Chapter 1

Introduction

• An Overview:

As all organizations would agree, employees are the most precious resource of an organization. Skilled manpower is in very high demand and employees themselves are much aware of it. Thus, in the modern workplace scenario, most companies, irrespective of their size and type, are being plagued by loss of manpower. When a valuable employee quits a company, it’s not just the loss of talent, but it all adds up to a much bigger loss, including the time lost in training and orientation, loss of knowledge, co-worker insecurity and apprehension, search and consequent training of a new recruit etc. So, employee retention is something no company can afford to ignore. Contrary to popular belief, not all employees who put down their papers do so in search of a higher salary. A lot of other factors contribute to prompt the employees to switch jobs.\(^1\)

Human Capital is the most crucial resource on which the Information Technology & Information Technology Enabled Services (IT & ITES) industry in India depends. Next to the location advantage that India has, the factor for the country’s immense success in the overseas markets, is its abundant & cost effective human capital which is one of the key asset that has kept India sustain its edge in the ITES sector. The telecom industry is growing at a great pace and the growth rate is expected to double with every passing year. There are many new developments in the telecom sector, including the ingress of 3G technology that the Indian market is witnessing at present. MTNL, BSNL, VSNL are
the major Public Sector Players, whereas **Bharti Airtel, Idea Cellular, Vodafone, Reliance Communications, Aircel, Uninor** are the leading Private Sector Players in the country. Some of them are entering foreign markets as well.

The reason behind choosing telecom sector is that it is the one of the most attractive sector for employment due its immense growth opportunities. Listing out the reasons for non retaining of human capital include lack of growth opportunity for the employees, lack of time based promotion, poaching of employees by other competitive telecom companies for higher salaries, employees quitting to pursue higher education, loss of employees personal life, employees physical stress and health reasons, uneasy relationship with peers or managers. A survey has indicated the attrition rate in the telecom sector in the year 2013 is approximately **15.5%**, which is quite alarming.

**Ways of Retention**

Companies have different kinds of strategies adopted to tackle the problem of retaining human capital. It ranges from cash incentives, Fringe benefits, to career concern for the employee. Some companies even sponsor management diplomas and MBA courses to their employees, as most fresh graduates want to study further and enlarge their career opportunities. In spite of these benefits that are given through innovative strategies, employee turnover is still large and retaining them has become a real challenge for the HR managers. Companies now-a-days are adopting various retention strategies to solve this problem and create a competitive Human capital, which is crucial in the high growth telecom industry in India.

Thus, this research focuses on what are various reasons as to why level of attrition is high in this sector and found ways as to how to retain employees, as it is the need of the hour and greatest challenge being faced by H.R practitioner in present times.
• **Need of the Study:**

Attrition of employees and absenteeism represent significant cost to most of the organizations. It is one of the areas where H.R can make a difference and one that can be measured in quantifiable and financial terms against targets. Telecom is one of the fastest growing sector in India, which is instrumental in the socio-economic development of our country. But most of the researches conducted on telecom sector were focused on developing new technologies, challenges, growth and opportunities, market shares, marketing strategies etc. But the greatest challenge faced by H.R. of telecom sector is Attrition and despite framing several new and innovative ideas to motivate and retain employees yet the problem remains the same.

Thus need to develop a concurrent strategic method, an innovative development paradigm that can be utilized to curb the ever increasing attrition in the telecom sector, is strongly felt. Thus the need for this study was felt because of the following reasons:

1) Attrition is a burning problem for the promising and fast growing industry of telecom, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources due to this.

2) Dearth of motivation among the employees of telecom sector is one of the bitter truths that are responsible for the high attrition in this sector.

3) To deal with this problem of Attrition telecom companies are formulating retention strategies as per the market requirements and thus need is felt to judge the impact of these retention practices on the satisfaction levels of the employees thereby reducing attrition.
4) A re-look into the existing H.R policies is needed to frame better retention tools for future

- **Scope of the Study**

  This study would help to provide an insight into factors leading to increased rate of attrition in telecom industry.

  It will also help to find out the effectiveness of current retention strategies prevalent in the sector.

  It would also suggest guidelines to redefine and formulate better retention strategies

  It would help to minimize employee turnover and the cost associated with it.

- **Review of Literature**

  The subject under study i.e. ‘Employee attrition and retention’ has not been adequately covered in various articles and research papers published in various journals and books. Very little work has been done with regard to problem of attrition and retention practices in telecom sector. Inspite of this the researcher scanned the relevant published material and made an attempt to give a glimpse of some of the aspects dealt with by researcher, academicians and H.R experts. However, for obvious reasons, no claim can be made for the truly representative nature of the chapter.


**BOOKS**

Ahlrichs (2000) in the book “Competing for Talent: Key Recruitment and Retention Strategies for Becoming an Employer of Choice” offers a comprehensive approach to recruiting and retaining the employees everyone wants. Nancy S. Ahlrichs shows employers how to meld management, organization design, human resources and marketing in a way that turns the company into a magnet for top performers—an Employer of Choice. Ahlrichs takes us inside America's most successful businesses to show how Employers of Choice go beyond compensation and benefits to focus on building and communicating a top-employer reputation. She offers valuable strategies, action plans, tools and information that any business can use to become an Employer of Choice. And she includes a wealth of suggestions that companies can put into place immediately—including techniques for calculating the costs of turnover, tips on how to use technology to attract top candidates, ways to increase the number of accepted offers and advice on creating a "Wow!" experience for new employees.

Schreyer et. al (2000) in the book “Recruit & Retain the Best: Key Solutions for HR Professionals” discuss that the signs on the road to the new economy point to an all-out war for talent. Organizations increasingly encounter difficulties in recruiting and retaining top talent because they have yet to deal with today's most critical human resource issues. To remain competitive, you must create a talent powered company consisting of highly motivated, skilled, and loyal employees. That's the central message in Recruit and Retain the Best. Two of America's leading recruitment specialists cut through the clutter and confusion as they identify the key human resource strategies for creating a talent powered company. Focusing on five competencies for predicting
success, they dispel numerous myths and specify what HR professionals and hiring managers need to do in order to energize their human resources and productivity. They provide a critical examination of the latest in effective recruitment methods, from the use of Internet recruiting to developing employee referral programs. Talent powered companies not only recruit the best, they also retain the best through several employee-centered strategies. They focus on ten building blocks: (i) Treat the workplace as a system, (ii) Promote ethics, integrity, honesty, and trust, (iii) Create organizational feedback loops, (iv) Put people first (v) Instill an ethic of fairness, (vi) Accept diversity (vii) Encourage openness (viii) Make work and the workplace fun (ix) Develop employee connectivity (x) View people management as a strategic business issue. As the authors point out, smart managers not only identify and hire talented people based upon specific competencies; they also inspire a diverse and able staff to achieve their very best. In the end, creating a talent powered organization by hiring and retaining the best is all about putting your employees first.

Griffeth et al. (2001) in their book “Retaining Valued Employees” briefly summarizes the current research in the area of employee turnover and provides practical guidelines to implement proven strategies for reducing unwanted turnover. Topics covered include differentiating between functional and dysfunctional turnover, job enrichment, employee selection, orientation programs, compensation practices, easing conflicts between work and home, social integration, and managing exiting employees. Separate chapters are devoted to using employee surveys to predict turnover and diagnose turnover causes and reducing them.
Kaye et.al (2002)\textsuperscript{5} in their book “Love ’em or Lose ’em: Getting Good People to Stay” emphasize that the way people work is changing constantly and employers need to realize that each of their employees need to be stimulated and encouraged to do their best. The book is written in an easy to read fashion and yet very interesting. The concepts are explained with many real world examples and even in a fun friendly manner. Kaye and Evans encourage bosses to communicate effectively with their workers. They stress the importance of having retention meetings and getting feedback from key employees. Also important is creating a professional but fun work environment. Overtime may be necessary to complete key projects. But reward employees with a festive meal or a sporting activity. It never hurts to mentor these key employees and to get to know their personal lives a little without infringing on their space. Also key to this book is an outline illustrating how the loss of one critical employee affected the attitude of a particular department and even the company as a whole. This recessionary economy will soon lift and many employers need to realize that layoffs and rigid policies will only restrict organizational growth.

Taylor (2008)\textsuperscript{6} in his book titled “The employee retention handbook” explores the most common causes of staff turnover and the most effective ways of measuring, costing and predicting it. The author believes the armed with such data, employers can analyze the situation in their specific labor market and look to improve retention rates through better selection procedures, career structure, management styles and reward packages. Each of these approaches can be effective at right time and right place, as is illustrated in the book by case studies looking at crucial challenges of retaining: (a) Retail
workers, (b) New graduates, (c) Engineers, (d) Accountants and solicitors, (e) call centre employees, (f) police officers.

Phillips et al. (2011) in book named “Managing Employee Retention (Improving Human Performance)” which acts a practical guide for managers to retain their talented employees. It shows how to manage and monitor turnover and how to develop the ROI of keeping your talent using innovative retention programs. The book presents a logical process of managing retention, from identifying turnover costs and causes, designing solutions that match the causes of turnover, developing tools for tracking turnover and placing alerts when action is needed, and measuring the ROI of retention programs. The authors describe that during the past decade, employee turnover has become a very serious problem for organizations. Managing retention and keeping the turnover rate below target and industry norms is one of the most challenging issues facing business. All indications point toward the issue compounding in the future and, even as economic times change, turnover will continue to be an important issue for most job groups. Yet despite these facts employee turnover continues to be the most unappreciated and undervalued issue facing business leaders.

Allen et al. (2012) in their book “Managing employee turnover- dispelling myths & fostering evidence based retention strategies” state that Employee turnover can be expensive, disruptive, and damaging to organizational success. Despite the importance of successfully managing turnover, many retention management efforts are based on misleading or incomplete data, generic best practices that don’t translate, or managerial gut instinct at odds with research evidence. This book culminates volumes of academic research on employee turnover into a practical guide to managing retention. Turnover
fictions are dispelled and replaced by research-based facts. Keys to diagnosing and managing employee turnover are presented such that you can effectively manage employee retention today. These ideas presented in the book can be invaluable to all H.R professionals and anyone who cares about the impact of turnover on the organization, including the CEO who is looking at the impact on the bottom line, managers who suffer when their best talent leaves, and human resource professionals whose career success may depend on effectively managing turnover.

**RESEARCH PAPERS & ARTICLES**

*Mitchell et.al (2001)* in the research paper titled “How to keep your best employees: Developing an effective retention policy” describes some new research and its implications for managing turnover and retention. These ideas challenge the conventional wisdom that dissatisfied people leave and money makes them stay. People often leave for reasons unrelated to their jobs. In many cases, unexpected events or shocks are the cause. Employees also often stay because of attachments and their sense of fit, both on the job and in their community. The authors discuss these ideas and make recommendations for integrating them into a comprehensive retention plan.

*Dasari (2006)* in his article named “Retaining high performers : issues & imperatives” analyzes the importance of employee retention and talent management. The article describes that the modern organizations are operating in an unprecedented, highly competitive and turbulent business environment which is characterized by the globalization of business. Further, the author says that today’s workforce is more mobile than ever before. It is becoming increasingly clear that employee attrition is a reality and
organizations need to adopt a market driven approach in dealing with growing attrition. The author lays emphasis on building an adaptive organizational culture and strengthening of social ties and work-life balance as important tools for retaining high performing employees.

**Dev (2007)** in the article “Hiring for breakthrough performance” state that the only way that a company can attract and retain talents is by changing their core value systems. The author with the help of a hypothetical case of new CEO Robin, whose company was facing the acute problem of attrition & through this case he illustrates on various aspects of Attrition as how lack of ethical practices right from hiring stage to top management level was prevalent, then another aspect was how rigid and closed mindset of the recruiters which hampered the entry of good talent, lack of uniform selection systems were there leading to bad selection. The author in this article provided concrete solutions to these issues which has practical applications across all sectors.

**Bhatnagar (2007)** in the research paper “Talent management strategy of employee engagement in Indian ITES employees: key to retention” investigates talent management and its relationship to levels of employee engagement using a mixed method research design. The first phase was a survey on a sample of 272 BPO/ITES employees, using Gallup Workplace Audit. Focus group interview discussion was based on reasons for attrition and the unique problems of employee engagement. In the second phase, one of the BPO organizations from the phase I sample was chosen at random and exit interview data was analyzed using factor analysis and content analysis. The results of the above were in the expected direction and fulfilled the research aims of the current study.
In the first phase low factor loadings indicated low engagement scores at the beginning of the career and at completion of 16 months with the organization. High factor loadings at intermediate stages of employment were indicative of high engagement levels, but the interview data reflected that this may mean high loyalty, but only for a limited time. In the second phase factor loadings indicated three distinct factors of organizational culture, career planning along with incentives and organizational support. The first two were indicative of high attrition.

Niketh (2008) in the article “Attrition a global problem” makes an attempt to understand the requirements of highly educated young aspirants and to unfold the reasons of attrition. As we run through the article, peeping into the current trend of attrition in some the sectors like BPO, banking & finance and hotel industry, we can conclude that the H.R professionals must give a serious thought to selection mechanism to mitigate the problem of attrition.

Banerjee (2008) in his article “Attrition: from corporate nightmare to competitive advantage” describes a study to find the correlation between attrition and employability, organizational and employment lifecycle of the employment market one is operating in. The authors with his study helps the firms to develop a cost effective retention strategy. The author tried to find out the effect of attrition in an organization due to:

(a) Opportunity present in the employment market and as to how benchmarking salary with the best in the industry reduces attrition.
(b) Age factor i.e. employees in 20’s tend to be quick leavers for swift growth in their careers, whereas employees in 30-40’s bring the better results than their younger counterparts by virtue of stability and wish to remain in the organization.

(c) Ethics issues i.e. ethically before moving out the employee should tender sufficient notice to its employer.

Ramani et.al (2008)\textsuperscript{15} in their article “Managing Attrition levels in an organization” describe that the transition from an individual contributor’s role to that of a leader is generally considered to be critical and challenging milestone in one’s career. This article throws light on the fact that role of a leader becomes more tougher when he is entrusted with an additional responsibility of motivating and retaining talent. The authors discuss the various reasons as to why employees leave an organization and further state that change in job profile and job location, along with proper attention towards perks and incentives can help to motivate employees. Finally the article concludes that organizations which are sensitive to the needs of the employees often take into considerations whether sufficient support systems are in place.

Malkarjunan (2008)\textsuperscript{16} in the article titled “Employee attrition: causes and remedies” states that the employee attrition is caused not only by natural inevitabilities like disability or death or workplace phenomenon such as retirement or resignation, but also by burgeoning mobility of the H.R resources. He further discusses the ‘ergonomic discomforts’, ‘functional incompatibility’ and ‘inadequate pay package’ have accelerated attrition. The author throws light on the remedies of attrition and states that policies of retention should be aimed in such a manner that needs and welfare of employees are addressed properly and in addition should project he right employer brand or an
agreeable organizational behavior towards the employees so that it instills confidence and trust in their minds and motivates them to stay on.

Aruvamudhan (2008)\textsuperscript{17} in the article “Employee Attrition: a costly dilemma for the organization” focuses on the causes of attrition and the strategies to be put in place to manage the ballooning attrition rates. The article describes the history of attrition, its causes and ways to combat attrition by strengthening the recruitment process, providing better career opportunities, training and development and maintaining work-life balance etc.

Singh et.al (2009)\textsuperscript{18} in the research paper titled “Attrition management : the need of time” tries to find the reasons for the high rate of attrition as well as give some suggestions to retain the key employees in the organization that is the need of the time. This paper described the attrition rate across various industries in India. The author suggests some innovative key factors in motivating and retaining good people such as building new workers’ confidence, identifying star employees, effective utilization of talent, defining career development and career path, compensation, job title, work-life balance, attitude of coworkers, communication channels, quick grievance redressal, exit interviews and corporate culture.

Rawal (2011)\textsuperscript{19} in the article “Employee retention: An art of keeping the people who keep you in business” talks about the concept of employee retention and its relevance for making an organization excel in all dimensions. It also throws light on essentials of employee retention process and describes how employee engagement can be used as a tool for retention. The author gives the concept of 10 C’s that can help retain talent in an
organization. These 10 C’s are Connect, Career, Clarity, Convey, Congratulate, Contribute, Control, Collaborate, Credibility and Confidence.

Latha (2012) in her research paper “A study on employee attrition and retention in manufacturing industries” based on a study which is an outcome of the topic called “A Study on Employee Attrition and Retention in Manufacturing Industries in Nellore District, Andhra Pradesh”. The main objectives of this study was to know the reasons, why attrition occurs, to identify the factors which make employees dissatisfy, to know the satisfactory level of employees towards their job and working conditions and to find the areas where manufacturing industries in Nellore District is lagging behind. The authors states that retaining employees is a critical and ongoing effort. One of the biggest challenges in having managers in the place that understands it is their responsibility to create and sustain an environment that fosters retention. Staff requires reinforcement, direction and recognition to grow and remain satisfied in their positions. Managers must recognize this and understand that establishing such fundamentals demonstrates their objectives to support nature and motivate their employees.

Hong et.al (2013) in their research paper “An Effectiveness of Human Resource Management Practices on Employee Retention in Institute of Higher learning: - A Regression Analysis” a discuss that an effective human resource management practices namely employee empowerment, training and development, appraisal system compensation are the main factor for the success of a firm on employee retention. In this study, aim was to study how employees regard importance of their empowerment, equity of compensation, job design through training and expectancy toward effective
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performance management on their retention. Quantitative data was collected using the non probability self administered questionnaire that consist of questions with 5-points Likert scales distributed to selected samples of 278 individuals. By using a multiple regression analysis, it is found that, training and development, appraisal system compensation are significant to employee retention except employee empowerment. Base on the results, training, compensation and appraisal is a fundamental consideration for University of Y lecturers’ retention decision; while empowerment is less fundamental to lecturers’ consideration as this can be attributed to the Asian culture characteristic of higher authority conformity.

Nazia et.al( 2013) in their research paper named “Employee retention practices in Indian corporate – a Study of select MNCs” tried to document the practices followed by a select Indian MNCs in retaining their employees and also highlights the opinions of the employees about such retention practices mass. This paper has thrown light on how MNCs in India are making strategic moves in retaining their talent. This study attempted to fill the gaps by analyzing the impact of three R’s i.e. Respect, Recognition and Rewards on satisfaction level of the employees and by examining the various practices adopted by Indian MNCs in retaining their employees. The study concludes that steps must be taken by the organizations to relive the employees from the workload through job rotation, change in work location and other recreational activities. It is also observed that implementation of three R’s will increase retention. Most of the employees considered that the welfare measures and grievance handling procedure of their companies is quite inefficient. It was also found that most of the employees opted either yoga or other recreational activity to manage stress. Hence it is suggested that companies
provide recreational activities and yoga/meditation to employees. It is also seen that conducting frequent reviews and not blaming the employees for policy errors also leads to employee retention. ESOPs are also considered as one of the best motivating factors for employee retention. This paper has, therefore, examined and analyzed the employee retention practices adopted by Indian MNCs.

- **Research Gap**

During the course of research study it was discovered that although attrition of employees and their retention techniques are quite a burning issue in the field of Human Resource Management, yet no systematic and comprehensive work has been found that collaborates all the facets viz. attrition, retention, employee motivation, involvement etc. to combat the most smoldering problem of the present times i.e. Attrition. Whatever work has been done in this area of Attrition and retention has been in the IT and BPO sectors and very less significant work has been done in the telecom sector which employees large numbers of people and faces about 15-16% of total attrition and second highest attrition facing sector in India. Thus, this study has been conducted to know the reasons of attrition in the telecom sector and the retention measures that are being adopted to combat attrition in this sector.

- **Objectives of the Study**

1) To study the reasons and extent of attrition in select telecom companies in India.

2) To study the current trends about compensation and other motivational factors which help in retention of employees.
3) To Study various H.R strategies being formulated for reducing attrition and retaining employees in telecom sector.

4) To suggest effective strategies for lower attrition and higher retention in the telecom companies.

- **Research Methodology**

The nature of my research is *descriptive*. The aim was to explain a phenomenon rather than making an generalization and to discover a reality of an established fact without having to fit it into a preconceived theoretical perspective. The phenomenon and reality in this thesis is that, Attrition is a well established unavoidable fact in an organization and retention practices are formulated in every organization to combat attrition and hence no hypothesis is formulated. The researcher has delimited herself only to phenomenon of attrition and retention in the telecom sector in India and tried to discover various underlying causes of attrition and various retention practices being followed in the select organizations of this sector and explaining those causes and retentions strategies being adopted by means of case study using both primary and secondary data.

- **Formulation of research problem**: The researcher conducted a detailed study and in-depth analysis to find out all the relevant data and information available to get an inclusive insight of the selected topic. For this the researcher reviewed, the conceptual theoretical literature consisting of studies made earlier, and thus relying on observation and experiments and not merely theory. Further new set of data both primary
and secondary was collected and detailed analysis was being made in reference to the research problem selected for the purpose of the study.

- **Sample of the Study:** There are three types of players in telecom services namely:
  - **State owned Companies (BSNL and MTNL).**
  - **Private Indian owned companies** (Reliance Communications, Idea Cellular, Tata Teleservices etc.).
  - **Multinational Companies [MNC’s] (Bharti Airtel, Vodafone, Aircel etc.)**

Since the phenomenon of attrition is almost negligible in State owned companies i.e. BSNL & MTNL, as their employees have job security and enjoy Governmental benefits so they leave this organizations only on retirement. Thus researcher delimited her study to the remaining two categories and selected four major companies which are ranked top four players in India besides BSNL. These are Idea Cellular, Bharti Airtel, Vodafone and Reliance Communications, and studied their attrition rates, causes of attrition and retention practices that are being followed in these organizations. Purposive Sampling technique was used for selecting the sample from these companies.

- **Data Collection Procedure:** The present study on select telecom companies is an effort to explore the various reasons of employee attrition and retention techniques that are being adopted by these companies. This has become feasible through analysis of both primary and secondary data. The description about the data sources are as follows:
**Primary Data:** The primary data was collected using a questionnaire. The questionnaire was drafted on various aspects of H.R. policies pertaining to employee turnover, causes of attrition, retention measures being adopted, exit interviews, work schedules, work-life balance and role of career growth as attrition blocker etc. A pilot survey was conducted on 20 employees of a select telecom company before drafting the final questionnaire that provided useful insights to the final drafts of the questionnaire and also for testing and validating the questionnaire. The questionnaire consisted of 20 questions relating to above parameters. These questions were both open ended and close ended. 100 employees of each of the telecom company were approached out of which approximately 80 employees responded. An effort had been made to prepare the questions simple, clear and easily understandable. Besides this personal interviews were conducted from H.R managers, Circle heads, Zonal heads, T&D officers and employees of these select telecom companies.

**Secondary Data:** The secondary data source included the annual reports, annual sustainability reports, different H.R manuals, magazines, journals and official websites of the four sample organizations as well as other relevant materials. The secondary data has been collected for the period of six financial years i.e. from 2008-09 to 2013-14.

- **Preparation of Research Design:** The qualitative research design is used in this research wherein the natural setting of various companies under study is used as
the source of data. The researcher attempted to observe, describe and interpret settings as they were. The overall framework was made extensive enough to include the overall research data available.

**Why Qualitative Methodology?**

a. Qualitative methods can be used to better understand any phenomenon which is a little bit known.

b. It is also used to gain new perspectives on things about which much is already known.

c. It is also used to gain more in-depth information that may be difficult to convey quantitatively.

d. Qualitative methods are appropriate in situations where one needs to first identify the variables that might later be tested quantitatively / where the researcher has determined that quantitative measures cannot adequately describe / interpret a situation.

- **Analysis of Data:** The researcher conducted the analysis of all the relevant data obtained by questionnaires and interviews and then properly presented them through graphical presentation such as charts, graphs, tables and other pictorial representation.

  The attrition rate is calculated using the following formula:

\[
\text{Attrition Rate} = \frac{\text{Total number of employees moved out of the organization in a year}}{\text{Total number of employees}} \times 100
\]

- **Scope of Further Research:** In the present study the H.R practices and policies regarding attrition of employees and tools for their retention are studied in the
context of telecom sector only but it can be further done in all the other sectors like education, services, manufacturing and financial services etc. Also in-depth analysis of other related aspects of attrition like employee motivation and work life balance in all sectors can be studied.
References


