CHAPTER III

RETENTION STRATEGIES OF SELECTED COMPANIES

III.1 Definitions

Employee: A person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business.

Attrition: The unpredictable and uncontrollable, but normal, reduction of work force due to resignations, retirement, sickness, or death. For this study reduction of work force due to resignation is considered.

Retention: In simple words retention means keeping or possessing something.

Employee Retention: It is a business management term referring to efforts by employers to retain current employees in their workforce.

III.2 Retention

Retention of IT employees is important to sustain a competitive advantage for IT companies in today’s global market (Drucker, 2007; Jones & Miller, 2007). Studies on the benefits of retaining IT employees have observed that IT companies can gain higher operating performance, higher returns on assets and higher returns on capital employed (Cascio, 2002). In contrast, the loss of IT employees is expensive and may thus be detrimental to IT companies (Glebbeck & Bax,
The effect of losing IT employees has significantly impacted on the performance of IT companies from the two dimensions of tangible and intangible perspectives (Frank, Finnegar, & Taylor, 2004; Tanova & Holtom, 2008). The tangible perspective includes the administrative expenses of recruiting, selecting and training and development of new staff, whereas the intangible perspective includes the loss of employee morale, social capital and company memory (Morrell, Load-Clarke, & Wilkinson, 2004). It is indicated that the total costs of replacing an employee amounts to 150% to 175% of the salary costs of the departing IT staff (Nelson & Todd, 2004). The intangible loss of knowledge, experience, and know-how of companies is more significant than the tangible costs of replacing staff because it could lower productivity and performance of companies and thus result in loss of profits (Frank, et al., 2004; Tanova & Holtom, 2008). Therefore, IT companies must understand the serious impacts of the loss of IT employees and find a way to retain them. This is the focus of this study.

III.3 Job Embeddedness Theory

Job Embeddedness is a new construct of retention theory that explains why people stay in, or leave an organization using non-work and non-attitudinal factors (Mitchell, Holtom, & Lee, 2001). The concept of non-work factors is associated with personal and family activities off the job, as a conflict between job and family role could lead employees to consider leaving an organization (Mitchell, Holtom, & Lee, 2001). The concept of non-attitudinal factors is related to personal attachment to their co-workers, network groups and leisure activities both on and off the job (Mitchell, Holtom, & Lee, 2001). It is noted that leaving an organization needs sacrifice or
The importance of job Embeddedness helps organizations to understand the scenario that even satisfied employees could still leave an organization for their broad personal interests (e.g., family role at different career stages). This theory is different from the traditional Turnover theories of work-related attitudes, which only focus on job satisfaction and organizational commitment (Holtom & Inderrieden, 2006; Holtom & O'Neill, 2004; Lee, Mitchell, Sablynski, Burton, & Holtom, 2004). It is viewed that attitudinal constructs such as job satisfaction only play a minor role in employee retention and leaving (Griffeth, Hom, & Gaertner, 2000; Hom & Griffeth, 1995). Mallol, Holtom, and Lee (2007) and Tanova and Holtom (2008) also show that job Embeddedness has more influence on employees’ decisions to stay rather than their attitudes towards work or actual opportunities in the labour market. The foundation of job Embeddedness theory is formulated from embedded figures theories and field theory (Lewin, 1951). Embedded figures are those in which people are immersed in their field and connected through many links within their backgrounds and environment (Mitchell, Holtom, Lee, et al., 2001). This views an individual as a part of a complex web of relationships and attachments (Mitchell, Holtom, Lee, et al., 2001). The more extensive the web is, the stronger the influence the web will have on an individual who is thinking of changes. This is because that change will affect many other features of the individual’s life (Mitchell, Holtom, Lee, et al., 2001; Tanova & Holtom, 2008). Consequently, this keeps employees from leaving an organization as they are entrenched in their
jobs and webs and become part of the surroundings (Mitchell, Holtom, Lee, et al., 2001). According to Mitchell, et al. (2001), job Embeddedness consists of three dimensions: (1) Links with other people or activities, (2) self-perception of fit with the job, organization and community, and (3) perceived sacrifices associated with changing jobs. These aspects are important both on (organization) and off (community) the job. Thus, employees’ decisions to stay can be explained using six dimensions, which are ‘links’, ‘fit’, and ‘sacrifice’ associated with an individual’s organization and with his or her community. As the focus of this study is the retention of IT employees within an organization, the emphasis of organizational dimension is discussed and provided. Links to the organization refer to relationships that an employee has with co-employees, bosses and mentors within an organization. Mitchell, et al. (2001) stress that many organizations now use strategic teams to increase employees’ network bonds, and use a mentor system to enhance the emotional attachment of their female employees. They further stress that the relationships could extend to cover an employee and his or her family in social, psychological and financial areas that embed them (Mitchell, et al., 2001).

Other studies also show that people are more likely to be loyal to fellow and network peers (Amaram, 2005; Guidice, Heames, & Wang, 2009). Thus, it is deemed that the more links between an employee and the web, the more he or she is bound to the job and the organization. Fit with the organization refers to an employee’s perceived compatibility or comfort with an organization (Holtom & Inderrieden, 2006). This involves a self-perception of fit that is especially important during the early stages of adjustment to a job (Mitchell, et al., 2001).
It is suggested that an employee’s values, career goals and plans for the future must fit with the organizational culture and the demands of the immediate job (e.g., job knowledge, skills and abilities) (Holton & Inderrieden, 2006). This is because employees will continue to assess how their work contents have matched their career goals. Some scholars show that an organization can retain employees by managing their career goals and enabling them to reach their long-term career goals (Harman, Lee, Mitchell, Felps, & Owens, 2007; Holton, Mitchell, & Lee, 2006). Thus, it is deemed that the better the organizational fit with the career goal of an employee, the more likely he or she is to stay.

“Sacrifice” refers to the perceived costs of material or psychological gains that may be forgone by leaving a job (Holton, et al., 2006). These gains could be profit sharing, stock options, career advancement opportunities, flexible work schedules, child care support, colleagues, interesting projects or perks. Some of these benefits are very important to employees who have families, especially females with small children at home (Holton, et al., 2006; Mitchell, et al., 2001). Thus, the more an employee gives up when leaving, the more difficult it is to sever employment with the organization. (Holton & Inderrieden, 2006; Shaw, Delery, Jenkins, & Gutpa, 1998).

Prior studies have shown that financial factors have the highest correlation with the sacrifice dimension of job Embeddedness when employees are considering quitting a job (Allen, Shore, & Griffeth, 2003; Bergiel, Nguyen, Clenney, & Taylor, 2009). In addition, superior support is also significantly correlated with the employees’ decisions to stay as it can help better person-organization fit and links to colleagues (Bergiel, et al., 2009; Holton, et al., 2006; Stinglhamber
& Vandenberghe, 2003). Some studies also show that the benefits of child care support or family-friendly hours are strongly linked to the embedding of female employees within an organization (Holtom, et al., 2006; Tanova Holtom, 2008). These all show that a job Embeddedness approach can effectively retain employees as they would sacrifice current benefits when considering leaving an organization. Therefore, it helps the study in identifying retention factors that retain and motivate employees with an organization.

III.4 Unfolding model

The unfolding model is a theory of voluntary employee turnover that explains the decision and behavior of people who voluntarily quit their jobs. (Lee & Mitchell, 1994). This theory is explained by four decision paths through the process of an individual’s shocks, scripts, image violation (e.g. values, goals and plans for goal attainment), dissatisfaction, job search, evaluation of alternatives and offers in hand (Lee & Maurer, 1997; Lee & Mitchell, 1994). In addition, decision path 1, 2, and 3 is triggered by a shock event, and decision path 4 (4a and 4b) is triggered by a continuous evaluation of images which are accumulated from job dissatisfaction (Lee & Mitchell, 1994). Therefore, this model provides an effective way to understand why people may stay or leave within an organization (Holtom, Mitchell, Lee, & Inderrieden, 2005; Maertz & Campion, 1998).

A shock event could be positive, neutral or negative; expected or unexpected; and internal or external to the person’s life at different career stages. The incompatibility of a person’s beliefs and images has been found to be mainly associated with work-related shock (e.g. promotion and
work stress) in comparison to non-work-related shock (e.g. marriage and new born baby) over a person’s career life (Holtom, et al., 2005; Lee, Gerhart, Weller, & Trevor, 2008). In addition, lack of person-organization fit plays an important role in Influencing the decision to stay or leave made by an individual (Lee & Mitchell, 1994). This is because people have different career goals and personal interests at different stages of their career life (Lee & Maurer, 1997; Tanova & Holtom, 2008). Therefore, it is suggested that people can be somehow satisfied through work arrangements based on a dimension of their work content and their career life.

Prior studies have shown that an unfolding model can help an organization to prevent a high level of voluntary turnover from anticipated events (Lee & Maurer, 1997; Lee, Mitchell, Holtom, McDaniel, & Hill, 1999; Morrell, Loan-Clarke, Arnold, & Wilkinson, 2008). For example, a work-life balance policy can keep young married employees who otherwise may resign because of new born-baby. This refers to decision path 1 (Lee & Maurer, 1997; Lee, et al., 1999). In addition, when unemployment is low and jobs are plentiful, managers have to take timely action to prevent employees who may leave via decision path 3, which refers to unsolicited job offers or inquiries from the labour market (Lee, et al., 1999). It is also suggested that intervention should quickly respond to dissatisfied employees who may perceive injustices in the allocation of training opportunities and promotion (Morrell, et al., 2008). Therefore, it is that an unfolding model can manage voluntary staff turnover through intervention, and thus motivate employees to stay longer with an organization (Lee, et al., 1999; Morrell, et al., 2008).

III.5 Hackman and Oldham’s Job characteristics model
Hackman and Oldham’s Job characteristics model has been used to develop the conceptual model for the research. The Job Characteristics Model by Hackman and Oldham (1976) focuses on the interaction between the psychological states of employees, the job characteristics that are believed to determine these states and the attributes of individuals that determine how positively a person will respond to a complex and challenging job. Few of the aspects of the model have been amended with reasons. This amended model then generates a base for the theoretical skeleton of the research model.

![Diagram of the Model of Attrition]

**Figure 3.1**

**Model of Attrition**

The figure 3.1 illustrates the basic constructs of the attrition model: personal characteristics, negative job characteristics (job dimensions), and the final resultant as attrition. It has the personal characteristics as age, education, gender, marital status and tenure along with the negative characteristics of a BPO job i.e. monotonous nature of job, lack of motivation, poor
mentoring, power and politics, dissatisfaction with colleagues, low career growth, lack of skill variety, irregular working hours, achievement not recognized etc. These two collectively result in the attrition of employees. The question is how much do these factors actually contribute to attrition.

**Figure 3.2**

**Constructs of retention model**

The Figure 3.2 illustrates constructs of retention model i.e. personal characteristics, intrinsic job dimensions and the resulting level of satisfaction, motivation and involvement (work outcomes) and the final result i.e. retained employees (organizational outcomes). It describes the personal characteristics as age, gender, education, marital status, and tenure and core job dimensions which are intrinsic in nature like self-esteem, participation, accountability, growth prospects, feeling of accomplishment, prestige inside and outside, interpersonal relationships, working
conditions, involvement, job security, amenities, authority etc and how do they contribute to retention of employees.

III.6 Motivation Theory

Motivation sustains a complexity of psychological behaviour in which people can be influenced to engage in a particular direction (e.g. goal-oriented aim), intensity (e.g. personal efforts), and persistence (e.g. personal behavior) of voluntary behavior (Stone, 2005). In addition, the needs of people are different, so a diversity of motivational techniques should be applied for the different needs of people. For example, the cohort of mature workers may prefer to have more leisure life time in comparison to the cohort of young workers who may like to have more opportunities to experience a new career (Dychtwald, et al, 2006; Stone, 2005). It is suggested that the more managers understand effective motivation across different cohorts of generations, the more job satisfaction can be achieved in the workplace.

According to Nelson and Todd (2004), emoluments, flexible work arrangements, and non monetary compensation are crucial in managing the retention of IT employees and in reducing the effects of voluntary turnover. It is believed that money plays a key role in motivating employees because it basically enables them to purchase food, clothes, and also provides them with the means to pursue leisure activities (Chiu, Luk, & Tang, 2002). It can also serve as a symbol of achievement, recognition and status because it represents the value of their contribution to the organization, and their success in the society (Chiu, et al., 2002; Stone, 2005).
This is highly associated with the process theory, in that equity theory shows the value of money as a motivator.

However, in motivation theory, such as Maslow’s needs hierarchy theory and Herzberg’s two-factor theory, money tends to be in the lower order needs and hygiene factors respectively, and cannot actually motivate employees but can prevent job dissatisfaction. Therefore, along with monetary compensation such as remuneration and bonuses, job satisfaction as a key motivator can be achieved through non-monetary compensation such as work environment, feedback and rewards, social relationships, personal growth opportunities, and self-achievement (Nelson & Todd, 2004; Stone, 2005).

In order to better understand how motivation factors influence the behaviour of employees and encourage them to stay with an organization, content theories and process theory of motivation are discussed and provided. Content theories are Maslow’s needs hierarchy theory and Herzberg’s two-factor theory. Process theory is Equity theory.

**III.7 Maslow’s needs hierarchy theory**

Maslow’s needs hierarchy theory is one of the most sought after motivation theories that facilitate organizations understand the needs of employees and thus influence their behaviours and attitudes at work. Consequently, satisfied employees decide to remain with an organization (Kaliprasad, 2006; Ramlall, 2004). Maslow observes that employees are motivated to satisfy five
basic types of needs: physiological (e.g., food, shelter), safety (e.g., job security), social (e.g., friendly supervisor), esteem (e.g., recognition from supervisor and colleagues) and self-actualization (e.g., challenging work and participation in decision making) (Stone, 2005). It is noted that higher order needs (e.g., self-esteem and self-actualization) have a greater influence on long-term effects in comparison to lower order needs (e.g., physiological, safety and social) (Kaliprasad, 2006; Ramlall, 2004; Stone, 2005).

III.8 Herzberg’s two-factor theory

Herzberg’s two-factor theory is the first motivation theory on the content of the job itself, which has been widely applied in management circles and has had a great impact on job design (Ramlall, 2004; Stone, 2005). It is also known as motivation-hygience theory, whereby motivators are job-related, and hygiene factors are non-job-related. Job-related motivators are higher order needs for self-achievement, recognition, intrinsic interest in the work, advancement and growth (Ramlall, 2004; Stone, 2005). Non-job-related hygiene factors are lower order needs such as company policy, pay, co-worker relations and supervisory styles (Ramlall, 2004; Stone, 2005). Ramlall (2004) emphasises that motivation can be enhanced through job redesign (e.g., job enrichment) to allow for increased challenge and responsibility, opportunities for advancement, and personal growth and recognition. It is viewed that job content is really a motivation factor and relates to producing job satisfaction and higher performance, whereas hygiene factors merely prevent employees from job dissatisfaction (Stone, 2005).
Equity theory is based on fair treatment between the outcomes employees receive, and the efforts they put in compared with similar levels of others. These are social exchange relationships, and they explain how employees measure their outcome-input ratio compared to others (Adams, 1965). According to Carrell and Dittrich (1978), as a first step employees develop beliefs about what constitutes a fair and equitable return for their contributions to their jobs. Secondly, employees tend to compare what they perceive to be the exchange they have from their organization (Carrell & Dittrich, 1978; Ramlall, 2004). Finally, when they believe that their treatment is not equitable, relative to the exchange they perceived compared to others, they will be motivated to take actions they think appropriate (Carrell & Dittrich, 1978; Ramlall, 2004). It is observed that once employees weigh up the fairness of their rewards, they will be motivated to do more or less work (Fitzgerald, 2006; Stone, 2005).

III.9 Career Satisfaction and Actualization

Career satisfaction is the self-achievement of employees whose internal career needs (e.g. self-concepts and career values) are in conformity with job setting options within the workplace over time at different career stages (Igbaria, Greenhaus, & Parasuraman, 1991; Lee, 2002; Schein, 1987). This is the career choice and career decisions of employees throughout the movement of a person’s career life and is regarded as a career anchor (Schein, 1996) or career orientation (DeLong, 1982). The effect of psychological contracts has also impacted the career satisfaction of employees who have become more experienced irrespective to their length of employment relationship within the organization (Agarwal & Ferratt, 2000; Igbaria, et al., 1991). In addition, the career values of employees have significantly moved towards a balance of
personal goals (e.g. technical competence) and family life at all ages, genders and stages (Lee, 2002; Quesenberry, 2006; Schein, 1987). Therefore, it is suggested that a long-term employment relationship can be established based on the compatibility of an individual career anchor within the job setting options of the organization over time at different career stages.

III.10 Career anchors

There are ten categories of career anchors that can influence individual career choice and career decisions as they reflect most people’s self-concepts, basic values, motives and needs (DeLong, 1982; Mgaya, Uzoka, Kitindi, & Shemi, 2009; Quesenberry, 2006; Schein, 1996). They are: 1) managerial competence; 2) technical competence; 3) autonomy; 4) creativity; 5) service; 6) challenge; 7) lifestyle integration; 8) identity; 9) job stability; and 10) geographical security. For example, managerial competence is related to desire for promotion and upward mobility. Technical competence is related to who desire for training and development. Autonomy is related to desire to be more independent in the decision making.

As a person’s career life moves on, a diversity of career anchors is expected to be dynamically designed over time in accordance with that person’s job attitudes and workplace experiences (Agarwal & Ferratt, 2000; Mgaya, et al., 2009). In the IT industry, there are five typical career anchors that play an important role in influencing the voluntary turnover of staff, including managerial competence, technical competence, autonomy, job stability and geographical security (Agarwal & Ferratt, 2000). In particular, the first two of the five career anchors are vital because some IT employees are only interested in pursuing their careers in the progression of technical competence, not to pursue management competence and roles (Lee, & Maurer, 1997; Nelson &
Therefore, it is essential to see that the career anchors are in compatible with individual career goals as the activities of training and development in technical positions are quite different from the activities of training and development in managerial positions (Igbaria, et al., 1991; Lee & Maurer, 1997). Some studies also show that job stability is consistently and significantly related to the career anchor of IT employees as it relates to financial rewards as an exchange for work (Crepeau, Crook, Goslar, & McMurtrey, 1992; Crook, Crepeau, &McMurtrey, 1991; Igbaria & McCloskey, 1996; Ramakrishna & Potosky, 2001/2002; Sumner & Yager, 2004). Autonomy also indicates that IT employees seek work systems that are free from organizational barriers and enable them to reach their goals (Crepeau, et al., 1992; Crook, et al., 1991; Ramakrishna & Potosky, 2001/2002; Sumner, Yager, & Franke, 2005). Variety also indicates that IT employees are naturally inclined to challenging work, as it allows them to re-skill, adapt and upgrade their skill sets (Crepeau, et al., 1992; Sumner, et al., 2005). Identity is also significant, as software development employees are greatly motivated by the recognition of their status and prestige in their career development, which may include a set of critical skills that enhances their market value (Crepeau, et al., 1992; Sumner, et al., 2005).

Carlson, Derr, and Wadsworth (2003) also show that people increasingly want work that is interesting and challenging, while also supporting a meaningful personal and family life. Consequently, a balance of work and family life becomes an important factor of career anchor that affects IT employees, particularly for female employees (Carlson, et al., 2003; Igbaria &
McCloskey, 1996). However, there are few studies that are contradict one another. For example, creativity is found to be important from Sumner, et al. (2005), but not important from Crepeau, et al. (1992). This could be that a combination of career anchors is naturally constructed for a given employee and is varied in terms of temporal characteristics (Quesenberry & Trauth, 2007). Therefore, it is deemed that IT employees’ decisions to stay could be influenced by a combination of career anchors that affects them at different times of their career life.

III.11 Career stages

Similarly, there are three career stages identified for this study, as it is believed that they help organizations to understand a person’s behaviour towards job attitudes because each career stage comprises a variety of specific activities and psychological adjustments (Agarwal & Ferratt, 2000). For example, newcomers may want to find ways to fit into the organization, whereas senior members of the organization may want to achieve a higher level of promotion (Chen, Chang, & Yeh, 2006). The three career stages are of exploration, establishment and maintenance. Details are shown as follows.

1. Career stage of exploration: workers are those aged around 20 to 29 years old; first join an organization; seek to develop the skills and abilities needed for the job; and maintain a good relationship with their superior and peers (Agarwal & Ferratt, 2000; Chen, et al., 2006).

2. Career stage of establishment: workers are those aged around 30 to 44 years old;
are able to work independently; and seek higher pay and positive reputations (Chen, et al., 2006; Niles & Harris-Bowlsbey, 2005). In particular, career achievement is of the great importance and may require frequent opportunities for promotion (Chen, et al., 2006).

3. Career stage of maintenance: workers are those aged around 45 to 64 years old; try to hold on what they have accomplished; and may be in the transition of retirement from work (Chen, et al., 2006; Niles & Harris-Bowlsbey, 2005). Past studies have shown that a career stage model is a useful tool in understanding the important work attitudes that individuals have in accordance with their age and various working experiences (Allen & Meyer, 1993; Carlson & Rotondo, 2001; Conway, 2004). For example, the development of technical competence is significantly related to employees’ decisions to stay during their early stages of career life (Agarwal, De, & Ferratt, 2002; Conway, 2004; Koh, Lee, Yen, & Havelka, 2004). Job stability, growth and family responsibility may determine employees’ decisions to stay at their middle stages of career life (Conway, 2004; Hess & Jepsen, 2009). Finally, job involvement and employability may influence employees’ decisions to stay at their late stages of career life (Conway, 2004; Hess & Jepsen, 2009). It is observed that when individuals become capable and experienced in the labour market, organizational rewards such as promotion, pay and other benefits may be varied for them as incentive tools. This is because once individuals gain highly transferable competence, they would not be organizationally bound but instead are highly marketable (Sullivan, Carden, & Martin, 1998). Consequently, employees’ decisions to stay with an organization tend to be primarily influenced by both transferability of competence and level of internal work values (Hsu, Chen, Jiang, & Klein, 2003; Sullivan, et al., 1998).
Transferability of competence is related to an individual’s knowledge, skills and abilities that are marketable or organization-specific (Baker & Aldrich, 1996; Bird, 1996; Waterman, Waterman, & Collard, 1994). Level of internal work values is related to an individual’s career goals that they attempt to achieve through their career life (Sverko & Vizek-Vidovic, 1995). This is also regarded as an individual’s career anchor (Hsu, et al., 2003). In this respect, career satisfaction of individuals can be successfully achieved through the motivation of individuals’ career development which links to their career goals and career stages Agarwal & Ferratt, 2000; Chen, Chang, & Yeh, 2004; Conway, 2004; Lee, 2002; Mahatanankoon, 2007).

As career satisfaction varies across a diversity of career stages and personal goals, it is recommended that the needs of an employee’s career development should be periodically reviewed on a basis of three years tenure of employment in IT the industry (Agarwal & Ferratt, 2000). This is because three years working experience can make newcomers capable and independent as well as change the needs of senior members, and thus facilitate them to review their psychological contracts with their organizations (Agarwal & Ferratt, 2000). Consequently, job-hopping attitudes could be activated if employees are not satisfied with their professional identity and status or career progressions. It is also suggested that employees’ career success should be related to their self-management towards desired career progress (Kuijpers, Schyns, & Scheerens, 2006).

It is regarded as active career-actualization which is related to the realization of personal goals and values in one’s career vis-à-vis the facilitation and constraining conditions of the work
situation (Kuijpers, et al, 2006). They further distinguish between intrinsic and extrinsic career success. They stress that intrinsic career success is subjectively compared with the person’s own appreciation of his or her career actualization (achievement, recognition and career satisfaction) whereas extrinsic career success relates to external appreciation (salary and occupational status) (Kuijpers, et al., 2006). However, the individual’s attitudes towards the career development program should be measured beforehand because every individual is diverse in their need to pursue different career paths goals. Therefore, if both employees and organizations are consensual upon the employees’ career development program, it is believed that a high level of performance and commitment can be consequently expected from the employees and a longer tenure will also be expected. Thus, a win-win situation can be created by both parties.

III.12 Retention and Career Actualisation in the IT Industry

As discussed above, an effective retention strategy is firmly related to the career satisfaction of an employee whose career anchors match the job setting options of the organization over time at different career stages. In addition, a periodical review of an employee’s career development is an effective way to reduce the psychological effects because a diversity of reward systems can be applied to motivate them towards personal career actualization. It is believed that financial compensation, career development, self-achievement, environmental factors, and job satisfaction will determine the employees’ decision to stay in the organization. Therefore, these components will be considered as elements of the immediate discipline for the study. The following five major factors have been identified in the literature as being likely to be relevant to retention.
III.13 Strategies Suggested For Retaining Human Capital in BPOs

BPO service providers moving into value creation and value enhancement processes of clients. The BPO service providers must look at value creation and value enhancement in the process or activity that they do and this would be the one of the best strategy for the firm to control attrition. Although a majority of players face high attrition rates there is a certain class of players who have a much lower rate of attrition than the industry average, and these operators operate in the niche segment in areas like research and analysis. Office Tiger has set up its shop in India at Chennai. The attrition experienced by Office Tiger, a US$20 million annual turnover company stands at 8%, much lower in comparison to the rest of the BPO industry (http://economictimes.indiatimes.com/articlesshow/286800.cms). The major reason being that, Office Tiger offers specialized services such as business research for banking industry and analytics to its clients (John K. Shank & Eric A. Spiegel, 1998), where there is a lot of value addition happening. Indian BPO’s can adopt this strategy, the main reason being that the Indian software giants like Infosys, Wipro and Satyam have already proven their potential in the world’s software market segment for the credibility and creative ability of Indian work force. Hence Indian brain is acknowledged world over for the spectacular creativity and capability for problem diagnosis & solving. Hence if the Indian BPOs have a better edge over the other players in the world in moving towards the value creation and value enhancement processes of its clients. This would mean that BPOs have to go for specialized services segment or in other words move towards the KPO (Knowledge Process Outsourcing) where the stress is laid on as business research areas and this would for sure reduce the attrition rate drastically.
III.14 Significance of talent retention

Now that so much is being done by organizations to retain its employees, why is retention so important? Is it just to reduce the turnover costs? Well, the answer is a definite no. It’s not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of talent retention will benefit an organization in the following ways:

*The Cost of Turnover:* The cost of employee turnover adds hundreds of thousands of money to a company’s expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

*Loss of Company Knowledge:* When an employee leaves, he takes with him valuable knowledge and information about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

*Interruption of Customer Service:* Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

*Turnover leads to more turnovers:* When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff. Whenever an employee quits the organization it is felt throughout the organizational set up as the team members may be curious to know why that
particular employee left the organization and may influence another employee to think on quitting the job if this is going to happen certainly attrition rate of the organization is going to be up.

*Goodwill of the company:* The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

*Regaining efficiency:* If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure us of the same efficiency from the new employee.

### III.15 Managing Retention

The task of managing the employees’ retention could be understood in three stage process:

1. Identify the cost of employee turnover.

2. Understand why employee leaves.

3. Implement retention strategies.

Now let’s discuss these three stages in detail;

1. **Identify the cost of employee turnover:**

   The organizations should start with identifying the employee turnover rates within a particular time period and benchmark it with the competitor organizations. This will help in assessing the
whether the talent retention rates are healthy in the company. Secondly, the cost of employee turnover can be calculated. According to a survey, on an average, attrition costs companies 18 months’ salary for each manager or professional who leaves, and 6 months’ pay for each hourly employee who leaves. This amounts to major organizational and financial stress, considering that one out of every three employees plans to leave his or her job in the next two years.

2. Understand why employee leaves:

Why employees leave often puzzles top management. Exit interviews are an ideal way of recording and analyzing the factors that have led employees to leave the organization. They allow an organization to understand the reasons for leaving and underlying issues. However employees never provide appropriate response to the asked questions. So an impartial person should be appointed with whom the employees feel comfortable in expressing their opinions.

3. Implement retention strategies:

Once the causes of attrition are found, a strategy is to be implemented so as to reduce employee turnover. The most effective strategy is to adopt a holistic approach to dealing with attrition.

An effective retention strategy will seek to ensure:

Attraction and recruitment strategies enable selection of the ‘right’ candidate for each role/organization.

New employees’ initial experiences of the organization are positive.

Appropriate development opportunities are available to employees, and that they are kept aware of their likely career path with the organization.
The organization’s reward strategy reflects the employee drivers.

The leaving process is managed effectively

III.16 IT COMPANY PROFILES

III.16.1 HCL

HCL was established in the year 1991 and is headquartered at Delhi. Its revenue aggregates about 2104 million US dollars and has a market cap of 1167951 million rupees. The company is headed by Shiv Nadar and has its main operation in the sphere of IT software. HCL Technologies is a leading global IT services company, working with clients in the areas that impact and redefine the core of their businesses. Since its inception into the global landscape after its IPO in 1999, HCL focuses on 'transformational outsourcing', underlined by innovation and value creation, and offers integrated portfolio of services including software-led IT solutions, remote infrastructure. The company had a total income of Rs. 128969.4 Million for the year ending June 2013 and its net profit for the same period was Rs. 36111.8 Million.

III.16.2 UNISYS SOFTWARE & HOLDINGS LTD.

Unisys Software and Holdings Limited was established in the year 1992 and is headquartered at Kolkatta. Its revenue aggregates about 60.56 million US dollars and has a market cap of 2070 million rupees. The company is headed by Jagdish Prasad Purohit and has its main operation in the sphere of IT software. Unisys is into the business of Computer Programming, Softwares. The Company offers its services to customers through industry practices in Software development.
The company had a total income of Rs. 3291 Million for the year ending March 2013 and its net profit for the same period was Rs. 8.1 Million.

III.16.3 IGATE GLOBAL SOLUTIONS LTD

Igate Global Solutions Limited was established in the year 1993 and is headquartered at Pune. Its revenue aggregates about 629.91 million US dollars and has a market cap of 12898.4 million rupees. The company is headed by Ashok Trivedi and has its main operation in the sphere of IT software. iGATE Global Solutions, formerly the ‘Mascot Systems’ is the world’s first integrated technology and operations company with a global services model. Sunil Wadhwani and Ashok Trivedi are the co-founders of iGate. The company offers a complete range of high-ROI business solutions spanning the consulting, technology, operations and process outsourcing value chain. iGATE Global Solutions has delivery centres. The company had a total income of Rs. 3293 Million for the year ending March 2013 and its net profit for the same period was Rs. 5349 Million.

III.16.4. CMC LTD.

CMC Limited was established in the year 1975 and is headquartered at Mumbai. Its revenue aggregates about 198.4 million US dollars and has a market cap of 68926.4 million rupees. The company is headed by S Ramadorai and has its main operation in the sphere of IT hardware. CMC is an IT solutions company. Company operates four strategic business units namely customer services (CS), Systems Integration (SI), IT enabled Services (ITES) and Education and
Training (E&T). The company has pan-India presence that caters to various sectors such as the railways, banks, government entities and other organisations with countrywide operations. The company had a total income of Rs. 13615.7 Million for the year ending March 2013 and its net profit for the same period was Rs. 3236.07 Million.

III.16.5 INFOSYS TECHNOLOGIES LTD.

Infosys Technologies Limited was established in the year 1981 and is headquartered at Bengaluru. Its revenue aggregates about 7394.48 million US dollars and has a market cap of 2169665.21 million rupees. The company is mentored by Narayana Murthy and has its main operation in the sphere of IT software. Infosys Limited (NASDAQ: INFY) was started by seven people with $250. Today, it is a global leader in the 'next generation' of IT and consulting with revenues of $6.35 billion (LTM Q1-FY12). Infosys defines, designs and delivers technology-enabled business solutions that help Global 2000 companies win in a Flat World. The company had a total income of Rs. 469170 Million for the year ending March 2014 and its net profit for the same period was Rs. 101940 Million.

III.16.6 ZENITH COMPUTERS LTD.

Zenith Computers Limited was established in the year 1980 and is headquartered at Mumbai. Its revenue aggregates about 13.73 million US dollars and has a market cap of 88.55 million rupees. The company is headed by R K Saraf and has its main operation in the sphere of IT hardware. Zenith Computers endeavours to bring the latest technology products to the Indian market. The
company has created a market in India for computing in offices, banks, households, education and every sector that has benefited from technological advancement. The company had a total income of Rs. 790.299 Million for the year ending March 2014 and its net profit for the same period was Rs. -429.417 Million.

III.16.7 TATA CONSULTANCY SERVICES (TCS)
TCS was established in the year 1995 and is headquartered at Mumbai. Its revenue aggregates about 10785.6 million US dollars and has a market cap of 5163304.89 million rupees. The company is headed by Cyrus Mistry and has its main operation in the sphere of IT software. It has grown to its current position as the largest IT services firm in Asia based on its record of outstanding service, collaborative partnerships, innovation, and corporate responsibility. The company had a total income of Rs. 677877.6 Million for the year ending March 2014 and its net profit for the same period was Rs. 184749.2 Million.

III.16.8 POLARIS SOFTWARE
Polaris Software was established in the year 1993 and is headquartered at Chennai. Its revenue aggregates about 334.404 million US dollars and has a market cap of 22357.61 million rupees. The company is headed by Arun Jain and has its main operation in the sphere of IT software. Polaris Software Lab is now one of India’s leading institutions contributing to the knowledge economy of the global financial services marketplace. In a quest for knowledge opportunity, spanning over the last 2 decades (11 years as Polaris). The company had a total income of Rs.
20358.702 Million for the year ending March 2014 and its net profit for the same period was Rs. 839.659 Million.

III.16.9 SONATA SOFTWARE LTD.

Sonata Software Limited was established in the year 1994 and is headquartered at Bengaluru. Its revenue aggregates about 55.65 million US dollars and has a market cap of 12776.86 million rupees. The company is headed by Pradip P Shah and has its main operation in the sphere of IT software. Sonata Software started off as a product company in the fledgling days of the Indian IT industry, Sonata has had a history of innovation. Be it in its design of solutions aligned to customer needs, or in the creation of robust processes that form its very foundation, or in its unique growth strategy, innovation in Sonata is pursued with a passion. The company had a total income of Rs. 3532.47 Million for the year ending March 2014 and its net profit for the same period was Rs. 538.42 Million.

III.16.10 ABACUS COMPUTERS LTD.

Abacus Computers Limited was established in the year 1983 and is headquartered at Mumbai. Its revenue aggregates about 7.86 million US dollars and has a market cap of 12.56 million rupees. The company is headed by Santosh Karambelkar and has its main operation in the sphere of IT software. Abacus Computers was established to provide high quality IT solutions to customers with an emphasis on service by striving to exceed your expectations. This rare quality has allowed Abacus to grow swiftly whilst keeping pace with the rapidly developing IT Industry.
The company specializes in supplying and installing Computer Network. The company had a total income of Rs. 0.02 Million for the year ending March 2012 and its net profit for the same period was Rs. -0.001 Million.

III.16.11 ACE SOFTWARE EXPORTS LTD.

Ace Software Exports Limited was established in the year 1994 and is headquartered at Rajkot. Its revenue aggregates about 0.78 million US dollars and has a market cap of 37.674 million rupees. The company has its main operation in the sphere of IT software. Ace The company has been active in catering to the outsourcing needs of publishers and other organizations since its inception. Over the years, it has adopted a seamless partnership approach. The company had a total income of Rs. 55.325 Million for the year ending March 2014 and its net profit for the same period was Rs. 6.0878 Million.

III.16.12 CRYSTAL SOFTWARE SOLUTIONS LTD.

Crystal Software Solutions Limited was established in the year 1982 and is headquartered at Mumbai. Its revenue aggregates about 0.0152259 million US dollars and has a market cap of 14.23461 million rupees. The company is headed by Niranjan B Shah and has its main operation in the sphere of IT software. Crystal Software Solutions formerly known as Crystal Audio was founded as a software development company. The company started work primarily in the solutions production segment, but has grown rapidly to provide services in multiple disciplines. The company has provided solutions to clients based across the globe. The company had a total income of Rs. 1.939748 Million for the year ending March 2012 and its net profit for the same period was Rs. -16.261858 Million.
III.16.13 DATANET SYSTEMS

Datanet Systems was established in the year 1995 and is headquartered at Bengaluru. Its revenue aggregates about 29.611 million US dollars and has a market cap of 322.508 million rupees. The company is headed by Ram N Agarwal and has its main operation in the sphere of IT software. Datanet Systems has committed itself to product innovation right from its inception. In fact R&D based state of art product design & development has been an uncompromising passion for Datanet. Datanet specialises in the design and development of Workflow/BPM Software, Multi-application Smart Cards, Smart Card based ATMs and Banking Application. The company had a total income of Rs. 1521.98 Million for the year ending March 2013 and its net profit for the same period was Rs. 11.1477 Million.

III.16.14 HEXAWARE TECHNOLOGIES LTD.

Hexaware Technologies was established in the year 1992 and is headquartered at Mumbai. Its revenue aggregates about 164.88 million US dollars and has a market cap of 53031.14 million rupees. The company is headed by Atul K Nishar and has its main operation in the sphere of IT software. Hexaware Technologies (HTL) is IT and Process outsourcing service provider in global space. The company provides technological solutions and specialises in Business Intelligence, Business Analytics, Enterprise Applications, Transportation, HR-IT and Legacy Modernization. It delivers services to industries like Banking and Financial, Insurance and Travel transportation. The company had a total income of Rs. 10536.49 Million for the year ending December 2013 and its net profit for the same period was Rs. 3339.66 Million.
III.16.15 NETWORK LTD.

Network Limited was established in the year 1989 and is headquartered at New Delhi. Its revenue aggregates about 0.77525 million US dollars and has a market cap of 384.341 million rupees. The company is headed by Ashok Sawhney and has its main operation in the sphere of IT hardware. Network Ltd. is a listed company and its shares are listed on one of the reputed and oldest stock exchanges of India 'Bombay Stock Exchange' (BSE). The company had a total income of Rs. 42.258 Million for the year ending March 2013 and its net profit for the same period was Rs. -11.337068 Million.

III.17 ITES COMPANIES

III.17.1 AXON INFOTECH LTD.

Axon Infotech Limited was established in the year 1982 and is headquartered at Mumbai. Its revenue aggregates about 0.5439 million US dollars and has a market cap of 54.626 million rupees. Formerly known as Aesthetic Investment, Axon Infotech offers a host of integrated remote support services. These include customer care and technical support through multiple communication channels, back-end transaction processing, outbound collections and telemarketing. The three key elements of services include core capability providing the entire spectrum of inbound. The company had a total income of Rs. 33.728 Million for the year ending March 2013 and its net profit for the same period was Rs. 0.235 Million.
III.17.2 DATASOFT APPLICATION SOFTWARE (INDIA) LTD.

Datasoft Applications Software (India) Limited was established in the year 1992 and is headquartered at Mumbai. It has a market cap of 5.313 million rupees. The company is headed by H J Shah. The company acquires source codes of commercial application software packages from Datasoft Consultants. It has developed an integrated business solution for large corporates and small and medium businesses. The company is in the business of developing packaged software solutions. The company has been suspended from BSE on account of non-compliance with listing agreement clauses. The company had a total income of Rs. 0.744296 Million for the year ending March 2013 and its net profit for the same period was Rs. 0.522 Million.

III.17.3 FIRSTSOURCE SOLUTIONS LTD.

First Source Solutions Limited was established in the year 2001 and is headquartered at Mumbai. Its revenue aggregates about 159.121 million US dollars and has a market cap of 26548.87 million rupees. The company is headed by Sanjiv Goenka. Firstsource Solutions is a global provider of business process management services. The company offers wide range services in area of banking and financial services, telecommunications and media and the healthcare industry. The company has over 18,500 employees working across its 36 centres located at India. The company had a total income of Rs. 9874.1 Million for the year ending March 2014 and its net profit for the same period was Rs. 1344.7 Million.
III.17.4 GLOBSYN INFOTECH LTD.

Globsyn Infotech Limited was established in the year 1984 and is headquartered at Mumbai. Its revenue aggregates about 0.1908 million US dollars and has a market cap of 540.755 million rupees. The company is headed by Hari Chandra. Globsyn Infotech, formally Synergy Log-In Systems Limited, is focused on providing IT solutions in the Banking and Financial Services domain. It specializes in focusing on the treasury and payments areas; two of the most dynamic areas of banking today. In these past 16 years, Globsyn Infotech has developed competent solutions in the areas of Fixed Income, Money Markets, Foreign Ex. The company had a total income of Rs. 10.426 Million for the year ending March 2013 and its net profit for the same period was Rs. -7.217 Million.

III.17.5 APTECH LTD.

Aptech Limited was established in the year 2000 and is headquartered at Mumbai. Its revenue aggregates about 18.4876 million US dollars and has a market cap of 3654.25 million rupees. The company is headed by Rakesh Jhunjhunwala. Aptech is provider of learning solutions to retail and corporate client across the world. The company started its IT training business in the year 1986. In the year 1993, Aptech became the first IT training organization in Asia to receive the ISO 9001 quality certification. Currently with over 21 years of experience, it has trained more than 4 million students. The company had a total income of Rs. 1122.731 Million for the year ending March 2013 and its net profit for the same period was Rs. 252.736 Million.
III.18 RETENTION STRATEGIES OF IT / ITES COMPANIES

The respondents were asked to mention up to a maximum of three retention strategies being practiced in IT/ITES organisations and their observations / opinions / comments regarding the same (refer question number 8 in Appendix 1). Their responses and comments are summarized below:

i. **Effective Performance appraisal**: The respondents mentioned performance appraisal as a key indicator for career growth opportunities.

ii. **Training Opportunities**: Most of the respondents feel that training is important for continuous updating of knowledge to withstand in a competitive environment.

iii. **Adequate utilization of skills and abilities**: The respondents opined that skills and abilities utilised adequately increases job fit and this leads to employee engagement and effective performance.

iv. **Career Development opportunities**: The respondents stated that provision of career development opportunities enhances employee employability on internal / external labour market which affects employee retention.
v. **Autonomy in job**: Most of the respondents stated that autonomy and individuality in job makes them to act freely which leads to high involvement and commitment which leads to employee retention.

vi. **Environment of Openness and trust**: The respondents stated that openness and trust in work environment influence employee retention.

vii. **Effective work-life balance**: Most of the respondents opined that Work life balance influences job satisfaction, job involvement and quality of work life.

viii. **Rewards and Recognition**: The respondents revealed that rewards and recognition strongly influence motivational aspects which increase employee retention.

ix. **Fair and Equal Treatment**: The respondents feel that fair and equal treatment of superiors creates conducive environment where to discuss job related issues and welcomed suggestions & feedback for effective retention.

x. **Management Support systems**: The respondents opined that Management policies and practices for recognition of achievements, cooperation.