

# Employee Retention Scenario In Select ITES Companies in India

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**Abstract:** The software industry comprising BPO and KPO is assumed to be one of the crucial service sectors due its increasing contribution to India's GDP. Effective human resources are the main success mantra of software companies in India. To meet the basic requirements of the industry, companies are putting their best efforts right from recruitment to selection, training, equipping and assigning the tasks. Due to increasing competition, companies have been struggling to reduce the employee attrition. Both from the employees and employers' point of view, the attrition has both positive and negative results. Companies have been struggling to adopt the employee retention strategies to retain the employees. Employee retention in its broader sense covers the influence of various aspects of employment and non-employment conditions of employees. The study is based on secondary data sources. The study examines the employee retention strategies being implemented by select ITES companies.

**Key words:** retention, attrition, ITES,

## I. INTRODUCTION

Retention of worthy employees is critical to the long-term health and success of any organization. It is a known fact that retaining the best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence failing to retain a key employee is a costly proposition for an organization. Various estimates suggest that losing a middle manager in most organizations costs up to five times of his salary.

One of the foundation stones of companies which attract, retain and motivate high performing employees is a positive and valuing attitude toward them. In this era of monster mergers and mega corporations, it is all too easy for top management to see employees as expendable resources to be hired and fired at will according to the current short-term business plan. A doubt can creep into a work force which undermines its efforts, and this can cause employees to look for work elsewhere when opportunity arises. The internal and external situations that cause organizational turnover are vast and complex. Organizations can do little to control the country's economy or an employee's preference for mobility. An enterprise can, however, design internal culture, structures, strategies and programs that retain valuable employees.

## II. CONCEPTUAL OVERVIEW OF EMPLOYEE RETENTION

Employee retention refers to the ability of an organization to retain its employees. Employee retention can be

represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organization kept 80% of its employees in a given period). However, many consider employee retention as relating to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome. Employee retention, especially of the best, most desirable employees, is a key challenge in organizations today. The demand for talent in the country like India has increased to a great extent due to globalization.

Globalization has changed not only the business world but also the minds of the individuals. Every organization is interested to grab the fittest from such a competitive environment. Employee retention issues are emerging as the most critical workforce management challenges of the immediate future, driven by employee loyalty concerns, corporate restructuring efforts and tight competition for key talent.

Hiring top-quality individuals is an important task on its own, but essential to any manager's ongoing process is a critical retention strategy. The term 'employee retention' first began to appear with regularity on the business scene in the 1970s and early '80s. Until then, during the early and mid-1900s, the essence of the relationship between employer and employee had been (by and large) a statement of the status quo: "You come work for me, do a good job, and, so long as economic conditions allow, I will continue to employ you". It was not unusual for people who entered the job market as late as the 1950s and '60s to remain with one employer for a very long time "sometimes for the duration of their working life".

Employee Retention is a process in which the employees are encouraged to be with the organization for the maximum time. Though, employee – employer relationship has undergone a fundamental change, which

has implications on the attrition, motivation and retention of talented employees. Employee retention is beneficial for both the organization and employee.

Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. For retaining the most important asset, best HR practices need to be used. Studies have indicated that retention driven by several key factors, which ought to be managed congruently: organizational culture, strategy, pay and benefits philosophy, and career development systems (Fitzenz 1990). Employee retention is important for firm performance. If the organization is not able to retain its employees, it will not be able to capitalize on human assets developed within the organization (Shekshnia, 1994). There are the five determinants such as Career Development Opportunities, Superior Support, Work Environment, Rewards, and Work-Life Policies to study the impact of HRM practices on retention of employees.

Employee retention has become a significant concern. Some shocking statistics confronting every employer are presented in workforce demographics. More than 13% of employees in the United States quit their jobs each month. 55% of employees in the U.S contemplate on quitting their job within a given year (Wiley, 2011). The average time for filling jobs has risen to 51 days from 41 days. More than fifty percent of all employers in the United States have reported that turnover continues to increase on an annual basis. Among the key reasons why employees quit their jobs is resistance to change. More often than not, employees tend to resist changes effected within an organization. They eventually choose to quit their jobs instead of coping with the changes.

### III. REVIEW OF LITERATURE

Employee retention is important because in the twenty first century the only sustainable source of competitive advantage for any company is its "Human Resources". To maintain stable workforce employees must deliberately engage in retention activities. An organization's ability to retain the kind of employees it requires has a direct impact on its profitability and effectiveness.

Fitz-enz recognized that employee retention is not influenced by a single factor, but there are hosts of factors which are responsible for retaining employees in an organization. Management needs to pay attention to factors such as compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice etc. Kehr divided the retention factors into three variables: power, achievement and affiliation. Dominance and social control represents power. When personal performance exceeds the set standards, it represents achievement and affiliation refers to social relationships which are established and intensified.

Hytter found that factors such as personal premises of loyalty, trust, commitment, and identification and attachment with the organization have a direct influence on employee retention. She explained that

workplace factors such as rewards, leadership style, career opportunities, the training and development of skills, physical working conditions, and the balance between professional and personal life have an indirect influence. Pritchard was of the opinion that training and development is one of the important retention programmes incorporated in an effort to retain their employees. Eva Kyndt, Filip Dochy et al., have found in their study, while investigating employee retention that personal factors such as level of education, seniority, self-perceived leadership skills, and learning attitude and organizational factors such as appreciation and stimulation, and pressure of work are of great relevance in employee retention.

Aspray W et al in their joint paper titled "Globalization and off shoring of Software: A report of the ACM Job Migration Task Force" have concentrated on the field survey for analyzing the migration of the employees in software companies. The study reported on the findings of the Job Migration Task force established by ACM to examine the issues surrounding the migration of jobs within the computing and information technology field and industry. Bruce Fallick et al., in the paper titled "Job-hopping in Silicon Valley: some evidence concerning the micro foundation of a high-technology cluster" has made analysis on the mobility of employees at work place. The authors have argued that job hopping is important in computer clusters because it facilitates the reallocation of talent and resources toward firms with superior innovations.

Freedman in his research paper based on the earning dynamics and industrial agglomeration in the software industry has concentrated on the job hopping. The paper crucially examined the industrial clustering for labor mobility and earnings dynamics in one large and increasingly important in high technology sector. The study revealed that clustering is causing the workers to job hop with in the sector and also due to the higher earnings levels available in the firms in the industry also shown its impact on job hopping. Taufic I. Shaikh (2008) in his research paper on "Job hopping and attrition rate" has made analysis on the magnitude and impact of attrition rate. Further, the author has opined that improper working hours, lack of growth opportunities, pursuit of salary increments and monotony of the job are some of the reasons for rising job hopping in software industry. The paper has concluded that effective framing of programs including encouragement of training and developing good hiring practices would reduce the severity of the problem in the long run.

Chiang F et al., have opined that, relationship among job stressors, coping resources and job stress are the deciding factors for the employees to quit and to look for the new jobs. The authors have done a field survey on the hotel and catering industry and have opined that, job control, work-life balance practices and job stress are to be resolved in the organizations in order to reduce the impact of job hopping.

#### IV. OBJECTIVES OF THE STUDY

The main objective of the study is to examine the Employees Retention Strategies in BPO Companies with special reference to three select ITES companies. Further, the study evaluate the performance of the companies in tackling attrition rate through its various practices such as employee retaining, training and development programs implemented for the successful retaining of the employees. The study is mainly based on secondary data which is collected from the annual reports of select software companies, reports issued by NASSCOM and ministry of IT and other independent reports issued by IT & Software agencies and firms. Further, the brochures, news papers, magazines, journals and internet sources are also used to collect the data.

#### V. ANALYSIS ON EFFECT OF EMPLOYEE RETENTION IN SELECT ITES COMPANIES

As on March 31, 2013 the Tata Consulting Services Company employed 2,76,196 associates representing 118 nationalities deployed across 55 countries. The 'workforce management strategy' is executed optimally to fulfill business demand, deliver consistently high utilization rates and keep manpor costs within the desired range.

The Company has created a performance driven environment where innovation is encouraged, performance is recognized and employees are motivated to realize their potential. Its relentless pursuit to connect with employees on a regular basis, communicate in an open and transparent manner, provide opportunities to learn and grow within the organization have yielded desired results as is evident from the high retention rates and the motivation and engagement levels of its employees.

A small experiment called "Ignite" was started in December 2006 to strengthen the company's talent base. It was launched to hire, train and deploy two batches of trainees from non-technical science background. Initially, TCS recruited engineers to meet its needs at the business front. But, later on to expand and increase its scalability, the company felt the need to have a more diverse team in terms of intellectual, social and culture context.

#### VI. LEARNING AND DEVELOPMENT

The Company continued to invest in enhancing its human capital through building skills and competencies for its associates. It has brought a paradigm shift in the learning process which is called the next-gen learning & development (L&D).

The learning eco-system has been transformed by investing in interactive classrooms, video based training and social media enabled social learning. 'Any Time-Any Where' learning has become a reality in TCS. The new recruits from colleges are trained to be IT professionals through its elaborate initial learning programme. It has expanded its training infrastructure capacity by building a state of the art training center in

Thiruvananthapuram with a capacity to accommodate 15,000 trainees.

The performance and career management processes of TCS are fully globalised. Digitized systems have been enhanced and new 'Career Hub' has been launched for streamlining the process of recording aspirations, identifying high potentials, mentoring and tracking career movement of employees. The culture of reward and recognition in TCS is aided by 'TCS Gems', the global reward and recognition tool, with ll-defined criteria and processes to enhance performance.

The Company participated in multiple compensation surveys in India and other geographies to ensure that its compensation and rewards strategy remains competitive. A healthy leadership pipeline is maintained through the layered framework of Leadership Development Programmes (LDP), focusing on developing behavioural, business and people competencies. Potential leaders are identified and are nurtured through LDPs, and given challenging roles to build leadership capability.

TCS has tied up with globally recognized coaching agencies to provide coaching intervention to its leaders. The organization culture of open communication is supported through a highly flexible and transparent internal social networking platform. It empors employees to articulate their feelings freely, exchange ideas and contribute to the organizational growth. In addition to this, regular connect with the employees helps to understand the pulse of the organization and take appropriate measures to keep the workforce engaged and motivated. A number of non-work related employee engagement initiatives such as fun events, sports, cultural activities and volunteering for social causes are organized across the globe under its employee engagement platform known as 'Maitree'. Today, TCS remains the industry benchmark for talent retention. Its attrition rate including BPO has come down to 10.60 % in 2013, as compared to 12.20 % in 2012. VII. Talent Diversity The Company employed persons from 118 different nationalities. The number of non-Indian nationals was 21,282 as at March 31, 2013 (17,329 as of March 31, 2012). Efforts are made continuously to integrate differently-abled individuals into the workforce. Efforts are also made to increase recruitment of individuals belonging to disadvantaged sections of society.

TCS proactively creates an environment of inclusion to attract and retain women. Women constituted 32.40 % of the Company's workforce as on March 31, 2013 (31.60 % as on March 31, 2012). Its progressive policies and customized programmes such as executive education programme for women in mid-management, interactive forums and women discussion circles address the aspirations and needs of its women employees. Special initiatives are also taken to strengthen cultural orientation of employees and help drive "One TCS Culture" across the organization. A learning module has been created specifically for managers to enable them to work with diverse teams.

## VII. EMPLOYEE RETENTION STRATEGIES IN INFOSYS COMPANY

It is well known fact that the IT Industry is totally dependent of its employees, and therefore the employees should be given the first priority of all the factors of production. The fact that retention is more cost effective than hiring is now being brought out strongly in research as well. According to LBW Consulting (Leadership In Business , Worldwide), the cost of replacing an employee ranges from 29% (non-management ) to 46% (management) of the person's annual salary. Expenses are also incurred when someone else does the person's job in the interim, leading to a domino effect on employee cost.(Singh, 2012)

Many large organizations cringe at the costs of serious training for an Indian workforce. But it should be remembered that you are contributing to filling an educational gap in the society, which is partly why labor is relatively cheap. Leading employers see this not as a cost but an opportunity to both harness worker potential as well as a talent attraction and retention lever. (Smith, 2012).

Retention programs work especially well in environments where employees understand and work towards business, as well as financial objectives, not just operational goals. Employees are encouraged to participate in discussions of Strategic goals with the understanding that everyone has a financial stake in their success. (Arthur, 2001). These are open work environments where exempt/ non-exempt lines are blurred, and titles have little meaning. Innovative work environments are designed to inspire creative thoughts and activities created. Open work environment also favors peer reviews.(Arthur, 2001).

Environmental employee retention strategies address three fundamental aspects of the workplace: the ethics and values foundation upon which the organization rests; the policies that interpret those values and translate them into day-to-day actions, and the physical environment in which people work. The overall goal is to make your company a place where people want to come to work. (Irwin, 2011). One of the most productive methods for retaining Top Talent is to ask for employees for their suggestions. Successful suggestion programs encourage ideas from employees at every level and provide quick feed back to everyone who submits an idea. In turn, the more idea you are able to implement, the more motivated the workforce will become. And the more Company will benefit. Magner et al. (1996) argues that employees feel comfortable to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere.

Now coming to the personal life of the employees, employees are looking for alternatives because of their collective desire to improve the balance between work and family. If you do not provide them, someone else will. Instead of a traditional vacation policy,

the company lets employees take time off from a leave bank, in which they can accumulate as many as 60 days off to use as they see fit. This policy has helped with employee retention, particularly by making it easier for female employees starting families to take time off and ultimately return to work. (Spiro, 2010). Infosys recently launched "Pathfinder," which is a career movement programme. As apart of this initiative, 23,000 people have gone through career workshops to understand more about their options. The management says that it is trying to provide employees with internship programs to test waters across different career streams available internally and move around according to their aptitude. (Roy & Ghosh, 2010).

Infosys has promoted another 4,000 people taking the total number of promotions this year to 20,000, effective July 1, 2012. This is about over 13% of the company's total strength of 1,51,151 as on June 30. (Tejaswi, 2012). While recruiting new employees Infosys took adequate care to identify the right candidates. On the qualities that Infosys looked for in a candidate "focus on recruiting candidates who display a high degree of 'learnability.' By learnability mean the ability to derive generic knowledge from specific experiences and apply the same in new situations. also place significant importance on professional competence and academic excellence. Other qualities look for are analytical ability, teamwork and leadership potential, communication and innovation skills, along with a practical and structured approach to problem solving."

In order to make the employee sustain in Infosys company, the company has created 3 step strategy to tackle the employees categorized on the basis of the experience. For the newly recruited employee, the company has been provided the evidence of insurability processing by determining of eligibility. Both Health & wealth have been equally demonstrated to the employee. Employee has been well informed on roll-over processing under retirement services. To resolve the queries of the employees on various aspects of benefit and communication patterns, the open enrollment processing has been adopted.

## VIII. EMPLOYEE RETENTION SCENARIO IN WIPRO BPO COMPANY

Wipro conducts campus recruitments in all major engineering colleges in India. The number of recruits per year is large. However, so is the level of attrition, the number of recruits barely balances the number of cases of attrition per year. These effects the company's cost and the budget for the year concerned. When asked about the reasons why people would generally leave Wipro, the answers were varied. However, most employees agreed on some common parameters. They feel they are not paid at par with industry standards. Some feel that the training does not develop their skills enough. The following graph represents the factors affecting retention in Wipro. Wipro which has been suffering highest attrition among the 3 select software companies, has developed an unique

approach to tackle the attrition rate and further, to facilitate employee retention. It has launched the programme called 'NOTCHUP' facilitating all the employees to be part of the programme in all the branches of Wipro.

Wipro has launched one of its biggest employee-retention programmes, aiming to stem the exodus of experienced executives by offering them a chance to study at some of the nation's premier engineering and management colleges. The "Notch Up" programme is the second major initiative by India's third largest software exporter this year to retain employees with five or more years of experience, as the rate of people leaving the company from this group is higher than Wipro's overall attrition.

Under the "Notch Up" programme, launched during the second quarter, Wipro offers employees who have put in over two years at the company a chance to study Masters degree at one of the three institutes — Symbiosis in Pune, BITS in Pilani or Vellore Institute of Technology. The company has also partnered with ICFA to offer a two-year regular programme in professional accounting. The NOTCHUP initiative provided the company to excel in the following areas. Wipro claims that over 500 employees have already enrolled even as the company aims to grow this number ten-fold to 5,000 in three years.

1. Able to switch to different technologies/roles in BU's/ SL's /Functional /Non-Functional Roles ( Its tough but u can make it)
2. Able to parallelly pursue study & Work with NOTCH UP, WASE programs with BITS-PILANI
3. Old policies are being revised and processes are being changed internally a lot of restructuring (cannot explain in detail but yes for favouring employees)
4. Lot of experienced folks.
5. Lot of interesting things to learn about organization , its working model with different BU's and SL's and mappings between each of them.
6. Yammer is best platform for contacting many others and connecting with like minded people.

With regard to attrition scenario in TCS, it is observed that, there is a consistent marginal decrease in the attrition rate, which is a good sign for the company. Further, another significant factor which has given less impact to TCS is, the lessening of attrition rate benefited the company , as the financial growth of the company increased in the last 4 years. With regard to Infosys, the attrition rate has found consistently high for the last 3 financial years. Further, it is observed that, the company has reported 14.89% which is higher than the TCS. Whereas, Wipro has shown consistent decline in the attrition rate in the last 3 years. Further, the attrition rate has shown slightly high in comparison with the other 3 companies despite there is a steady decrease

in the attrition rate. This shows the evidence that, Wipro technologies has been focused to reduce its attrition rate better than the other two companies.

## IX. CONCLUSIONS

With reference to the study on retainment in TCS, it is observed that TCS has created work force management strategy by creating performance driven environment where innovation is encouraged, performance is recognized. Further, it is observed the experiment called Ignite is been successfully being implemented for the employee retainment and engagement. Further, the MATC, TCS Maitree, TCS Gems, TCS LDP are determined to provided training programmes and also attitude development of the employees. The study on Employee Retention strategies in Infosys Company reveals that The Company has created various programs such as COBRA administration, HIPAAA Compliance to handle the queires of the employees towards various issues and benefiting the employees to resolve the issues towards benefit payment, retirement and conflicts. industry is one of the core industries which have given significant contribution to India's GDP. As the growth of industry benefits the nation as well as the company's employees, managing the employees efficiently, identifying the root causes for attrition and reducing the impact of attrition on the employee productivity is the focal point of success for software companies. The skill recognition, satisfaction towards work place, both statutory and non-statutory welfare measures are the key criterions which not only decide the employee's commitment to the company but also reflect the employee productivity to organization's goal. Employees today are well aware that they need to continually update their skills. Especially in view of rising demands of new projects, better technology upgrading, employees see great value in training that allows them to attain their goals. Training is a "win-win" situation for the employee and the employer. Employees get to increase their knowledge and skills, and employers have highly trained and motivated employees working toward the company goals. Creating stress free environment, respecting the employee's feelings and providing the healthy work environment will further boost employee zeal and commitment towards their responsibilities. Further, the salary enhancement, job security and better grievance settlement were found as the important factors.

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