

Employee Retention Strategies in I.T. Companies

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Abstract

The hyper-competitive Indian business environment is experiencing an intensifying fight for knowledge workers, the key to enhancement of productivity in which rests on designing ways and means to retain key performers in the corporate sector. This becomes more pertinent in the IT industry, which has embraced the modern corporate culture of quick career advancement and has thrown open multiple job opportunities, thus experiencing a steady rise in mobility among IT professionals. As there are many IT companies, employees have an option of switching over their jobs very frequently. Varying trends of employee turnover, both voluntary and involuntary, have exposed IT sector companies.

Key Words: Employee, Retention, Strategy, Information Technology, Employee Turnover

Introduction

High employee turnover has come to be known as a negative "spill-over effect" of industrial growth, as a consequence of quick career advancement and multiple job opportunities (Sahu and Gupta, 1999). Presently, a major portion of youngsters, especially fresh engineers are taking their careers into IT sector. As there are many IT companies, employees have an option of switching over their jobs very frequently. Employees are considering good working condition, challenging projects, perks and a decent salary package and also expecting support for their higher studies from their employees. When employees feel uncomfortable, they start searching for a new job, and most often they get the job of their choice. In such a scenario, organizations face a lot of trouble, as a high turnover rate may lead to under productivity. To avoid such situations, organization have to adapt retention strategies to make employees stay for sufficient period in which the employee is able to contribute and perform. An important concern here is which strategy or strategies should be adapted, which works well with all the employees. This is an ambiguous question, as every individual is different and is motivated by different job and personal factors. In this scenario, this research paper follows a line of investigation on the key retention strategies which can work well for all employees of IT Sector.

IT Sector in India

The Information technology industry in India has gained a huge acknowledgement and has become a brand identity as a knowledge economy due to its IT and ITES sector. The IT-ITES industry has two major components: IT Services and business process outsourcing (BPO). The growth in the service sector in India has been led by the IT-ITES sector, contributing substantially to increase in GDP, employment, and exports. The sector has increased its contribution to India's GDP from 1.2% in FY1998 to more than 10% in FY2016. According to NASSCOM, the IT-BPO sector in India aggregated revenues of US\$120 billion in FY2015, where export and domestic revenue stood at US\$79.1 billion and US\$41.9 billion respectively, growing by over 9%. (Nasscom).

Employment Trends in IT Sector

This sector has also led to massive employment generation. The industry continues to be a net employment generator – approximately added 2,50,000 jobs in FY2018, thus providing direct

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employment to about 2.8 million, and indirectly employing 8.9 million people. It is interesting to note that approximately 75% of the IT personnel are younger than age 45. Many managers in the IT Industries are in their 20's and 30's therefore making it more difficult to manage and retain them (Shayo, 2004).

Importance of Employee Retention

Andrew Carnegie, famous industrialist of 19th century who is known for having built one of the most powerful and influential corporations in US once commented, "Take away my factories, my plants; take away my railroads, my ships, my transportation, take away my money; strip me of all of these but leave me my key people, and in two or three years, I will have them all again."

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).

Studies show that the co-relation between retention rate and an organization's performance in customer satisfaction, productivity and profitability is more than 35% in value terms between a low attrition company and above average retention company. Studies show that the co-relation between retention rate and an organization's performance in customer satisfaction, productivity and profitability is more than 35% in value terms between a low attrition company and above average retention company. (Vishal Gupta; Shweta Shrivastava, 2007)

Best Practices

The problem of retention has become even more pronounced in the Indian IT industry, owing to the higher mobility of IT professionals. IT the world over has been continually experiencing a volatile demand-supply equation. New career horizons within the industry have multiplied the prospects of mobility of IT professionals among different companies; a growing number of such employees no longer want to spend their career with the same employer or occupation. Professional loyalty has replaced the age-old concept of organizational loyalty (Das, 1996). Retention strategies in this industry yield to careful analysis, on account of their wide diversity. It is in this industry that the period of prosperity has witnessed the twin forces of alluring talent from rival companies on the one hand and retaining key professionals on the other, with the working principle being "Cage them at any cost, or simply lose them"; the phase of recession has seen retrenchment of less productive professionals and retention of only selected performers; finally recovery of the industry has seen lavish spending of IT companies to retain key performers being replaced by 'intelligent' spending and a focus on building long-standing stronger relationship between the employer and the employees.

Designing of retention strategies that are organization-specific would be determined by factors like corporate competitive strategy, importance of human resource as a driving factor and the immediacy of the situation. With the job market opening up, IT giants' human resource divisions are devising innovative strategies to retain employees. It includes improvised promotion cycles, creating career architecture programmes, monetary gains, travel benefits and intellectual growth. Infosys is offering room to experiment and career soul searching to keep employees interested. This route is also working well for multinationals, including Google, who find that offering flexibility and freedom of movement across projects have kept employees glued. While for HCL, offering restricted stock units

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and restructuring its hierarchical structure have been the retention strategy over the past two quarters. Google, regarded as the world's most preferred employer, has been trying to give employees opportunities to participate and ideate for projects on a global level and across specialisations. "We try to get employees to spend 20% of their time on projects other than their primary ones. This encourages innovation in product development and foster inter-team communication," said Jayashri Ramamurti, head-people operations, engineering & product, Google India. (Roy & Ghosh, 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 took adequate care to identify the right candidates. On the qualities that Infosys looked for in a candidate, Nilekani said, "We focus on recruiting candidates who display a high degree of 'learnability.' By learnability we mean the ability to derive generic knowledge from specific experiences and apply the same in new situations. We also place significant importance on professional competence and academic excellence. Other qualities we look for are analytical ability, teamwork and leadership potential, communication and innovation skills, along with a practical and structured approach to problem solving." (Human Resource Management: Best Practices in Infosys Technologies, 2016).

HCL has been trying to reward employees through a more tangible process by doling out 5.7 million shares as restricted stock units to its mid-management employees. This was followed up with a band restructuring programme that saw 20,000 junior level employees being promoted at a 7-8% salary hike in the second quarter of the fiscal. (Roy & Ghosh, 2010) At TCS, they have established an environment that focuses on individual aptitude, talent, and interests. As a proven practice, they promote cross-domain experience that provides employees with opportunities to function across different industry verticals, service practices, and functional domains as well as varied technology platforms. While all these factors help hone the skills across platforms, they also offer customers a talent pool with expertise that exceeds their industry benchmarks; at the same time, they continuously present the employees with the opportunity to explore the domain where that believe they would fit the best.

Conclusion and Suggestions

The above analysis definitely concludes one thing that the reasons, employees leave the organization is very different from the reasons because of which they stay in the organization. It is very much like the Herzberg's two factor hygiene theory. The hygiene factors are the one without which the employee will leave the organization such as salary. But the motivating factors are one which will actually pursue them to stay in the organization like Recognition and Work Life balance. This means that trying to have a lower attrition rate would not increase the retention rate. For making the employees wanting to stay in the organization, it is necessary to provide them with the following in order of their importance.

Make Career Paths Clearly Visible

The organizations, which offer carrier and not jobs, are able to retain employees to a greater extent. Belive in the strategy of promoting from within, so that other employees are motivated to stay back for the position they dream of. Moreover, make these paths and carriers easily visible to them.

Recognition can fulfill the Self Actualization Need

Every person has the need to be appreciated for his/her efforts. Recognizing or appreciating the

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work of employee boosts his morale and he feels that he is contributing something to the organization.

Be more flexible

Flexibility in terms of work timing and work itself can offer the advantage of retaining employees. By allowing some flexibility in an employee's schedule you can allow him to perform his off job duties as well.

Make the company a place where people would want to come to work

The work that is being done in the IT sector is mainly on computer, making the work tiring and monotonous, creating a work environment which promotes positivity includes clarifying the mission, communicating positive feelings, being fair and honest, cultivating a feeling of family, promoting integrity, insisting on workplace safety, reducing the number of meetings and most importantly- Making work fun rather than a Load.

Beginning at the Beginning

Hire correctly--find people who not only look good on paper but also are comfortable with the company's values and corporate culture. Make sure that there are no surprises on either side by giving full disclosure and ruling out inappropriate expectations even before the person starts work. Companies should screen for cultural fit and attitude, among other things, rather than just for skills that new employees can easily acquire through training.

Creating equitable pay and Performance Processes

Employers should use a variety of hard (monetary) and soft (non-monetary) employee compensation strategies to make it difficult for other companies to steal their people away. These include Discussing total employee compensation (salary, benefits, bonuses, training, etc.) Designing reward systems to stimulate employee involvement. We often hold the top management responsible for not able to retain employees. But the fact is, each supervisor is equally responsible for retaining all employees under him, because it is the immediate supervisor who interacts with the employee the most. At the same time, the HR department must find ways to train and develop employees according to their capabilities, also they must find our reasons of people leaving the organization through Exit Interview, and finally, the senior management must maintain an open door policy and support recommendations of the supervisor.

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