

EMPLOYEE RETENTION STRATEGIES IN IT SECTOR: AN IMPACT STUDY

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Employee retention refers to the ability of an organization to retain its employees. Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new employee, and makes him a corporate ready material and brings him at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures taken so that an individual stays in an organization for the maximum period of time. 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 people relate employee retention to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome.

In a business setting, the goal of employers is usually to decrease employee turnover, thereby decreasing training costs, recruitment costs and loss of talent and organizational knowledge. By implementing lessons learned from key organizational behavior concepts employers can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case. Employers can seek "positive turnover" whereby they aim to maintain only those employees who they consider to be high performers.



Five main reasons why employees leave

1. **Organizational Culture-** This can include any number of issues to do with the corporate culture and the physical working environment.
2. **Motivational Aspects-** Many people don't feel personally valued. When people don't feel engaged or appreciated.
3. **Organizational Support-** People want to do a good job; they want to excel. At the same time, most feel as though their boss won't let them do a good job. When frustrations exceed the employees' threshold, they leave.
4. **Lack of opportunity for Advancement.** Advancement doesn't necessarily mean promotion. More often, it means personal and professional growth. Personal growth constitutes a very strong driver in today's workforce and if they feel lack of opportunities of growth in careers, they don't want to continue with the same job and quit the organization.
5. **Inadequate employee Compensation.** People want fair compensation; salary dictates all their employment decisions. Majority of people also look at non-monetary reasons. They also seek opportunities to grow and learn to advance in their careers and to work on challenging and interesting projects. They want to be recognized and appreciated for their efforts. They want to feel a part of something that adds value to their community. But above all a fair compensation plays vital role in the continuation of their services.

Five strategies for employee retention

1. Working environment

The primary employee retention strategies have to do with creating and maintaining a workplace that attracts, retains and nourishes good people. This covers a host of issues, ranging from developing a corporate mission, culture and value system to insisting on a safe working environment and creating clear, logical and consistent operating policies and procedures. 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. Employee retention strategies include the following:

- Clear mission
- Create a value statement
- Communicate positive feelings
- Stay focused on the customer
- Be fair and honest
- Promote integrity
- Workplace safety
- Make work fun

These employee retention strategies all relate in one way or another to corporate culture. More than that, employees want a culture of openness and shared information. Above all, employees insist on knowing how their specific jobs fit into the grand scheme of things and what they can do to help the organization get to where it wants to go. If you operate in an open environment where managers share information, you can expect reduced turnover rates.

2. Employee relationship strategies

Employee relationship strategies have to do with how you treat your people and how they treat each other. Developing effective employee relationship strategies begins with three basic steps:

- To give managers and supervisors plenty of relationship training.
- Ask employees why they work for you.
- Once you have the information about why people work for you, ask: "What can we do to make things even better around here?"

Other employee relationship strategies that impact employee retention:

- Build mentoring relationships with people to increase their emotional ties to the organization,
- Be firm and fair in decisions
- Celebrate longevity
- Encourage humor in the workplace
- Focus on building individual self-esteem
- Give recognition strategically and deliberately

Ultimately, employee relationship strategies help to build a sense of family.

3. Employee support strategies

Employee support strategies involve giving people the tools and equipments to get the job done. When people feel they have what they need to perform, job satisfaction increases dramatically. People want to excel. Actually people need adequate resources as well as moral support from the organization. Other employee support strategies include:

- Give people productive work to do
- Provide challenges
- Adjust jobs to fit strengths, abilities and talents of employees
- Establish effective communication systems
- Clearly define job responsibilities and accountabilities
- Encourage people to take initiative
- Encourage, recognize and reward creativity and innovation

4. Employee growth strategies

Employee growth strategies deal with personal and professional growth. Good employees want to develop new knowledge and skills in order to improve their value in the marketplace and enhance their own self-esteem.

Organizations should systemize and structure training programmes, so that it makes sense for the company and the individuals who work.

Some recommended employee support strategies include:

- Establish a learning culture
- Create individual learning plans



- Encourage people to join professional associations
- Invest in career planning
- Provide incentives for learning
- Take advantage of internet learning

5. Employee compensation strategies

Effective employee compensation strategies stem from one fundamental principle: money alone will not retain most employees. In the old days, companies essentially paid people for their time. Today, most of the companies pay for performance – in every position, not just sales. To retain employees, your compensation plan needs to incorporate this trend.

Pay-for-performance plans come in a variety of shapes and sizes, but they all involve two basic activities: defining the job and checking performance against expectations.

When people exceed expectations, give them a bonus. It helps to lay the plan out ahead of time so that employees understand your expectations and know what they have to do to get the bonus. But make sure you base it on predefined profit goals; so that you don't pay out if the company doesn't make money.

If you're not offering some type of incentive or pay-for-performance plan, you're putting your company at a terrible disadvantage.

Smart employers 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

- Discuss total employee compensation (salary, benefits, bonuses, training, etc.)
- Design reward systems to stimulate employee involvement
- Use flexible employee benefits to respond to a changing workforce
- Offer stock options
- Offer time off, sabbaticals and other forms of non-financial employee compensation
- Provide childcare or eldercare
- Provide employee assistance programmes
- Arrange for discounts on purchases
- Arrange for professional services
- Fund fitness club memberships

Keep in mind that employee compensation constitutes only one piece of the puzzle. If all the other pieces – the environmental, relationship, support and growth strategies – don't fit together into one interlocking whole, you won't be able to pay people enough to work for you.

In today's market, employees have control. They say: "You're lucky to have me working for you." If you don't believe that and treat them accordingly, they will quickly find another employer. That's why you need to have all five of these employee retention strategies in place.

Literature Review

Employee retention is of great importance because it is an issue that affects virtually all organizations in different fields. The turnover cost greatly adds to

organizational expenses. Loss of company knowledge is another point worth noting. Employers are always determined to find out some of the reasons why employees leave or quit their jobs, so that they can employ or find effective strategies to increase employee retention. Losing talented employees negatively affects an organization in terms of costs and performance. According to an article in **"The Wall Street Journal"**, hiring employees is just a start to create a strong work force. It suggested some tactics to retain the employees which are as follows:

- Offer a competitive benefits package, including health and life insurance and a retirement plan
- Provide employees financial incentives such as raises, bonuses and stock options
- Make sure employees know what's expected of them and how they can grow within your company

The study by **"Izidor Nwokocha (Department of Sociology/Anthropology, Ebonyi State University, Abakaliki, Nigeria) and E. B. J. Iheriohanma (Directorate of General Studies, Federal University of Technology, Owerri, Nigeria) (Published: August 1, 2012, Asian Social Science, Vol. 8, No. 10)"** revealed the need for sustainable retention strategies in organizations. It took into consideration the competitive business environment that is occasioned by globalization. This is inferred from the effects associated with employee turnover in organizations, which express the inadequacies in the traditional retention strategies in organizations. The study therefore, proposes that organizations should adopt certain critical sustainable trends in employee retention such as, establishment of strategic retention plan, involvement of employees in decision-making process, personalized compensation plan, career planning, training and development and creation of work flexibility and outsourcing. This is pertinent if these organizations want to catch up with the current demands of global economic needs which require the use of talented workforce to drive the fundamental changes and production processes that are taking place in organizations globally.

As identified in **"whitepaper (volume two)"**, many issues are at stake when retention is not consciously

prioritized. From a damaged company reputation to low employee productivity, high turnover is negative and costly. Keeping employees who outperform beyond expectation reduces the need to recruit and cuts related hiring and training costs.

Hiring top-performing and enthusiastic employees requires certain flair. But keeping those employees is an art. Increasing retention requires careful planning and implementation resulting in a solid program. Companies must realize that by keeping their turnover levels low, they are in fact improving their bottom line. The cost of replacing employees is an excessive one which most companies cannot afford. Compared to the cost of retaining existing top performing employees, the cost difference and time constraint is surprising. It is essential that every recruiter and manager should be concerned with retention from the start of any recruiting program. The process should be conscious of the end goal: to keep the individuals who outperform in your company. Making the new employee aware that the intention is to keep them as long as possible encourages the employee in committing to long term goals and planning within the organization. No retention strategy is static but should be constantly evolving to suit the changing needs of the workforce.

Given the growing needs for organizations to retain its best employees in the face of competition, the study conducted by **"Michael O. Samuel and Crispin Chipunza (African Journal of Business Management Vol.3 (8), pp. 410-415, September, 2009)"** suggest that certain variables are crucial in influencing employees' decision to either leave or remain in an organization. Such variables include training and development, recognition, reward for good performance, a competitive salary package and job security. Nonetheless, the importance of other variables should not be under-estimated when formulating a retention policy.

From literature review, it is recognized that human resource management play pivotal role in employee's retention. Researchers found that human resource management practices in compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice can help in



employee retention (Meyer and Allen, 1991; Solomon, 1992; Snell and Dean, 1992; Arthur, 1994; Snell and Youndt, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Ichniowski, Shaw and Prensushi, 1997).

Research Methodology

The sources of the data were basically interaction with employees of different organizations and from journals, magazines etc. Primary sources were collected through interaction with employees of various organizations and secondary sources were journals, magazines & manuals etc. The sampling technique used for conducting the study is a technique called purposive sampling. The companies selected for the purpose of the study were the ones known for their good HRD practices, as the main aim of the study is to determine the best and unique practices for attrition, retention and performance management of employees in IT industry. After understanding the various HR practices prevalent for attracting and managing the IT professionals, the list of information required for preparation of data collection tool which is a questionnaire in this case was designed to conduct an in-depth study.

The Sample

The sample size for the study that was covered for the research was 100, that of 10 companies, all of which are located in either Delhi or NCR.

Hypothesis

- 1) Balance between the work and one's personal life doesn't directly affect an employee's decision to quit the organization.
- 2) Culture of the workplace is a factor in which many people choose not to stay and is directly linked to the retention of employees.
- 3) The work profile on which an employee is working is in sync with his capabilities as job satisfaction directly affects an employee's decision of whether to stay in the organization or not.
- 4) Team work is promoted in the organization as quality of interpersonal relations among the employees directly affects the employee's choice of staying in the organization.

- 5) Employees' achievements are recognized and appreciated to motivate them which directly affect the retention.

Findings:

- 1) **Balance between the work and one's personal life doesn't directly affect an employee's decision to quit the organization.**

Flexibility of co.	(O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
Very flexible	4	20	-16	256	12.8
Somewhat flexible	40	20	20	400	20
Neither	20	20	0	0	0
Somewhat inflexible	16	20	-4	16	0.8
Very inflexible	20	20	0	0	0
TOTAL	100				33.6

$\chi^2 = 33.6$

Degree of freedom = 5-1 = 4

Table value = 13.27

Since calculated value > table value, the hypothesis is rejected, which means the organizations need to focus more on creating a balance between the work and personal life of the employees in order to retain them.

- 2) **Culture of the workplace is a factor which affect many people choose not to stay and is directly linked to the retention of employees.**

Satisfaction level	(O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
Extremely satisfied	4	20	-16	256	12.8
Very Satisfied	10	20	-10	100	5
Neither	46	20	26	676	33.8
Very dissatisfied	20	20	0	0	0
Extremely dissatisfied	20	20	0	0	0
TOTAL	100				51.6

$\chi^2 = 51.6$

Degree of freedom = 5-1 = 4

Table value = 13.27

Since calculated value > table value, the hypothesis is rejected, which means the organizational culture don't have much impact on the retention of employees.

3) The work profile on which an employee is working is in sync with his capabilities as job satisfaction directly affects an employee's decision of whether to stay in the organization or not.

Satisfaction level	(O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
Extremely satisfied	10	20	-10	100	5
Very satisfied	25	20	5	25	1.25
Neither	20	20	0	0	0
Very dissatisfied	30	20	10	100	5
Extremely dissatisfied	15	20	-5	25	1.25
TOTAL	100				12.5

$\chi^2 = 12.5$

Degree of freedom = 5-1 = 4

Table value = 13.27

Since calculated value < table value, the hypothesis is accepted, which means there is a proper match between the job responsibilities and employee's capabilities and hence the employees are satisfied with their jobs and they will not leave the organization for this reason.

4) Team work is promoted in the organization as quality of interpersonal relations among the employees directly affects the employee's choice of staying in the organization.

Cooperation among members	(O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
Agree	40	33.3	6.7	44.89	1.34
Neutral	22	33.3	-11.3	127.69	3.83
Disagree	38	33.3	4.7	22.09	0.66
TOTAL	100				5.83

$\chi^2 = 5.83$

Degree of freedom = 3-1 = 2

Table value 1% = 9.21

Since calculated value < table value, the hypothesis is accepted, which means there exist good interpersonal relations among the employees of the organization. Hence, conflicts cannot be a reason to leave the organization.

5) Employees' achievements are recognized and appreciated to motivate them which directly affect the retention.

Motivation provided	(O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
Yes	22	50	-28	784	15.68
No	78	50	28	784	15.68
TOTAL	100				31.36

$\chi^2 = 31.36$

Degree of freedom = 2-1 = 1

Table value 1% = 6.63

Since calculated value > table value, the hypothesis is rejected, which means proper motivation isn't given to the employees which might be a factor for employees to leave the organization.

Conclusions

Following conclusions are drawn through the study conducted:-

- Generally employees do not take a quick decision of quitting their job, first they weigh all their alternatives and at the same time they also give their organizations chance to make them stay in the organization and if the organization fail to do that then they quit their job.
- The working environment plays a very critical role in making an employee leave their job.
- Performance appraisals are not given at regular intervals in order to keep employees motivated for their work.
- In order to attract the best talent, the companies



are required to provide them better job opportunities and better pay packages than their competitive brands.

- It is the responsibility of the organization to keep a check on the morale in the employees and if it is low then the organization should find ways to improve it.
- The companies need to focus more on creating a work-life balance in order to retain the employees.

Suggestions

For a company to develop a retention strategy, several steps must be taken. First, companies must assess the current situation and measure the turnover rate in their company. Turnover is calculated simply by dividing the number of annual terminations by the average number of employees in the work force. Companies also measure the cost of turnover, develop retention strategies, and plan for some expected turnover and a changing workforce culture. Employers must recognize that quality of work life is becoming more and more important to employees. Hire the right people and continue to develop their careers. An investment in upgrading the workforce is one of the best investments a company can make when looking at long-term growth. Hiring the people that are fit with the culture of the organization will go a long way towards ensuring employee loyalty and retention.

Develop an overall strategic compensation package that includes not only base and variable pay scales, but long-term incentive compensation, bonus and gain-sharing plans, benefit plans to address the health and welfare issues of the employees, and non-cash rewards and perks as well.

Considering other options—such as alternative work schedules or flextime or perhaps preventative health care and wellness programs such as fitness center memberships—as possible cost-effective benefits. Also non-cash rewards such as Service recognition, event tickets, and outdoor trips can send strong messages to the public regarding company culture and values.

Although many costs associated with these suggestions may seem prohibitive, but the

company must evaluate the costs of current turnover, analyze the reasons for the individual organization and develop strategies that in the long term are less costly than continued turnover. Some of these suggestions may not be so costly in comparison.

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