CHAPTER I

INTRODUCTION

I.1 Information Technology Industry

Information Technology (IT) industry in India is one of the fastest growing industries. Indian IT industry has built up valuable brand equity for itself in the global markets. IT industry in India comprises of software industry and information technology enabled services (ITES), which also includes business process outsourcing (BPO) industry. India is considered as a pioneer in software development and a favourite destination for IT enabled services. The origin of IT industry in India can be traced to 1974, when the mainframe manufacturer, Burroughs, asked its India sales agent, Tata Consultancy Services (TCS), to export programmers for installing system software for a U.S. client. The IT industry was originated under unfavourable conditions. Local markets were absent and government policy toward private enterprise was hostile. The industry was begun by Bombay based conglomerates which entered the business by supplying programmers to global IT firms located overseas. Local markets were absent and government policy toward private enterprise was hostile. The industry was begun by Bombay based conglomerates which entered the business by supplying programmers to global IT firms located overseas. India's IT Services industry was born in Mumbai in 1967 with the establishment of Tata Group in partnership with Burroughs. The first software export zone SEEPZ was set up here way back in 1973, the old avatar of the modern day IT Park. More than 80 percent of the country's software exports happened out of SEEPZ, Mumbai in 80s. Each year India produces roughly 500,000 engineers in the country, out of them only 25% to 30% possessed both technical competency and English language skills, although 12% of India's population can speak in
English. India developed a number of outsourcing companies specializing in customer support via Internet or telephone connections. By 2009, India also has a total of 37,160,000 telephone lines in use, a total of 506,040,000 mobile phone connections, a total of 81,000,000 Internet users comprising 7.0% of the country's population, and 7,570,000 people in the country have access to broadband Internet making it the 12th largest country in the world in terms of broadband Internet users. Total fixed line and wireless subscribers reached 543.20 million as of November, 2009.

The Indian Government acquired the EVS EM computers from the Soviet Union, which were used in large companies and research laboratories. In 1968 Tata Consultancy Services established in SEEPZ, Mumbai by the Tata Group were the country's largest software producers during the 1960s. As an outcome of the various policies of Jawaharlal Nehru (office: 15 August 1947 – 27 May 1964) the economically beleaguered country was able to build a large scientific workforce, second in numbers only to that of the United States of America and the Soviet Union.

On 18 August 1951 the minister of education Maulana Abul Kalam Azad, inaugurated the Indian Institute of Technology at Kharagpur in West Bengal. Possibly modelled after the Massachusetts Institute of Technology these institutions were conceived by a 22 member committee of scholars and entrepreneurs under the chairmanship of N. R. Sarkar Relaxed immigration laws in the United States of America (1965) attracted a number of skilled Indian professionals aiming for research. By 1960 as many as 10,000 Indians were estimated to have settled in the US. Kapur (2006) By the 1980s a number of engineers from India was seeking employment in other countries. In response, the Indian companies realigned wages to retain their experienced staff. In the Encyclopaedia of India, Kamdar (2006) reports on the role of Indian immigrants (1980 - early 1990s) in promoting technology-driven growth: The National Informatics Centre was
established in March 1975. The inception of The Computer Maintenance Company (CMC) followed in October 1976. Between 1977-1980 the country's Information Technology companies Tata InfoTech, Patni Computer Systems and Wipro had become visible. The 'microchip revolution' of the 1980s had convinced both Indira Gandhi and her successor Rajiv Gandhi that electronics and telecommunications were vital to India's growth and development. MTNL underwent technological improvements. Between (1987-1986), the Indian government embarked upon the creation of three wide-area computer networking schemes: INDONET (intended to serve the IBM mainframes in India), NICNET (the network for India's National Informatics Centre), and the academic research oriented Education and Research Network (ERNET).

In 1991 the Department of Electronics broke this impasse, creating a corporation called Software Technology Parks of India (STPI) that, being owned by the government, could provide VSAT communications without breaching its monopoly. STPI set up software technology parks in different cities, each of which provided satellite links to be used by firms; the local link was a wireless radio link. In 1993 the government began to allow individual companies their own dedicated links, which allowed work done in India to be transmitted abroad directly. Indian firms soon convinced their American customers that a satellite link was as reliable as a team of programmers working in the clients’ office.

The Indian economy underwent economic reforms in 1991, leading to a new era of globalization and international economic integration. Economic growth of over 6% annually was seen between 1993-2002. The economic reforms were driven in part by significant the internet usage in the country. The new administration under Atal Bihari Vajpayee which placed the development of Information Technology among its top five priorities formed the Indian National Task Force on Information Technology and Software Development. India is now one of the
biggest IT capitals in the modern world. The economic effect of the technologically inclined services sector in India accounting for 40% of the country's GDP and 30% of export earnings as of 2006, while employing only 25% of its workforce is summarized by Sharma (2006). Such as back office operations, remote maintenance, accounting, public call centres, medical transcription, insurance claims, and other bulk processing are rapidly expanding. Indian companies such as TCS, Wipro, and Infosys may yet become household names around the world.

Today, Bangalore is known as the Silicon Valley of India and contributes 33% of Indian IT Exports. India's second and third largest software companies are head-quartered in Bangalore, as are many of the global SEI-CMM Level 5 Companies. And Mumbai too has its share of IT companies that are India's first and largest, like TCS and well established like Reliance, Patni, LnT InfoTech, i-Flex, WNS, Shine, Naukri, Jobspert etc are head-quartered in Mumbai. And these IT and dot com companies are ruling the roost of Mumbai's relatively high octane industry of Information Technology. Such is the growth in investment and outsourcing; it was revealed that Cap Gemini will soon have more staff in India than it does in its home market of France with 21,000 personnel in India. On 25 June 2002 India and the European Union agreed to bilateral cooperation in the field of science and technology. A joint EU-India group of scholars was formed on 23 November 2001 to further promote joint research and development. India holds observer status at CERN while a joint India EU Software Education and Development Centre is due at Bangalore.

**I.2 Milestone year for Indian IT-BPO industry**

a) Aggregate revenues cross the USD 100 billion mark, exports at USD 69 billion.
b) Within the global sourcing industry, India was able to increase its market share from 51 per cent in 2009, to 58 per cent in 2011, highlighting India’s continued competitiveness and the effectiveness of India-based providers delivering transformational benefits.

c) Export revenues (including Hardware) estimated to reach USD 69.1 billion in FY2012 growing by over 16 per cent; Domestic revenues (including Hardware) at about USD 31.7 billion, growing by over 9 per cent.

d) Software and services revenues (excluding Hardware), comprising nearly 87 per cent of the total industry revenues, expected to post USD 87.6 billion in FY2012; estimated growth of about 14.9 per cent over FY2011.

e) Within Software and services exports, IT services accounts for 58 per cent, BPO is nearly 23 per cent and ER&D and Software Products account for 19 per cent.

f) The industry continues to be a net employment generator - expected to add 230,000 jobs in FY2012, thus providing direct employment to about 2.8 million, and indirectly employing 8.9 million people.

g) As a proportion of national GDP, the sector revenues have grown from 1.2 per cent in FY1998 to an estimated 7.5 per cent in FY2012.

h) The industry’s share of total Indian exports (merchandise plus services) increased from less than 4 per cent in FY1998 to about 25 per cent in FY2012.

i) While the global macroeconomic scenario remained uncertain, the industry exhibited resilience and adaptability in continually reinventing itself to retain its appeal to clients. Embracing emerging technologies, increased customer-centricity, deepening focus on new markets, adopting new business models are some successful growth strategies followed by the industry.
I.3 Factors Leading to Growth in the IT/ITES Sector are

• Low operating costs and tax advantage.
• Favourable government policies.
• Technically qualified personnel easily available in the country.
• Rapid adoption of IT technologies in major sectors as Telecom, Manufacturing and BFSI.
• Strong growth in export demand from new verticals and non-traditional sectors as public sector, media and utilities.
• Use of new and emerging technologies such as cloud computing.
• SEZ as growth drivers; as more of SEZs are now being set up in Tier II cities and about 43 new tier II/III cities are emerging as IT delivery locations.
• All these factors have given IT/ITES industry in India strong competitive position with high market share.

According to NASSCOM the Indian IT-BPO industry (including domestic market) recorded an overall growth of 28 per cent (currency adjusted), clocking revenues of $52 billion in FY07-08 up from $39.6 billion in FY06-07. 2008 was a year of revolution for the Indian IT – BPO sector as it began to re-engineer challenges posed by macroeconomic environment, with the worldwide spending aggregate expected to reach nearly USD 1.6 trillion, a growth of 5.6 per cent over the previous year. The BPO exports are up by 30 per cent (in US dollars), registering revenues of $10.9 billion Indian IT-BPO grew by 12 per cent in FY2009 to reach USD 71.7 billion in aggregate revenue. Software and services exports (includes exports of IT services, BPO, Engineering Services and R&D and Software products) reached USD 47 billion, contributing nearly 66 per cent to the overall IT-BPO revenue aggregate. IT-BPO exports (including hardware
exports) reached USD 47.3 billion in FY2009 as against USD 40.9 billion in FY2008, a growth of 16 per cent.

The Indian Information Technology industry accounts for a 5.19% of the country's GDP and export earnings as of 2009, while providing employment to a significant number of its tertiary workforce. More than 2.3 million people are employed in the sector either directly or indirectly, making it one of the biggest job creators in India and a mainstay of the national economy. In March 2009, annual revenues from outsourcing operations in India amounted to US$50 billion and this is expected to increase to US$225 billion by 2020. The most prominent IT hub is IT capital Bangalore. The other emerging destinations are Chennai, Hyderabad, Mumbai, Pune, NCR, Jaipur and Kolkata. Technically proficient immigrants from India sought jobs in the western world from the 1950s onwards as India's education system produced more engineers than its industry could absorb. India's growing stature in the information age enabled it to form close ties with both the United States of America and the European Union. However, the recent global financial crises have deeply impacted the Indian IT companies as well as global companies.

I.4 Interesting Facts about the Indian BPO Industry

a) The BPO sector in India is estimated to have reached a 54 per cent growth in revenue

b) The demand for Indian BPO services has been growing at an annual growth rate of 50% 

c) The BPO industry in India has provided jobs for over 74,400 Indians. This number is continuing to grow on a yearly basis. The Indian BPO sector is soon to employ over 1.1 million Indians)70% of India's BPO industry's revenue is from contact centres, 20% from data entry
work and the remaining 10% from information technology related work) Indian BPOs handle 56% of the world's business process outsourcing.

I.5 Growth of Indian BPO Industry

BPO is a varied and speedily growing offshore market with an estimated annual growth rate of 60 percent (Tapper, 2004). Brown and Stone (2004) reported that BPO accounted for 34 percent of the global outsourcing contract value in 2004 and estimated that BPO services would grow from $1.313 billion in 2002 to $4.3 billion in 2007. The Indian BPO sector has emerged rapidly, and its exports have grown from $565 million in 2000 to about $7.3 billion in 2005. These exports were projected to increase to $20 billion by 2007 and employment in the sector was expected to rise from its current level of 300,000 to over 1.1 million by 2008 (Chanda, 2005; NASSCOM, 2005a). The first NASSCOM-McKinsey study (Indian IT Strategy, 1999) had set an ambition of USD 50 million in exports by 2008, and as a matter of fact, the industry has been on track to achieve this figure. The aspiration for 2010 however, is expected to witness a delay of three to four quarters on account of the global meltdown. The IT-BPO industry has travelled from a USD 4 billion sector in 1998 to a breath-taking USD 52 billion in 2008 employing over 2 million people (NASSCOM 2009). Looking at the hit side of the fabulous growth of the BPO industry, a number of leading software service companies also made a foray into the BPO domain, either directly, or through the mergers and acquisitions route. Most Indian IT leaders today such as Wipro, Patni, Satyam, HCL, among others, have presence in this market. The segments like customer care and administration showed a promising growth of over 75% which was the highest among all. 2008 was a year of transformation for the Indian IT – BPO sector as it began to re-engineer challenges posed by macro-economic environment, with the worldwide
spending aggregate estimated to reach nearly USD 1.6 trillion, a growth of 5.6 per cent over the previous year. In the global market, software and services touched USD 967 billion, an above average growth of 6.3 per cent over past year and the worldwide BPO grew by 12 per cent, the highest among all technology related segments. 2008 was a strong year as number of contracts, total contract value and annualized; and contract values exceeded as compared to 2007. Among all users above average growth was witnessed in the Government, Healthcare and manufacturing segments (NASSCOM 2009). Indian IT-BPO grew by 12 per cent in FY2009 to reach USD 71.7 billion in aggregate revenue.

I.6 Attrition in BPO

Attrition is defined as a reduction in the number of employees through retirement, resignation or death and attrition rate is defined as the rate of shrinkage in size or number (BPO India 2009). Attrition of employees in a limited measure is desirable for influx of new ideas in any type of organization. It helps organizations to maintain their agility in fast changing environment. It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization.

Attrition in the BPO industry is twofold. One part of the attrition is where the employee leaves the industry entirely. The other section of attrition is where the employee joins another firm in the industry. Both the sections have separate reasons which need to be identified. The primary reason for people leaving the industry is due to the cause that the industry is viewed as a gap filler occupation. There seems to be a flaw in the way the industry is structured. The industry has been mainly dependent on youth who take out time to work, make money in the process while
thinking of career alternatives. Hence for this group BPO is never a long term career but only as a part time job. The easy availability of BPO jobs is only a source of easy money till the time there is no other source of funding. Also the unfriendly working conditions, late night work shifts, high tension jobs acts as a deterrent for people to stick to this industry for long time. In addition, the BPO jobs are not being taken with a positive spirit.

There is an escalating paucity of the appropriate skills gained through the education system, which is short on quality and relevance. Because of dearth, hiring new talent has become more expensive. In 1999, the average pay packet of an entry-level agent was $160–$180; now it is $300–$350. Due to high attrition rates, every employee who leaves costs the company another $900–$1100 to recruit and train a replacement. Finding the right candidate and sustaining it is now becoming a problem. Years ago, the success rate was of choosing the right candidate was 20 percent (Rediff.com, 2005a, 2005b; Sangameshwaran and Rai, 2005). Besides this, BPO employees are experiencing problems related to stress, sexual and racial abuse, and dissatisfaction at work (Walletwatch, 2003; Cacanas, 2004; Singh, 2005b; Witt et al., 2004; Rose and Wright, 2005; Houlihan, 2002). Inside a BPO organization, HR related issues arising at all levels have become significantly alarming and need to be addressed soon. Major HR-related issues standing as problems in the various levels of management include attrition, HR policies, absenteeism, performance appraisal, and manpower allocation (Mehta et al. 2006). In organizing, the major concerns at the lower management level are related to job design and job requirements, like night shifts, monotony, and long hours. At the middle-management level, critical issues were related to HR, organizing, and motivation. Middle-level managers have difficulty retaining good employees, motivating them to put in their best effort, and keeping them happy. Often managers
are not trained to work with teams and directing and motivating numerous teams simultaneously is challenging (Mehta et al 2006).

**I.7 Employee Motivation**

Employee motivation has been extensively reviewed for this research. Literature on the established well known motivation theories has been reviewed as one of the final results of our study shows intrinsic motivation factors as a significant dimension of employee retention in the BPO industry. Theories of motivation were intricately studied to understand the concept of motivation as an important predictor of employee turnover. Motivation theories have been broadly classified into need based theories and process based theories. These theories form the pedestal of all work on motivation. Here these theories have been discussed to understand the philosophy of motivation so as to incorporate the same in the study of employee retention. Johnson and Gill (1993) describe motivation in work organizations as “the processes by which people are enabled to and induced to choose to behave in particular ways”. Motivation is therefore coupled with a search for the ways by which members’ job performance and productivity may be enhanced.

**I.8 Employee Involvement**

Literature on employee involvement was also extensively reviewed as one of the significant determinants of employee retention came out as involvement factors. Many researchers have worked on employee involvement and participation at various levels and in various domains. Employee involvement is an important attribute of job satisfaction, employee motivation and even employee retention. Employee involvement has a direct correlation with productivity,
quality, efficiency, absenteeism, and even motivation. Employee involvement has received much attention in the area of work organization in recent decades. Although changes in the work organization during the last decades are diverse and difficult to summarize by a few key concepts, there has emerged an agreement that employee involvement and monetary incentive systems are important measures in modern personnel management (Delery and Doty 1996), (Appelbaum et al. 2000), (Godard 2004). Addison et al. (2000) shows that establishments of different sizes might be affected differently by employee involvement. Employee involvement produces improved enterprise performance through diverse channels including enhanced discretionary effort by employees (Jones et al 2003). There is also a high association between peer review and employee involvement in work organization and better the peer review, better is the efficiency towards work. Employee involvement also affects the Important dimensions of individual performance, organizational citizenship behaviour, defined as individual discretionary behaviour that promotes the organization and is not explicitly rewarded. The main principle behind all initiatives for increasing the involvement of workers is to get the lower-level staff more involved in the decision making and work processes, and to grant these employees greater autonomy and control over job tasks and methods of work (Cappelli and Rogovsky 1994). Typical measures are teamwork, lean management, and reduced hierarchic levels (Godard 2004).

I.9 Attrition and Retention in IT and ITES

Building on its growth over the last few years, the Indian IT-BPO sector has emerged among the leading employment providers of the country with nearly 4 million people being directly employed in the IT-BPO industry. Growth has given rise to predictable challenges of managing
people, who owing to the nature of the sector form one of the most critical assets of the IT delivery chain. It is universally recognized that the sustained availability of skilled manpower at the right cost will be the make-or-break factor as India attempts to rise up the IT value chain.

The percentage of employees that leave a company in a given period of time due to attrition is sometimes referred to as the churn rate, though that term can also include personnel who are fired. A high churn rate can adversely affect a company due to the costs of training new workers, though higher rates are often more acceptable for unskilled labourers than more highly skilled.

Employee attrition refers to the loss of employees through a number of circumstances, such as resignation and retirement. The cause of attrition may be either voluntary or involuntary, though employer-initiated events such as layoffs are not typically included in the definition. Each industry has its own standards for acceptable attrition rates, and these rates can also differ between skilled and unskilled positions. Due to the expenses associated with training new employees, any type of employee attrition is typically seen to have a monetary cost. It is also possible for a company to use employee attrition to its benefit in some circumstances, such as relying on it to control labour costs without issuing mass layoffs.

There are many different ways for a company to lose employees, most of which are typically taken into account to ensure that the organization is able to operate efficiently. Attrition refers to the loss of employees due to reasons other than firing and other employer-initiated events. This means that an employer has no direct control over how many personnel are lost to employee attrition.

A growing cause for concern (Chakraborty, Samik, 2008). In this article it reveals the present scenario situation of employee attrition rate, and what are few factors which are responsible for this threat. In olden days the employees were well satisfied with the salary package they used to
get, but now it’s only one factor to retain the employee with the organization. This article also reveals that the organization should be very careful in handling with various issues regarding the employee because it is very sensitive. The article also talks about the various elements like rewards and recognition, grievance redressal mechanism, career progress, ego troubles which should be taken care.

"In today's workplace, employers are not only having a hard time attracting employees, but are also having a difficult time keeping them (Harkins, 1998). Employees leave for a variety of reasons, including poor supervision, unchallenging positions, limited advancement opportunities, lack of recognition, limited control over work, perceived pay inequity, and the perception of more favourable opportunities in other companies (Jardine, 2001). High employee turnover is one of the great Samik, yet causes of declining productivity and decreased morale in corporate America (Abassi, 2000). While morale decreases, recruiting and training costs increase and an organization can find itself in a vicious cycle (Secretan, 2001)."One of the most foundational issues facing businesses of any size in the modern economic world is employee retention.

10 Attrition in India - A fact file

Most large size IT companies reported a rise in employee attrition rate during July-September 2013, and experts believe that the trend may continue going forward. According to the survey conducted by Global management consultancy, Hay Group, in association with the Centre for Economics and Business Research (CEBR), found that 49million more employees are likely to leave their employers worldwide over the next five years compared to 2012, owing to improvement in economic and labour market conditions. India is expected to lead the region in
turnover rates at 26.9 per cent (in the organized sector) in 2013-the highest attrition rate globally; this figure is expected to go up further in 2014 to stand at 27.5 per cent.

Indian employees expressed concerns about the fairness of their compensation (55 per cent) and the extent to which benefits meet their needs (48 per cent). One in every three employees expressed concern over lack of confidence in being able to achieve their career objectives with their current employers (37 per cent). As a result, they are concerned about opportunities for learning and development (39 per cent) and supervisory coaching for their development (36 per cent), the report added. Globally, the number of workers taking flight is expected to reach 161.7 million in 2014 - 12.9 per cent increase in people leaving compared to 2012.

### I.11 Attrition rate of top IT companies for the year 2013

Tata Consultancy Services

TCS is the first largest IT Company and it adds 7,664 employees, attrition rate steady at 10.9%.

Infosys India’s second-largest technology outsourcer Infosys attrition rate is at 17.3%.

Wipro: Attrition rate is 21.1%

Tech Mahindra: Attrition rate is 17%

Cognizant Technology Solutions: 12 – 14 % range

Accenture: 12%

Polaris: 18.2%

Oracle: 17%

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problem that plague companies in the competitive marketplace. Not too long ago, companies accepted the
“revolving door policy” as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, businesses often find that they spend considerable time, effort, and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future.

Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Corporate is facing a lot of problem in employee retention these days. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There is no dearth of opportunities for talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he’s doing, he may switch over to some other more suitable job. In today’s environment it becomes very important for organizations to retain their employees.

According to Get Les Mckeown’s employee retention is define as “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 divers needs. Also of concern are the costs of employee turnover (including hiring costs. productivity loss). Replacement costs usually are2.5 times the salary of the individual.

The costs associated with turnover may include lost customers, business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring, and training the new employee just to get back to where you started.” Every company should understand that people are their best commodity.
Without qualified people who are good at what they do, any company would be in serious trouble. In the long run, the retention of existing employees saves companies money. As Beverly Kaye and Sharon Jordan-Evan stated in Training and Development: “Studies have found that the cost of replacing lost talent is 70 to 200 percent of that employee’s annual salary. There are advertising and recruiting expenses, orientation and training of the new employee, decreased productivity until the new employee is up to speed, and loss of customers who were loyal to the departing employee. Finding, recruiting, and training the best employees represents a major investment. Once a company has captured talented people, the return-on investment requires closing the back door to prevent them from walking out.”

When an employee leaves a company for a direct competitor, there is always a chance that they will take important business strategies and secrets with them to be explained by the competition. This is yet another reason why the retention of employees is so crucial to some businesses. While this practice seems a bit unscrupulous, it skills happens quite frequently. As Bill Leonard stated in HR Magazine: Because employers know that the best qualified applicants will come directly from competitors, recruiting and hiring employees away from mother of inventive and sometimes controversial business practices. Recruiting and hiring from your competitors is probably as old as business itself. But what is new and a hot topic among employers is how to attract and retain qualified candidates in a highly competitive labour market while also preventing their own intellectual capital from winding up.

**I.12 Talent retention: a challenge**

Changes in business conditions, demographics and globalization have created new opportunities for the HR function. These changes have raised the need to understand and manage the dynamics
of talent, from sourcing to resource management to recognition systems. The globally prevailing practices of LPG (liberalization, privatization and globalization) have escalated the level of competition in the market. Increasing competitiveness had a dual impact on organizational stability. First, the market demanded better quality products; and second, succumbing to market pressure, companies had to reduce prices, which means higher operational cost or depleting profit reserves.

Fundamental changes are taking place in the workforce and the workplace that promise to radically alter the way companies relate to their employees. Hiring and retaining good employees have become the chief concerns of nearly every company in every industry. Companies that understand what their employees want and need in the workplace and make a strategic decision to proactively fulfil those needs will become the dominant players in their respective markets. The fierce competition for qualified workers results from a number of workplace trends, including:

- Paradigm Shift in how people view their careers
- Changes in the unspoken "contract" between employer and employee
- Corporate cocooning
- Changes in social values
- Life balance
- Robust economy

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.

In an intensely competitive environment, where HR 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 abound. Talent retention, especially of the best, most desirable employees, is a key challenge in organizations today. Thus, it is critical to the long term health and success of the organization. Managers readily agree that retaining your best employees ensures customer satisfaction, product sales, satisfied co-workers and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning.

Talent retention matters. Organizational issues such as training time and investment; lost knowledge; mourning, insecure co-workers and a costly candidate search aside, failing to retain a key employee is costly. Various estimates suggest that losing a middle manager costs an organization up to 100 percent of his salary. The loss of a senior executive is even more costly. Talent retention is critically important for a second societal reason, too. Over the next few years while Baby Boomers (age 40 to 58) retire, the upcoming Generation X population numbers 44 million people (ages 25-34), compared to 76 million Baby Boomers available for work. Simply stated: there are fewer people available to work. Talent retention is one of the primary measures of the health of your organization. If an organization is losing its critical staff members, it can safely bet that other people in its departments are looking as well. Exit interviews with departing employees provide valuable information you can use to retain remaining staff.

The bottom line of talent retention is the quality of the supervision an employee receives is critical to employee retention. People leave managers and supervisors more often than they leave
companies or jobs. It is not enough that the manager is well-liked or a nice person. Sure, a nice, likeable manager earns some points to the organization with its employees. A draconian, nasty, or controlling manager takes points away from organization. So will below market benefits and compensation. But, a manager or supervisor, who is a pro at employee retention, knows that the quality of the supervision is the key factor in talent retention.

Companies vying among themselves to unearth talent and employing them, is not a new phenomenon. Employers know that attracting outstanding talent is basic to the success of their companies. But what is necessary is that the company’s search for talent must be comprehensive, and a systematic approach for recruitment and retention of candidates be followed. This book endeavours to provide the readers an insight into how companies could compete for talent by adopting necessary changes in management, organization design, and human resource policies in a way that can turn the company into a magnet for top performers.

Employees are internal customers to the organization and the ability of the organization in fulfilling their needs reflects its philosophy and core values. Competing in the labour market requires a proper understanding of employees’ needs and evolving right strategies of hiring and retaining them so that the companies are able to collect a band of good workers who can contribute their best to the organization. The statement by Narayana Murthy, Chairman, Infosys, “My Company’s assets walk out of the door every evening” truly captures the dynamics of the new economy. With such a great emphasis on human capital, it is critical for every organization to resort to means that offer quality recruitment solutions at competitive costs.

At this point, it is important to note what Jack Welch, former CEO of GE, said in an interview when asked about the secret of his success: “My main job was developing talent; I was a gardener, providing water and other nourishment to our top 750 people.” Jack said in the same
breath: “Of course, I had to pull out some weeds too”. This statement by Jack Welch brings out the significance of talent management. Though, it is impossible to scrap problems totally, there are certain ways by which BPO managements can tackle attrition.

Since the BPO environment is unique, these companies need to develop innovative ways to tackle them. Human Resources department of a BPO must address these issues, and along with the management need to evolve strategies to retain employees at all levels.

**I.13 Statement of Research Problem**

Managing attrition does not mean reducing attrition only. It could also mean bringing down the negative effects of attrition. To do this the organizations should put up appropriate retention and capacity utilization or talent utilization tactics. There are various retention strategies used by the organizations today. The objective is to know how effective it is from the employee’s perspective and how it is administrated. A high rate of attrition effect the organization in many ways like it leads to more expense, loss of company knowledge, Interruption of customer service, as well as the company’s goodwill get effected. Handling the employee retention issues has got a serious attention at all level of management. The problem of employee retention has hit all category of employee equally. Employee retention one of the major issues faced by any industry.
I.14 Research Questions

The following research questions have been formulated:

RQ1: Do certain variables have an effect on involuntary attrition?

RQ2: Do certain variables have an effect on voluntary attrition?

RQ3: Does involuntary attrition have an effect on behavioural intentions?

RQ4: Does voluntary attrition have an effect on behavioural intentions?

RQ5: Do demographics have an effect on involuntary attrition, voluntary attrition and behavioural intentions?

Although several studies are done on the topic, the issue is still unresolved and complex. This study makes a modest attempt to figure out what the real problem is and the strategies followed by the IT and ITES companies to retain their human resource. This study is done from the employee’s perspective.

I.15 Objectives

i. To identify factors causing involuntary attrition in IT/ITES companies.

ii. To identify factors causing voluntary attrition in IT/ITES companies.

iii. To study the behavioural intentions (attrition) of employees.

iv. To assess impact of involuntary attrition and voluntary attrition on behavioural intentions in IT/ITES companies.

v. To explore suggestions for reducing attrition rates and improving employee retention.
I.16 Research Design

There are three broad types (Malhotra, 2010) of research designs used, namely, exploratory, descriptive and causal. The latter two are referred to as conclusive research.

Exploratory research: This design is defined as “research that focuses on collecting either secondary or primary data and using unstructured formal or informal procedures to interpret them”. Exploratory studies are often used to classify problems or to understand a phenomenon and are not intended to provide conclusive information to determine a course of action. It regularly involves focus-group interviews, in-depth interviews and/or pilot studies. Exploratory studies are most suited when the existing knowledge and experiences of the researcher are limited and that the scope of the study is to find out as much of the subject as possible, which involves several ways to collect data.

Descriptive research: This design is defined as research that uses a set of scientific methods to collect raw data and create data structures that describe the existing characteristics of a defined target population or market structure. Descriptive studies aim to portray, depict or describe certain fields of interest in order to select a course of action. Descriptive studies are most suited when the researcher already possesses knowledge about and experience from the subject, and that the scope of the study is to describe a certain field thoroughly, often only involving one way of collecting data. Descriptive research, also known as statistical research, describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, where, when and how.

Causal research: This design is defined as “research designed to collect raw data and create data structures and information that will allow the researcher to model cause-and-effect relationships between two or more market (or decision) variables”. Causal studies aim to explain
causality between market factors to create a framework for decision makers to understand that “if
... happens, then ... will occur”. Adopting causal studies presumes that the researcher possesses a
great deal of knowledge of and experience from the subject studied. It often involves a technique
of collecting data that gives precise and accurate information, since only factors linked to the
hypothesis want to be studied.

Causal research design was employed for current research based on quality of work life
research model constructed for this research.

I.17 Scope of the Research

The scope of the research broadly encompassed sub themes like involuntary attrition, voluntary
attrition, behavioural intentions, retention strategies, and demographics.

I.18 Significance of Research

i. The facets of involuntary attrition and voluntary attrition contributing significantly to
behavioural intentions (in terms of attrition) would be compiled and documented through
review of related literature in order to propose a conceptual framework and research
model.

ii. It would serve as a starting point from where problem areas in terms of employee
maintenance and integration that need immediate attention would be identified. This study
would provide immense insights for HR managers to suitably change their retention
strategies to ensure minimal or no attrition.

iii. It would serve as a barometer to gauge the level of satisfaction with determinants affecting
involuntary and voluntary attrition.
iv. It would help in ascertaining the retention strategies currently being employed by IT and ITES companies and related benefits.

v. There will be value in knowing how involuntary and voluntary attrition factors impact behavioural intentions (in terms of attrition).

vi. This research would help in understanding attrition issues and retention strategies and would be helpful for formulating HRM/HRD strategies for the future.

I.19 Sampling Design

In statistical surveys, when sub-populations within an overall population vary, it is advantageous to sample each sub-population (stratum) independently. Stratification (Wikipedia) is the process of dividing members of the population into homogeneous sub-groups before sampling. The strata should be mutually exclusive: every element in the population must be assigned to only one stratum. The strata should also be collectively exhaustive: no population element can be excluded. Then random or systematic sampling is applied within each stratum. This often improves the representativeness of the sample by reducing sampling error.

The formula for estimating sample size (Malhotra, 2010) when population is unknown is:

\[ n = \frac{\sigma^2 \cdot z^2}{D^2} \]

where \( n \) = estimated sample size; \( \sigma \) = standard deviation (value obtained from pilot study); \( D \) = acceptable level of error (significance level); \( z \) = standard variate.

Population: Employees (Human Resource Management and Administrative department) from IT and ITES companies.

Frame: Employees (Human Resource Management and Administrative department) from IT and ITES companies in Bengaluru.
Sampling Method: Proportionate Stratified Sampling wherein strata is based on company type. Company type comprised IT and ITES listed by NASSCOM.

Sample Size: The standard deviation value of ‘behavioural intentions’ obtained from pilot study of 50 respondents was $\sigma = 0.643$. The estimated sample size was computed using formula and was found to be 456 respondents. The sample size details are shown in Table 1.1.

Table 1.1

Sample size computation using proportionate stratified sampling

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Companies listed by NASSCOM</th>
<th>No. of companies</th>
<th>% (companies)</th>
<th>Estimated Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>IT</td>
<td>15</td>
<td>75%</td>
<td>342</td>
</tr>
<tr>
<td>2.</td>
<td>ITES</td>
<td>5</td>
<td>25%</td>
<td>114</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>20</td>
<td>100%</td>
<td>456</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher

1.20 Data Collection Design

The primary data collection method employed was Survey method to collect primary data from faculty. The primary data collection instrument was undisguised structured questionnaire. Secondary data was sourced from periodicals, World Wide Web and company reports.
I.21 Pilot Study

A pilot study was undertaken wherein 50 employees of IT and ITES companies were surveyed using a structured questionnaire. Modifications in the questionnaire were made based on feedback received from respondents and some company HR executives.

I.22 Conceptual Framework

The conceptual framework is presented in Figure 1.1.

Source: Constructed by researcher and adapted from variables cited in literature.

Figure 1.1

Conceptual Framework
The dependent variables used in the research are:

(i) Involuntary attrition
(ii) Voluntary attrition
(iii) Behavioural intentions

The independent variables used in the research are:

(i) Environmental factors
(ii) Training and development factors
(iii) Organisational culture and strategy factors
(iv) Job-specific factors
(v) Personal functional factors
(vi) Personal dysfunctional factors

I.23 Research Hypotheses

The research hypotheses framed are:

i. *Hypotheses* $H_{01.1}$ to $H_{01.4}$: Environment factors, Training and development factors, Organisational culture and strategy, and Job-specific factors have no effect on involuntary attrition.

ii. *Hypotheses* $H_{02.1}$ to $H_{02.2}$: Personal functional factors and Personal dysfunctional factors have no effect on voluntary attrition.

iii. *Hypotheses* $H_{03.1}$ to $H_{03.2}$: Involuntary attrition and Voluntary attrition have no effect on behavioural intentions.
iv. *Hypotheses* $H_{0.4.1}$ to $H_{0.4.9}$: There is no significant difference between male and female with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.

v. *Hypothesis* $H_{0.5}$: There is no association between gender and perception about Behavioural intentions of employees.

vi. *Hypotheses* $H_{0.6.1}$ to $H_{0.6.9}$: There is no significant difference between age groups with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.

vii. *Hypothesis* $H_{0.7}$: There is no association between age groups and Behavioural intentions of employees.

viii. *Hypotheses* $H_{0.8.1}$ to $H_{0.8.9}$: There is no significant difference between graduates and post-graduates with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.

ix. *Hypothesis* $H_{0.9}$: There is no association between education and Behavioural intentions of employees.

x. *Hypotheses* $H_{0.10.1}$ to $H_{0.10.9}$: There is no significant difference between income groups with respect to perception about Environmental Factors, Training and development factors,
Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.

xi. *Hypothesis* $H_{011}$: There is no association between monthly income and behavioural intention of employees.

xii. *Hypothesis* $H_{012}$: There is no association between marital status and behavioural intention of employees.

xiii. *Hypothesis* $H_{013}$: There is no association between service in current company and behavioural intention of employees.

xiv. *Hypothesis* $H_{014}$: There is no association between total work experience and behavioural intention of employees.

I.24 Validity

*Content Validity*: The variables impacting competencies chosen for this research have been sourced from literature wherein the validity of using such variables has already been demonstrated.

*Construct validity*: Construct validity is how well the items on the inventory represent the variable. The independent variables used under three dimensions (competencies) have been well established in literature.

I.25 Reliability

Reliability (Malhotra, 2010) refers to the extent to which a scale produces consistent results if repeated measurements are made. The coefficient alpha, or Cronbach alpha, is the average of all possible spilt-half coefficients resulting from different ways of splitting the scale items. This
coefficient varies from 0 to 1, and a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability as espoused by Nunnally. The reliability coefficient (Cronbach alpha) was found to be 0.879. Thus, the alpha value was more than the minimum acceptable value.

I.26 Limitations

The limitations of the research are:

i. The study is focused on attrition issues and retention only and other dynamics of human resource management are not under its purview,

ii. The study is restricted to IT and ITES companies only.

iii. There may be changes in the work environment and HR policies in the future which in turn may influence changes in employees’ expectations and perceptions.

I.27 Organization of the thesis

The study has been organized in five chapters. A brief outline of the various chapters is as follows:

Chapter 1 is a prologue to the thesis. It establishes the foreword about the IT and ITES industry, the prevailing issue of attrition in the sector, the urgent need of combating it, and the ways to enhance retention. It underlines the significance of the study and also emphasizes on the source of motivation for the present work. The chapter throws light on the various research questions that have been addressed in the thesis and clearly delineates the objectives.
Chapter 2 is enriched with an exhaustive and comprehensive literature review of the subject. It illustrates the research work globally with reference to Work environment, Job stress, Job satisfaction, Superior relationship, HR policies and initiatives, Job characteristics, Antecedents and expectations with reference to personal functional factors, employment opportunities, demographic environment variables, perception on job, family problems, recognition, compensation, turnover causes and remedies, training and development, exit interviews, work and time flexibility, rewards, career development, benefits, culture, employee value and loyalty, and job attrition.

Chapter 3 gives a sketch of the theoretical views of attrition and retention strategies in IT and ITES industry. This chapter also crafts the profile of 20 companies selected for the study.

Chapter 4 deals with the data analysis and interpretation. A structured questionnaire was developed to facilitate systematic data collection in this study. The chapter comprises question-wise analysis and discussion, Structural Equation modelling and application of various statistical tests which examined the demographic influences.

Chapter 5 is devoted to conclusions and recommendations. This chapter also discusses the scope for further research in the area of employee attrition and retention.