are supplied by a network of around 381 dealers distributed across India. Eicher is present in over 40 other countries. Eicher Motors is a commercial vehicle manufacturer in India. The company's origins date back to 1948, when Good earth Company was established for the distribution and service of imported tractors. In 1959 the Eicher Tractor Corporation of India Private Ltd. was established, jointly with the Eicher tractor company, a German tractor manufacturer. The Eicher Group has diversified business interests in design and development, manufacturing, and local and international marketing of trucks, buses, motorcycles, automotive
gears, and components. Eicher has invested in the potential growth areas of management consultancy services, customized engineering solutions, and maps and travel guides.

1.10.7.4 Force Motors

Force Motors is an Indian manufacturer of three-wheelers, multi-utility and cross country vehicles, light commercial vehicles, tractors, buses and now heavy commercial vehicles. It was originally named Firodia Tempo Ltd. and later after partial acquisition by Bajaj Auto as Bajaj Tempo Ltd. The company was founded in 1958 by N.K.Firodia. Abhay N. Firodia is the Chairman and Prasan Firodia is Managing Director. Force Motors started production of the Hanseat three-wheeler in collaboration with German Vidal & Sohn Tempo Werke and went on to establish a presence in the light commercial vehicles field with the Matador, the proverbial LCV (light commercial vehicle) in India. Through the 1980s and 1990s, and especially in the last five years with a major product development effort, Force Motors has introduced new light commercial vehicles, a face lifted series of Tempo Trax utility vehicles, new state-of-the-art tractors, and a new range of three-wheelers.

1.10.7.5 SML ISUZU

The Company was incorporated on 26th July, 1983 under the name Swaraj Vehicles Ltd. and changed to the present name on 27th November, 1984. The Company has been promoted by Punjab Tractors Ltd., in technical Collaboration with Mazda Motor Corporation, Japan and umitomo Corporation, Japan. The trial production was commenced in April 1985 and Commercial production by the third quarter of 1985. The main object of the
company is to manufacture light commercial vehicles. The factory is located at village Asron, Dist. Hoshiarpur, Punjab. Cholamandalam Investment & Finance Company Ltd (CIFCL), part of the Chennai-based Murugappa group, has entered into a strategic alliance with commercial vehicle major Swaraj Mazda Ltd (SML) for offering financial support to dealers and customers of Swaraj Mazda 2003 -Received an intimation from HDFC Mutual Fund regarding the change in shareholding in the company of their schemes.

1.11 REVIEW OF LITERATURE

The following segment brings into insight of the studies made by the previous scholars. This helps the present research to approach the problem in a proper way. To identify the potentially relevant articles, electronic database was used and the following literatures are reviewed.

Daniel Spxer (1986) made a study to investigate the relationship between the extent to which have opportunities to voice dissatisfaction and voluntary turnover. The research was conducted in III short general care hospitals. Result is shown that not a high numbers of employee voice are associated with high retention rate20.

John Sheridan (1992) conducted a study to investigate the retention rates of 904 college graduates hired in six public accounting firms over a six year period. The author has taken organizational culture as a dependent variable and to analyze its effects on employee retention. The organizational culture values on voluntary retention were examined through survival analysis and the statistical analyses used were descriptive statistics and correlations for

organizational cultural variables and MANOVA for organizational culture profiles. The author concluded the study by emphasizing that organizational culture has a dominant theme in retention of employees.\(^{21}\)

Koustab Ghosh (1993) made a study to identify the reasons for more turnover in managers at IT organizations. The author aimed to focus on designing and balancing the organizational social and technical sub-systems elements in order to moderate the turnover of junior and middle-level managers. They were interviewed in-depth and content analysis were made for level-wise qualitative responses. The author concluded from his study that organizational socio-technical factors have influenced on managers retention.\(^{22}\)

Rolanel et al (1996)\(^{23}\) attempted to make a study to prove that employee turnover is highest among employees who have dissatisfaction. The author suggests the organization to adopt a customer satisfaction approach that is to treat employees as a customer identify and satisfy their needs. So that they will have satisfaction which would result in retention.\(^{23}\)

Michael Machatton et al (1997) report on a survey of chain and independent restaurants in USA to analyse about current practices in selection, and retention of managerial personnel. Surveys of about 112 were taken for


\(^{23}\) Rolanel T. Rust uren L. stewart, Heather miller, Debbie pielack (1996) the satisfaction and retention of front line employees A customer satisfaction measurement approach International journal of service industry mgmt, Vol.7 Iss 5 PP.62-80
study. The result indicated that they should advocate a good selection process so that retention can be maintained.  

Kevinj Sigur (1999) from the study the author outlines the difficulty of retaining employees, covering the problems, costs and methods used to productive employees. The author depicts that the cost and benefits of using employment agencies. The study is finally concluded by predicting that the use of pay as incentive including job satisfaction will help at reducing the employee turnover and increase retention.  

Michael Jackson March (1999) conducted a research on employee retention of range complex fire Department (RCFD) with an main objective to identify what were the reasons for an employee to quit an organization and to provide suggestions to improve employee retention. The author formulated descriptive and evaluation research methods to carry out research and the researcher found out the reasons such as long work week, job dissatisfaction and lack of promotional opportunities. Finally the researcher provided suggestions to the top management to concentrate on 6 keys to identify retention such as recruiting, training, communication, job satisfaction, pay and benefits.

Hammer Marini Denton (2000) attempted to understand primary reasons of employee turnover at music bound case pvt Ltd with a sample size

25 Kevinj Sigur (1999)challengers of employee retention management research news Vol. 22 Iss. 10 PP. 1 – 5
26 Michael D. Jackson March (1999) Employee Retention an applied Research paper submitted to the national fire academy as part of the executive fire officer program
of 225 ex-employees a combination of quantitative and qualitative methods was used to conduct the study by employing email survey and in-depth interview. The data collected were analysed by employing analysis techniques like descriptive statistics and ground theory approach. These literatures of employee retention clearly states that satisfied employees are more motivated to do a job and are vigorous in improving their organization customer satisfaction.27

Sheton Karen (2001) made a study on employee development program on employee retention job satisfaction the researcher analyzed various development programs and how it had an impact in retention job satisfaction. The author used questionnaire to gather the data. It was based on 5 point likert scale. The sampling method advocated was random sample with a population of 1012 workers in united state. Comparison methodology finally suggests that this study can be used in many ways by a variety of organizations and they survey with a positive result.28

Carpitella (2002) concluded a study to examine the link between recruitment and retention. The author saw poor supervision, little direction and job expectations are the strong causes of employee turnover and he suggested that orientation practices such as meaningful direction, and alignment of job expectation make an employee to remain in organ.29

Janet Scott (2002) made a study on retention of managers at NHS Internal market. The study aimed at identifying the relationship between

length of time service manager to stay with their organization by considering variables as participation in decision making, receiving feedback and their perception of feeling valued. The outcome of study was positive where most of the managers wished that they could be included for strategic decision making.\(^{30}\)

From Thomson Directories (2002) the author aimed to show how a sense of fun and caring environment helps staff retention at Thomson directories. Data were collected through interview with human resource and facilities director of Thomson directories which revealed that by revisiting values and culture the company has improved stall retention especially among sales employees.\(^{31}\)

Mazzohol (2003) studied and documented the experiences he gained from the survey of four small business. It has been identified from the study that the organizations have to make proper recruitment and selection policy to strength its human resources so that they can hold their positions for a longer period of time.\(^{32}\)

Sunil Ram Lall (2003) made a study to identify the most significant factor that an employee’s decision to remain in an organization or to at leave large. The author further describes about developing strategies to enhance retention practices. Research sampling was a stratified random method and about 115 employees were included for survey. The study revealed that


\(^{31}\) Author unknown (2002) sense of her keeps staff at Thomson directories turnover of sales employees falls from 50 percent 30 percent human resource mgmt international digest Vol.13 Iss.7 PP. 31-33

rewards & recognition, task identify, feedback no of positions at the company and satisfaction with the position of employees are essential. The study concluded that the organization should identify the actual needs with regards to career, family, education & community so that it can reduce employee’s turnover.33

Menefee and Murphy (2004) examined a 2003 study conducted by Watson watt world wire where top 10 % of performances in 16 us companies were asked feedback on reward motivation that encourage them to return at their current organizations. The result identified that dissatisfaction with pay as the primary reason for leaving employment. The author further pointed out that monetary benefit is not an important factor for top performances but for the remaining 90% of work force are greatly benefited by this.34

Charles wood ruffe (2006) made a study with a view that having employees who are thoroughly motivated and truly engaged is the most powerful competitive weapon an organization of engaging the employees and ten point to achieve retention through engagement.35

Ing – chung Huang (2006) made a study to examine the effect of individual – based –firm- based and market factors on job retention based on human capital theory and signaling models secondary data collection was employed with a sample size of 180 employees who for other jobs retention analysis were performed to identify factors relating to worker retention.

33 Sunil Ram Lall (2003) Managing employee retention as a strategy for increasing organization competitive. Applied HRM research 2003 Volume 8 No. 2 Pages 63 – 72
According to the study the employee states that, relative pay, promotion have a direct link on employee retention.  

Clayton Gler (2006) made a study to examine effective practical and holistic people strategies. The study was to identify the value and feedback in talent and retention by development initiatives. The author concluded his viewpoint that workplace contact is key. The key element of both employees and business should so that key talent is to their on experience - based career opportunities. 

Lloyd Taylor et al (2006) Make a study on employee retention for metropolitan police and fire departments and they framed an objective to investigate the nature and extent of employee retention based on goldratt’s thinking process and made a practical implication for the study. The author finally suggested that by improving employee retention, cost on human resource expenses can be reduced. 

Chand and monga (2007) examined the correctness of job stress and burn out among 100 faculty members from two universities. The author found that, more stress creates an environment for an employee to quit. 

Kaur and Kaur (2007) attempted to make a study to identify the relationship between occupational stress and burn out among women police. 

\[\text{References}\]


37 Clayton Gler (2006), key skills retention and motivation the was for talent still rags and retention is the high ground industrial and commercial training vol. 38 Iss.1 pp.37 – 45.


39 Chand, P and monga op 2007, correlates of job stress and burn out. Journal com res, 24 (3) 243 -252
The sample comprised of 80 women police with the age group of 25 – 45. The findings concluded that the work is very stressful and so there is a higher level of burn out among women police.  

Jyotsna Bhatnager (2007) made a study to analyse how for talent mgmt strategy by Indian ITES employees drives a way for retention. A survey on a sample of 272 was taken and data were analysed using factor analysis method. The findings of the study were high levels combined with career planning, incentives, organizational culture which can achieve high employment retention.

Ian Taplin and Jonathan Winter Ton (2007) made a study to examine the role that mgmt style plays in retaining workers in a high turnover industry. Case study approach based upon extensive interviews with workers managers were used for data collection. The results concluded that positive actions by management promote worker attached to their dept heads and management which diminishes the turnover.

Hokey Hin (2007) made a study to identify key variable that affects warehouse employee turnover. The study aimed to identify the variables such as organizational occupational and individual low its results job alternatives and job satisfaction. Empirical analysis was done to identify which variable were most influenced by the warehouse employee. Questionnaire survey was

40 Kaur M and kaur s, 2007 occupational stress and burn out among women police j.com Res 24 (3) 262 – 265
41 Jyotsna Bhatnager (2007) Talent mgnt stratergy of employee in Indian ITES employees key to retention Employee Relations Vol. 29 Iss. 6 PP. 640 – 663
used to final the significant factor. The finding of the study revealed that job security turned out to be most important factor than monetary incentives.\textsuperscript{43}

Michael Chapman (2007) describes how UK health care insurance provider BHSF Ltd successfully recruits and retains. The study depicts the quality that the company looks in its graduate recruits, development program they are offered and skills they put into operation. The author concluded the study by identifying that customer relationship management, implementation of performance methods and revision of the staff performance system adopted any organization will be able to retain its employees.\textsuperscript{44}

Liz – Lee – Kelley Deborah et al (2007) made a study to demonstrate a relationship between learning organization and the potential to retain knowledge workers. The author emphasized that job satisfaction facts and turn over intent as they for their knowledge workers. A survey was under taken with workers in IT industry measured on scale the instrument was designed to explore the impact between learning organization discipline upon job satisfaction. Finding concluded that there was a positive correction specially rewards and challenge exerted the most significance upon turnover intention.\textsuperscript{45}

Linda Clarke Georg Hermann (2007) Conducted a research and aimed to identify how internal and external labor markets operate is the

\textsuperscript{43} Hokey hin (2007) Examining sources of warehouse employee turnover international journal of physical distribution logistics management vol. 37 Iss 5 PP. 375 – 385.

\textsuperscript{44} Michael Chapman (2007) BHSF taps into the graduate talent – bank sme learns the secret of training and retaining the best human resource management international digest Vol.15 Iss.2 PP. 30-32.

\textsuperscript{45} Liz-Lee-kelley Deborah A. Blackman, Jellrey Peter Hurst, ( 2007) an exploration of the relationship between learning organizations and the retention of knowledge workers, Learning organization Vol. 14 Iss. 3 PP. 204 – 221.
construction sector association with strategies taken by firms in recruiting and retaining particular group of employees. The data were collected through questionnaire survey. It shows a worsening skill shortages particularly site manager’s person. The author suggests that the building sector should more focus on and retention by advocating new retention strategies.  

Marie Dietrich Leurer et al (2007) made a research at hospitals explore the insights of experienced regarding initiatives they believe would effective in the profession. A semi – structured interview was conducted and a qualitative analysis was employed. The result revealed was an understanding of attitudes and provides seven relation strategies to increase retention. 

Liewchai Hong and Sharan Kaur (2008) made a study to identify the relationship between organizational climate, employee personality and retention with the organizations at Malaysia. The author employed a descriptive design to ascertain the characteristic about groups of employees. Non probability sampling method was adopted and hierarchical multiple and correlation techniques were used to analyze data. The study brought out a positive result that all these factors pave way for retention of an employee. 

Neeraja Behera et al (2008) made a study to identify how job satisfaction acts as a key in retaining an employee. The study proved that if managers pay attention to job satisfaction factors such as pay, rewards, 

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recognition, training, work environment there will be a high retention among employees. The author suggests that the mgmt should consider these views and act accordingly to avoid employee turnover.\textsuperscript{49}

Christopher Kummer, (2008) made a study on how to motivate employees during complex times such as mergers and acquisition. The author guides that the HR department should concentrate on this issue and should communicate to the employee whom they want to retain and also the other who are not retained. On the whole the other suggests the HR dept to develop integration plan that will include identification of key people and design a good retention program.\textsuperscript{50}

Melissa Najera, (2008) conducted a study at maquiladora to identify what is important for lower – level workers and how its impacts turnover. A qualitative field study was conducted with open ended questions. It was a semi-structured interview. ANOVA were used to discover statistical significance. The findings indicated that the lower – level of workers are more induced by appreciation bonus, job promotion and social events remain in an organization.\textsuperscript{51}

Kashif Amin Butt and Mohammed Ali Jinnah (2008) conducted a research to examine the impact of compensation on the turnover intention of telecom sector employees of Pakistan. 15 telecom companies were selected for

\textsuperscript{49} Neeraja Behera, Dr. Chandan kumar Sahoo, Bijaya kumar Sundaray (2008) Retaining high performing employees through job satisfaction. A theoretical construct. \texttt{http://dspace.nitrkl.ac.in/dspace/bistream}.

\textsuperscript{50} Christopher kummer, (2008) motivation and retention of key people is mergers and acquisitions, strategic HR Review, Vol.7 Iss. 6 PP.5 – 10

the study and about 800 questionnaires were distributed. Correlation and stepwise forward regression analysis were performed to analyse data. The result shown is that compensation has direct positive impact on employee retention and consequently reducing turnover intention.\textsuperscript{52}

Erik Monsen and Wayne Boss (2009) made a study to maximize employee retention and minimize the turnover. The author surveyed 1975 managers and staff in 110 departments of a diversified health care organ on department – level organization (risk taking proactivness) degree of role their job and their strength of intention to quit. The finding reported that can impact mgmt and staff differently and this the author suggest to have a customized design philosophy to increase and to reduce stress.\textsuperscript{53}

Madiha Shoab et al (2009) made a study on determinates of employee retention at telecom sector of Pakistan. The data were collected through questionnaire from 130 respondents. The result was done using (SPSS) 14 to give accurate result. It revealed a positive relationship between career opportunities, supervisor support working rewards and work – life policies have a direct and positive impact on the employee retention.\textsuperscript{54}

Daniel Eseme Gberevbie (2010) conducted a study to empirically examine employee retention strategies and its performance in the Nigerian banking sector over the period 2000 – 2005. The author used questionnaire and structured interview to obtain data. The study revealed that the

\textsuperscript{53} Erik Monsen R. Wayne boss (2009) The Impact of strategic entrepreneurship inside the organization job and employee retention.  
\textsuperscript{54} Madiha shoab, Ayesha Noor, Syed Razza Tirmizi Sajid Bashir 2009 Determinats of employee retention in telecom sector of Pakistan proceed CBRC, Lahore, Pakistan.
organization if implements employee retention strategies such as regular salary package employee participation in decision making will have a good retention system.  

Vijaya Mani (2010) attempted to make a study to identify job satisfaction and motivation among employees using a score fared. The author concluded that employees are struggling to become talented employees when they are dissatisfied. The suggestions provided by the author was to create a recitation among employees so that they can attain job satisfaction.

Ananthan and Sudheendra Raa (2011) the author highlighted the multi-tier view of employee retention strategies in Indian and global companies. The study was a descriptive – analysis design using survey method. The study was conducted at bengaluru with leading Indian and MNCS employing a minimum of 500 employees. Stratified random sampling was used and the sample size was 550 of which 215 from top management and 335 were employees. The research finally suggested that orientation and training development strategies obtained maximum points. Rewards recognition strategies employed least and finally employee fringe benefits have been moderately employed.

Indiatsy Christopher Masinde (2011) made a study to identify the provision of social welfare facilities on human resource performance linked

57 Ananthan BR Sudheendra Raa LN (2011) Multy-Tier view of employee retention strategies in Indian and global companies a critical appraisal International Journal of research in commerce & management volume No. 2 (2011) issue No 9 (September)
with retention. The study was conducted at pan African paper mills – and mumias sugar company. The research used qualitative data collection method such as questionnaire in depth interview and systematic samplings were used to get the target population. The study revealed that both organizations provide social welfare measure as per factory act and out of two organizations one of them had their own motivational policies. The respondents gave positive feedback due to welfare measure provided by the top management.\(^{58}\)

Jayachendra Bairi et al (2011) made a study to develop and evaluate an effective employee retention plan for information technology (IT) service organizations three IT multi-national companies providing global IT services were taken for search. The data were collected through telephone interview from senior managers and leaders of the three companies. The results proved that an effective strategic technological and local issues the success of retention and its in knowledge management programs.\(^{59}\)

Chitra Devi and Latha (2011) Carried out their research about employee retention in IT sector with an aim to identify the reason for job migration and to analyze about retention benefits offered by IT Companies. The research adopted cluster sampling technique and a sample of 450 respondents were taken for the study from NASSCOH. They used discriminate analysis tool. The author provided suggestions to analyze the data about retention factors of IT sector. The author concluded the study by

\(^{58}\) Indiatsy Christopher Masinde (2011) comparative analysis on the effects of social welfare facilities on employee motivation in pan African paper mills and mumices sugar company
http://ir.library.ku.ac.etd/handle/123456789/1922

\(^{59}\) Jayachendra bairi B. Murali Manohar, Goutan kumar kundu(2011)Knowledge retention in the IT service industry journal of systems and information technology Vol.13 Iss.1 PP. 43-65
pointing about the areas they should concentrate such as compensation job satisfaction job security as a tool for retention.  

The Muhammed Azhar sheikh wusat ul – aamar, Fariha iqubal(2011) conducted a research to study the impact of HRN practices such as career development opportunities supervisor support working environment rewards and work like polices on retaining employees. The study was conducted in the islamia University of Bahawalpur. The data was collected using questionnaire from 101 respondents and was analyzed through SPSS statistical software. The author advocated cross lab techniques and frequencies for analyzing the collected data. The study found out that there was a positive relationship between employee retention and the HRM practices. Any organization can improve its retention, its success to improve the HRM practices and their qualities.  

1.12 THE SCOPE OF THE PRESENT STUDY

The Automobile Industries have now realized the importance of retention management. However, the study focus on identifying the present retention process and aims at providing suggestions and recommendations for the organizations to improve its retention strategy. The study not only focuses on retention but also helps to identify employees overall satisfaction by taking into accounts the factors such as work culture, pay, training and coordination. The research will diagnose the causes of turnover like lack of job satisfaction, Commitment to the organization, Availability of other jobs, Pay and benefits, or any other direct or indirect factors therein. Work environment is good,


61 Muhammed Azhar sheikh wusat ul – aamar, Fariha iqubal 2011 “Impact of HRN practices on employee retention” ( A case study of education and banking sector in Bahawalpur)
equitable pay and performance systems are adopted and finally finding whether the organization paves way to build employees' motivation and commitment with respect to various factors like gender, age, educational background, years of experience in different positions.

The research helps to identify how the employee retention strategy paves the way for the growth of a company. The HRD can identify the individual and organizational goals, objectives and policies of the selected automobile companies. The research will provide information enabling the organization to think on the following aspects like, the Employee Retention strategy needed so that the company can reduce its cost of recruitment as well as create a good work environment so that the morale of employee will be high which is very much required in this competitive world.

A tentative conclusion is that by advocating employee retention strategy in an organization it will lead to better human relationship and it will eliminate the discrepancies in the scalar chain which will lead to better work environment. The outcome of the study brings about as how to reduce stress, improve performance, how to raise the standard of living of the employee, what training are to be provided and finally it includes identifying all the monetary and fringe benefits so that the rate of turnover is low and employee retention is high.

The findings from the research will provide the outcome in a way such that it will provide benefit both to employees and employer which in turn on the whole will lead to development of the organization within a short span of time. The study will also aim to provide proper match between the person and the job, organizational climate and culture, pay and performance, improved co-ordination between the individual, their coworkers, and the
supervisors, and also provide for growth and advancement which will lead to
Employee retention which will reduce job dissatisfaction as well attract, retain,
and motivate the workforce. This research has been designed by employing
quantitative methodology with a sample confined to employees of Automobile
industries in India.

On the strong side of our study lies the fact that the whole
population of the automobile industry has been covered and Quota sample of
employees has been selected. However, it is not possible to build a one-to-one
rapport with all the employees. Thus, a limited sample of 500 respondents has
been chosen for the research and a detailed study has been done. Moreover,
only selected facets of job characteristics have been considered for the study
like retention strategies, work environment, rewards and recognition, welfare
measures and about superior subordinate relationship. There are many other
factors beyond these factors which can be included in order to assess
employee attrition and employee retention in automobile industry. Therefore,
the scope of the study is limited to the sample size and also to the selected
dimensions of personal and job characteristics.

1.13 THE OBJECTIVES OF THE STUDY

The present study is designed to analyse the factors influencing
employee retention among the Automobile Industries in India with the
following objectives

1. To study the employee retention practices with specific
reference to automobile industry.
2. To find employees overall satisfaction in the organization with
relation to work environment culture.
3. To examine the Training and Development activities provided and to identify whether it leads to improved coordination among employees in their work.

4. To analyze the reward and compensation factors.

5. To make suggestions to the organization to improve its employees retention strategies.

1.14 HYPOTHESIS TESTED

The following hypothesis were framed and tested in this study

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<th>S. No.</th>
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| 1      | $H_0$: There is no significant relationship between length of service in the present organization with respect to their age, educational qualification, gender, organizational hierarchy and marital status.  
$H_1$: There is no significant relationship between length of service in the present organization with respect to their age, educational qualification, gender, organizational hierarchy and marital status. |
| 2      | $H_0$: There is no significant relationship between various factors of retention in the present organization with respect to their age, educational qualification, gender, organizational hierarchy and marital status.  
$H_1$: There is no significant relationship between various factors of retention present organization with respect to their age, educational qualification, gender, organizational hierarchy and marital status. |
| 3      | $H_0$: There is no significant relationship difference in ranking of various factors that influence employee to remain in the present organization with respect to their age, educational qualification, gender, organizational hierarchy and marital status.  
$H_1$: There is no significant relationship difference in ranking of various factors that influence employee to remain in the present organization present organization with respect to their age, educational qualification, gender, organizational hierarchy and marital status. |
| 4      | $H_0$: There is no significant relationship difference in ranking of superior subordinate relationship with respect to their age, educational qualification, gender, organizational hierarchy and marital status.  
$H_1$: There is no significant relationship difference in ranking of superior subordinate relationship with respect to their age, educational qualification, gender, organizational hierarchy and marital status. |
1.15 DEFINITION OF CONCEPTS

1.15.1 Employee Retention

Schuler and Jackson (2006) define retention as everything an employer does to encourage qualified and productive employees to continue working for the organization. The main objective of retention is to reduce unwanted voluntary turnover by valuable people in the organization. Together, effective recruitment and retention efforts attract individuals to the organization and also increase the chance of retaining the individuals once they are hired.

1.15.2 Organization

Basically, an organization in its simplest form (and not necessarily a legal entity, e.g., corporation or LLC) is a person or group of people intentionally organized to accomplish an overall, common goal or set of goals. Business organizations can range in size from one person to tens of thousands.

1.15.3 Management

American Marketing Association "management is guiding human and physical resources into dynamic organizational units which attain their objectives to the satisfaction of those served within a high degree of moral and sense of attainment on the part of those rendering services"

1.15.4 Employee Turnover

The ratio of the number of workers that had to be replaced in a given time period to the average number of workers
1.15.5 Rewards and Compensation

Employment is typically characterized as an exchange relationship. Employees provide organizations with something of value (their labour) and in return receive something of value, Sarah Rynes et al. (2000).

Compensation refers to all forms, returns and tangible services and benefits employees receive as part of an employee relationship as discussed above. On the other hand reward management system according to Armstrong (2006), is concerned with the formulation and implementation of strategies and policies, the purpose of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals.

1.15.6 Job Satisfaction

Employee satisfaction is the terminology used to describe whether employees are happy and contented and fulfilling their desires and needs at work. Many measures purport that employee satisfaction is a factor in employee motivation, employee goal achievement, and positive employee morale in the workplace.

1.15.7 Training

1. The action of teaching a person or animal a particular skill or type of behavior.

2. The action of undertaking a course of exercise and diet in preparation for a sporting event.
1.16 CHAPTER SCHEME

Chapter I the introduction part of this study explains the theoretical background of the study. It explains clearly about the concept of employee retention, its importance, need and the various factors that influence an employee to remain in an organization. The importance of the study describes the need for employee retention and to analyze the retention strategies exist at present and also to provide suggestions. The scope of the study and sampling design section has discussed about the scope for carrying out the research work in the selected topic. Convenience sampling method has been applied for the study from selected respondents of selected automobile companies. The objective of the study is framed for as to examine the employee retention practices and to find out employees overall satisfaction in the organization with relation to work environment culture, rewards and compensation and other factors taken for study. The review of literature depicts various studies about employee retention tactics adopted in other sectors and also in other countries. The chapter arrangements explain the scheme of the chapter for this research work.

The regulatory framework has been discussed in Chapter II which clearly indicates about the administrative policies and regulations the Automobile companies have adopted with regard to payment of wages and compensation, leave aspects, welfare and safety measures and others.

Chapter III of this study explains about the research methodology adopted. Descriptive research method has been adopted for the study and convenience method of sampling has been adopted for collecting data for the study. Distribution process took place in a three week period in the early part of August 2011 and the filled questionnaires were collected during August to
October 2011. With the help of the Human Resource Department the purpose of the study were explained to the employees, explaining the nature of the study and asked if they would be prepared to fill in the questionnaire. These details have been explained clearly under heading design of the study.

**Chapter IV** examined the collected data from the questionnaire empirically with suitable statistical tools about employee retention strategies, job satisfaction of employees with reference to organizational culture, work environment, rewards and compensation etc., the analyze were made with reference to age, education, organizational hierarchy, marital status and gender. To analyze all these, percentage analysis, chi-square test, regression models were used.

**Chapter V** deals with findings from the study, provides suggestions and recommendations and finally summary conclusions and scope for future research as well.