

EMPLOYEE RETENTION POLICIES: A SURVEY OF SELECTED IT COMPANIES

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ABSTRACT

The current research focuses on studying employee retention policies adopted and implemented by Indian IT firms. Growing importance of employee retention techniques and higher attrition rate in IT firms were the main reasons of conducting this research. It includes various dimensions of ‘employee retention’ and its effectiveness across IT industry. With the help of empirical survey of 176 respondents from different IT firms important ‘retention’ techniques are identified and measure its effectiveness based on three important demographic attributes like- gender, experience and length of service in current organization. Result revealed that, retention strategies are still workable and help firms to engage and retain best talent. Male and Female employees doesn’t differ in their perception towards effectiveness of retention programs in IT firms. Experience and length of service in current organization also play significant role in shaping employees’ behavior towards the importance of retention strategies. The study proves importance of retention techniques in IT firms and suggest to innovate it at timely basis to maintain its effectiveness.

Key Words: IT Industry, Employee Retention, Employee Retention Strategies, Attrition Rate.

1 INTRODUCTION

1.1 BACKGROUND

High employee turnover and shortage of talent is the biggest problem across IT industry in the world. The employable workforce become a crucial issue before this industry. Human resource is the most valuable asset for service industry especially talking to IT industry. The brain which has tremendous possibilities to improve quality of services, adding unimagined features and extend satisfactory services to the customers is always in high demand. Hence, employee retention become essential for the organization and very crucial to ensure high end service quality (Kosivi&Kalgora, 2016). Among various strategies, ‘employee engagement’ is considered as the most significant strategy for employee

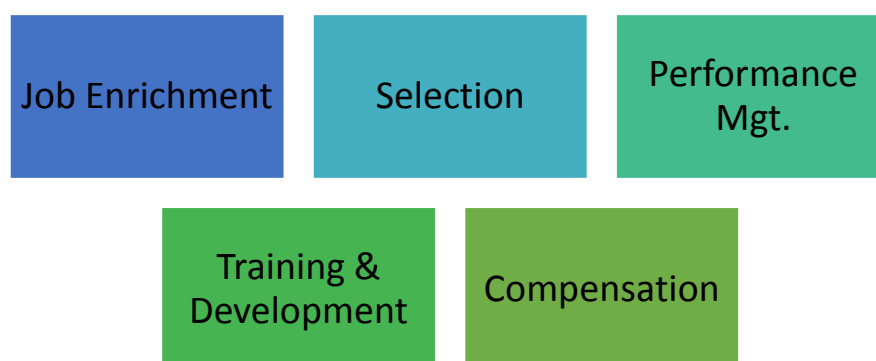
retention. Employee engagement concept plays prominent role in every organization to increase over all firm's performances. It gives multi-facet advantages to the firm, it increases employee output, decrease employee turnover, promote self-motivation, create feeling of belongingness etc. As marketing manager work for customer relationship management, HR manager works for employee relationship management because it increases employee participation and relationship with organization. Hence, employee engagement has been considered as one of the prominent employee retention strategies (Andrewa&Saudah, 2012).

Well-connected and attached employees never leave their job, they become real pillars of the organization and contribute their fullest in all manner. Firms search for these types of employees who connect their growth with organizations' growth and retain their job for a longer period of time. It also helps in controlling employee attrition in the organization and control employee training costs (Donald & Joel, 2013). Employee engagement increases the retention period of the organization and helps to control operating costs. It also gives reasons to stay back in the organization, employees who do not engage with job has very little interest to stay. Not engaged employees doesn't connect himself with organizational development plan. For that, an organization must offer a promising future to the employees so that their retention become possible. Special perks, pay & packages are another very competent tool of employee retention, but engagement is equally important (Gucer&Demirdag, 2014).

1.2 FACTORS PROMOTING EMPLOYEE RETENTION

As such many parameters and factors are there which promote employee retention in an organization. It may vary company wise, sector wise and industry wise. Here, some of the prominent factors with respect to IT industry are being discussed

Fig. 1- Important Parameters of Employee Retention in IT Industry



Source: Author's Preparation

1.3 EMPLOYEE RETENTION STRATEGIES

Various retention strategies have been developed and suggested by researchers over the period pertaining to different sectors, industries and companies. While talking specifically about IT industry few most important strategies comes in mind which are-

- **Get the right selection:** employee retention starts from the selection process of the employees. Many organizations ask bookish questions while interviewing, but specialists suggest that a smart recruiter can easily identify the psychology of an employee during the interview and estimate whether he would retain at the organization or not? By asking his motive of getting the job, what are their weaknesses and how does it affect his work, how long he see himself in one organization etc. From starting an organization ensures the staying capacity of the employees.
- **Provide a workable environment:** organization must provide a conducive working environment where rules should be applicable to all levels of employees. The environment must be friendly and encourages employees for hard work and give their hundred percent.
- **Meaningful feedback:** Management must give meaningful feedback to employees on their working and task achievement. It encourages employees to work hard and produce more product. Encouraging dialogues always help organization in increasing work productivity.
- **Goal clearance:** organization must be clear in its goal and what employees are expected to do. Frequent change in the goals and objectives of the organization creates dissatisfaction among employees. It also let their efforts down due to unclear goals. Hence, through clear goals employee can be motivated and communicate to them how their work matters to the organization.
- **Career growth policy:** organization must have a growth policy for the employees and communicate them clearly. Time to time they should be informed and encourage to achieve high position in the organization. This approach increases employee retention.
- **Performance appraisal:** employee performance must be evaluated and praise them for their work. Give words of appreciation and encourage for consistent performance. Also have predefined monetary and non-monetary benefits for best performance. Good perks and appraisal system encourage employees for performance and sustenance.

- **Individual Goal setting:** organization who sets, individual goals to the employees and appreciate them for work completion enjoy greater employee performance. On the other hand link their individual goals to the ultimate goal of the organization. By this mean each employee feel important and his work contributes to the overall goal achievement.
- **Rewards & Recognition:** Organizations who have clear reward and recognition mechanism has the greater work consistency at the workplace. Employees' performance enhances at every step of the goal achievement process. Effective reward policy gives monetary benefits which ultimately give satisfaction.
- **Talent management:** best talent of the company must give best treatment. Talent must be procured and encouraged so that their performance become stable and consistent. The talent management policy always provides better working opportunity and career enhancement. It also helps in talent retention and employee satisfaction.

2 LITERATURE REVIEW

According to NBRI (National Business Research Institute) 2017 despite of giving best deals to employees, along with good work culture and better working conditions & facilities, their engagement in work is not as expected. This is the problem of disengagement at work place. As per the report around 85 percent employees around the world in different sectors are not fully engaged. Firms always look for better results and consistent performance, but work disengagement leads to low productivity and high turnover. Growing employees' engagement has become a challenge before the firms and leads to higher turnover.

Patnaik (2001) studied about Indian IT industry in global ITeS market. He found the Indian IT industry to be highly integrated and emerged as a competent industry. Over a period of years, it became a key player in the world. But, growing competency and strengthening power Indian IT industry also come across various HR related challenges in which 'employee attrition' is one of the highly concern challenge. Author found one of its major reasons is 'huge job opportunity' for IT professionals. Growing competition and introduction of new companies have started a race of attracting and retaining the best talent of the industry. As a result, IT professionals have tremendous job opportunities in the market and frequently switches the job. Out of its industry faces higher attrition rate, which increases unwanted costs of operation.

Markos&Sridevi (2010) examined the relevance of various retention techniques in modern world and found that, due to change in working environment, growing competition n and increasing job opportunities in the industry various traditional retention techniques become obsolete and many have transformed into new methods.Maluti, Warentho&Shiundu (2011) found significant correlation between modern retention techniques and employees' commitment. In a highly competitive world it is very challenging to hold productive employees for longer period. The IT industry is now become vulnerable for frequently switching job across the firms. Further, Punia& Sharma (2008) studied upon HR procurement practices as an effective tool of employee retention. The authors argued that, HR practices are the great mechanism to encourage employees for high engagement and loyalty.

3 RESEARCH METHODOLOGY

3.1 Study Type- The current study follow empirical method to investigate role and importance of employee retention practices in Indian IT firms. The study follow survey technique to collect primary responses from target respondents. With the help of this technique the current research would identify whether retention techniques are result oriented or not?

3.2 Sampling Method- Non-probabilistic sampling technique is used for data collection. This technique is very popular across the researchers for collecting responses through convenience method. It allows judgmental sampling hence, researchers can get data from predetermined respondents.

3.3 Sampling Unit- total 176 responses are collected from employees of IT industry with special reference to Indore city. The sample has been drawn from 9 IT firms situated in Indore city of Madhya Pradesh (India).

3.4 Statistical Tools Used- T-test, ANOVA and bar charts are used for data analysis. T-test is applied between 'male and female', ANOVA is applied across different 'experience and length of service in current organization' categories. The descriptive statistics is presented using bar charts for better and quick understanding of the results.

4 OBJECTIVES OF THE STUDY

1. To determine the most relevant retention strategies in IT firms.
2. To study the employees' perception towards employee retention strategies using in IT firms.

3. To study the perception difference of employees having different work experience.
4. To analyze employees’ opinion (who are in current firm from last 10 or more years) towards the use of retention strategies.

5 HYPOTHESES

H01- Male and Female employees do not differ in their perception towards the strategic role of employee retention strategies adopted by IT firms

H02- ‘Work Experience’ doesn’t influence employee perception towards significance of employee retention strategies for both ‘employees and the organization’

6 RESULT ANALYSIS

6.1 In order to achieve first research objective factors are identified through factor analysis and rank them on the basis of their collective Eigen values. Seven effective factors are identified according to the responses which are-

Fig. 2- Potential Factors Increasing Employee Retention



1. **Motivating Work Culture (4.89):** ‘Motivating Work Culture’ has immense importance to have encouraging working environment in the organization. The firm needs to develop a culture which promote dedicated work behavior and encourage people to give their fullest.
2. **Employee Policy (3.74):** The growth oriented HR policy always facilitate tension free working environment in the organization. IT firms must formulate employees’ friendly HR policies which gives them chance and

scope for career enhancement and growth. A good HR policy must show its intention that organization is very much interested in personal growth of the employees.

3. **Leadership Style (3.01):**Effective leadership means leadership style which promote feeling of team togetherness, work devotion, and feelings of belongingness. Supportive leader always get strong employee support and dedication towards work.Effective leadership construct strong bounding between employees and the organization which in long run provide performance.
4. **Compensation (2.59):**It is a great means of retention, it directly connected with remuneration. If employees get fair remuneration the automatically encouraged for better work performance and become loyal to the firm. Hence, compensation policy play crucial role for employee retention.
5. **Training Programs (2.14):**IT industry is subjected to technology which changing very fast. The frequently changing technology bringing new opportunities to the employees, hence, if a firm provide timely training to the employees to learn new technology it create effective retention behavior.
6. **Resource Availability (1.90):**Resource availability means tools, equipment, resources present in the organization to perform the job effectively. IT jobs are highly technical which required technical infrastructure to perform it efficiently. Adequate facilities in the organization plays important role in performing the task given to the employees and give ease also. Well-equipped work place encourage work performance and employees feel comfortable in doing the job.
7. **Employee Growth (1.75):**Firms adhering employee supporting policies which offer timely career growth always encourage engagement and resulted into retention. Personal growth is an important parameter which an employee consider to remain with current organization. Hence, employee oriented policies always advisable for employee retention.

6.2 In order to fulfill second research objective a null hypothesis is framed and tested using T-test. To study the employee perception towards retention strategies 'gender' is taken as study variable and comparison is done between 'male and female employees'.

H01- Male and Female employees do not differ in their perception towards the strategic role of employee retention strategies adopted by IT firms

Table 3- T-test Analysis

Category	N	Mean	SD	Sig.
Male	84	4.570	.2148	.057
Female	92	4.559	.1989	
Total	176			

The null hypothesis H01 is accepted, the sig. value is calculated $0.057 > 0.05$. The test is found not significant which shows 'gender' doesn't have significant impact on respondents' perception towards employee retention strategies. Male and Female, do not differ in their perception, both believe that, employee retention strategies are important and play crucial role in employee retention. Employees working in IT firms believe that retention strategies are important tool to create employee loyalty and work engagement. It helps to increase work efficiency and reduce overall operating cost. Hence, employee retention has great significance in the this dynamic IT world.

6.3 The third research objective examine the role of 'work experience' in shaping perception towards employee retention strategies. This would help to know whether experienced employees are positive towards retention strategies or not? To examine this, null hypothesis H02 is framed and tested using ANOVA.

H02- 'Work Experience' doesn't influence employee perception towards significance of employee retention strategies for both 'employees and the organization'

Table 4- Result of F Test

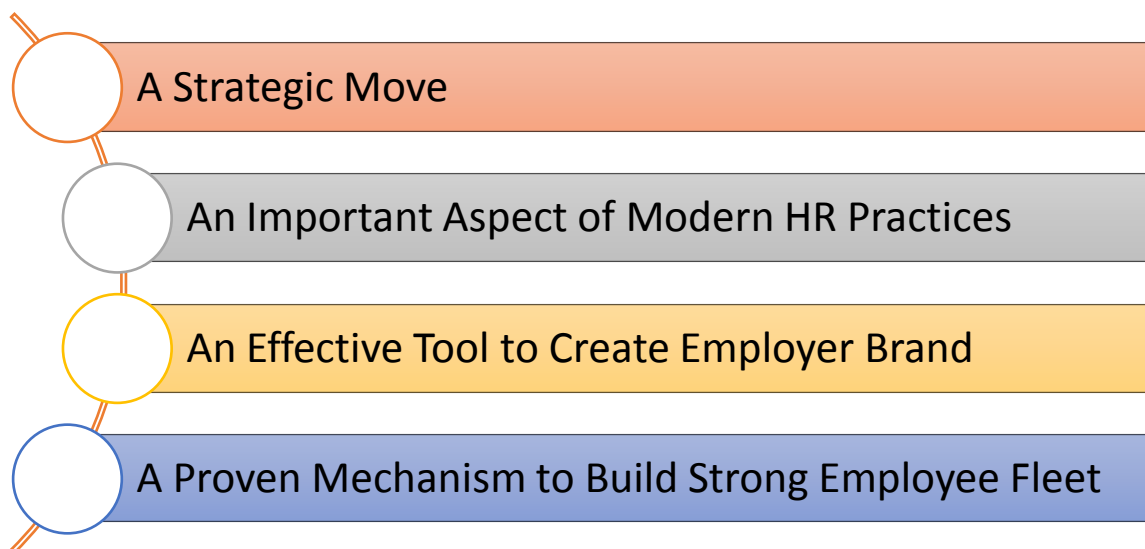
Category	N	Mean	SD	F	Sig.
5-10 Yrs.	58	3.789	.2450	4.869	.027
10-15 Yrs.	34	4.481	.1875		
15 Yrs. & Above	18	4.762	.2047		
Total	110				

Referring to the above table 4 the study conclude that 'work experience' play significant role in shaping perception of employees towards the strategic role of employee retention strategies. The null hypothesis is found rejected with sig.

value of $0.027 < 0.05$. The F test is observed significant that means experience develop comprehensive thought for rational thinking. According to the statistics, as experience increases employees' perception also changes and become strong towards strategic steps taken by the organization for employee retention and other aspects. Hence, it can be said that, employees who has rich work experience believe that, employee retention programs are important for the organization in today's changing world.

6.4 The fourth objective is made to record employees' opinion who have spent 10yrs or more in current organization. With the help of this objective the study would examine how employees thinksabout employee retention strategies and how much they satisfied with them. Their opinion will provide important insight on current retention strategies using by the firms. From their responses following opinion is observed-

Fig. 5- Employees' Opinion towards Existing Retention Strategies



7 FINDINGS

Employee retention strategies are the primary need of firms today. The rapidly growing competition and changing employees' expectations have brought new industry challenges. In order to face these challenges a strong HR practice is required which enable firm to bridge the gap between employees' expectations and firms' offerings. Employee retention techniques are one among them which ensure employee happiness, satisfaction, loyalty and engagement that leads to retention in current organization. The study found seven important retention techniques like- motivating work, employee policy, leadership style, compensation, training programs and resource availability. Further, employees

irrespective to their gender shows similar perception towards retention policies and techniques using by IT firms. Male and female both expressed their positive behavior towards the use of such techniques to build strong and loyal employee fleet. Also, experienced employees reflected their favorable responses and opined that without retention strategies IT firms in current market scenario cannot retain best talent. At last, employees who have completed their 10 yrs or more in current organization believed that employee retention programs are the lifeblood of IT firms for their survival in highly competitive world.

8 CONCLUSION

Indian IT industry is vulnerable to frequent job switching, high employee turnover and poor retention. The growing demand for talent and experienced employees in the industry led this problem become bigger. Adequate job availability and fastest growth leads to job switching thus resulted into high turnover ratio. It is negative for the firms as IT companies spent heavily on training and development. The cost of creating a productive employee is very high in today's IT world hence, firms are very prompt to retain best talent through retention strategies. Employee retention strategies are still very popular and being upgrading with time, fashion and trend of the industry. Without retention techniques it is almost impossible for the firms to retain their best employees in the organization. The added features in traditional strategies made them effective and workable in today's environment. At last, employee perks, remuneration and non-monetary benefits are still in trend across modern retention strategies.

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