

A CRITICAL STUDY OF EMPLOYEE RETENTION STRATEGIES ADOPTED IN IT COMPANIES IN NAGPUR, (2016-2018)

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Abstract:

Software is a wealth and job creating industry, which has enormously grown across the globe, employing millions of professionals worldwide. The Indian software industry has burgeoned, showing a nearly 50% compounded annual growth rate over the recent years. Being a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm. Intellectual capital comprises human capital and intellectual assets. With a global explosion in market opportunities in the IT sector, the shortage of manpower both in numbers and skills is a prime challenge for HR professionals. Even though organisations are now a days, found to be technology driven, human resource is required to run the technology. With all round development in each and every area of the economy, there exists a cut throat competition in the market. With this development and competition, there are plenty of avenues and opportunities available in the hands of the human resources.

The biggest challenge that organisations are facing today is not only managing these resources but also retaining them. Securing and retaining skilled employees plays a vital role in any organisation, because employees' knowledge and skills are at the focus point of the companies' ability to be economically competitive. Hence, continuously satisfying the employees is another challenge that the employers are facing today.

The objective of this research is intended to identify the key organisational factors contributing to voluntary employee job turnover in Information Technology sector. The study also tries to understand how key variables affect different behavior patterns concerning employee retention in the IT companies in Nagpur. Lastly, the study attempts to describe the most frequently used HR instruments applied for better employee retention in IT. The Research methodology adopted for study is analytical research and quantitative statistical tools used for study are correlation, regression and Z test is used for hypothesis testing.

In the first part, we have discussed briefly about the IT sector in Nagpur and the retention issues faced and strategies adopted for the same by the companies. The data has been collected with the help of questionnaires formed and the effectiveness of the HR strategies has been analysed for the period 2016-18.

Keywords: Employee retention, retention strategies, employee satisfaction, intellectual capital, IT companies.

I. Introduction

Employee Retention:

Human resource is the life-blood of any organization. Even though most of the organizations are now a days, found to be technology driven, yet human resource is required to run the technology. People are the most vital and dynamic resources of any organization. With all round development in each and every area of the economy, there is tuff competition in the market. With this development and competition, there are lots of avenues and opportunities available in the hands of the employees of any organisation. The biggest challenge that the organizations are facing today is not only managing these resources but also retaining them. Securing and retaining skilled employees plays an important role for any organization, because employees' knowledge and skills are central to companies' ability to be economically competitive.

Long-term health and success of any organization depends upon the retention of key employees. To a great extent customer satisfaction, organizational performance in terms of increased sales, satisfied colleagues and reporting staff, effective succession planning etc., is dependent upon the ability to retain the best employees in any organization. Encouraging employees to remain in the organization for a long period of time can be termed as employee retention. It is a process in which the employees are encouraged to remain with the organization for the maximum period of time.

Factors affecting employee retention:

There are various ways and means to minimize employee turnover. Management of any organisation strongly requires pointing out the factors why employees quit organization so that the proper treatment can be adopted to retain its human capital with the organisation itself. Failing to pay attention to retain committed employees could prove fatal as far as survival of the organizations is concerned. There are number of factors that affect the retention of an employee in an organisation. Few of them are as below:

1. Remuneration
2. Working hours
3. Rewards and recognition
4. Appraisal process
5. Career development opportunities
6. Work life balance

A number of studies engulfing the above mentioned factors have been conducted to find out the effect of different HR strategies on employee retention. These researches help the organizations to create a positive climate promoting employee retention. Some of these practices include providing equitable remuneration (apart from salary and fixed bonuses) to employees that reflect performance, recognizing and appreciating efforts and contributions made by the employees, making the work of employees sufficiently challenging and interesting, and providing opportunities for training and bright career.

This research paper focuses on two of the most important factors viz a viz remuneration and working environment and its impact on employee retention in selected IT companies in Nagpur city.

II. Review of Literature

According to Samuel and Chipunza (2009), the main purpose of retention is to prevent the loss of competent employees from leaving the organisation as this could have adverse effect on productivity and profitability. However, retention practices have become a daunting and highly challenging task for managers and Human Resources (HR) practitioners in a hostile economic environment. One of the traditional ways of managing employee retention and turnover is through organizational reward system.

Empirical studies by Kinnear and Sutherland, (2001) and by Meudell and Rodham, (1998) and also studies by Maertz and Griffeth(2004) have, revealed that extrinsic factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security were cited by employees as key motivational variables that influenced their retention in the organisations. The implication of this therefore is that management should not rely only on intrinsic variables to influence employee retention; rather, a combination of both intrinsic and extrinsic variables should be considered as an effective retention strategy.

According to Morgan and Hunt (1994), organizations often look beyond the concept of satisfaction to developing trust and ensure long term relationships with their employees. Further, this suggestion is based on the principle that once trust is built into a relationship, the probability of either party ending the relationship decreases because of high termination costs.

According to Gopinath and Becker (2000), effective communications improve employee identification with their agency and build openness and trust culture. Increasingly, organizations provide information on values, mission, strategies, competitive performance, and changes that may affect employees' enthusiasm. Many companies are working to provide information that communication, through the most credible sources (e.g., CEO and top management strategies) on a timely and consistent basis. The above mentioned studies explain many situations in contemporary corporate life in India wherein many employees are no longer having the sense of organization loyalty towards the organization. Increasing number of organizational mergers and acquisitions have left employees feeling displeased from the companies that they work and they are haunted by concerns of overall job security. As a result, employees are now making strategic career moves to guarantee employment that satisfy their need for security. On the other hand, employers have a need to keep their staff from leaving or going to work for other companies. This is true because of the great expenses associated with hiring and retraining new employees. The above review of literature suggests that there are gaps in the existing literature. This study attempts to fulfill the gaps by analysing the impact of three R's i.e. Respect, Recognition and Rewards on satisfaction level of the employees and by examining the various practices adopted by Indian MNCs in retaining their employees.

Mitala (2003)⁸ identified the preliminary retention strategies motive to include five major elements namely compensation (financial and non financial incentives); environment (physical structure, surrounding and atmosphere of the workplace); growth (advancement prospect and development on the job vis-a vis organisation); relationship (mode of interactions existing between employer and employees, superior and subordinates, subordinates and subordinates, organisation and outside world) and support (assistance to needy employees).

According to Kreisman, Barbara J. (2002)⁵, the meaning of retention varies from the mechanical (reduce the employee turnover figure to an acceptable level) to the abstract (about the culture and value). He went further to say that the meaning can be couched in curt, wholly objective phase or in a flowery, vague corporate language by seeing it as a distinct, controllable element of labour management or viewed as a cross functional, pervasive and seemingly all encompassing set of values or methodologies which centres on how to treat people.

III. Research Methodology

Significance of the study:

The study has been focused on employee retention strategies adopted by the IT companies in Nagpur city. This will help in decision making process as to how to retain the employees in the organisation which may help to improve the retention of employees.

Objectives of the Study:

1. To study the retention strategies adopted by the companies for employee retention.
2. To study the factors involved in retention strategies.
3. To study the impact of retention strategies on employees.

Hypothesis of the Study:

H₀: Gender and employee retention preferences are independent.

H₁: Gender and employee retention preferences are not independent.

Scope of the study:

This study can help the top-management decision makers of IT Company to enhance the major factors that will develop the retention of employee and thus meeting organizational goals and objectives. Such information should help human resource management of IT Company in devising appropriate human resource strategies for attaining and attracting employee in IT Company in Nagpur.

The study covers the IT companies in Nagpur and the HR strategies adopted by them for the period 2016-18.

Research Method:

Descriptive and Analytical research method is used for the study relationship between the selected variables.

Limitations of Study:

1. The findings of the study were subjected to bias and prejudice of the respondents.
2. The study is restricted to two IT companies, namely, Power Plan Corp Pvt Ltd and E Forum Systems Ltd.
3. Area of the study was confined to the employees in Nagpur.
4. Time factor was considered as a main limitation.
5. The findings of the study were solely based on the information provided by the respondents.
6. The accuracy of findings was limited to the accuracy of statistical tools used for analysis.

Methods & Sources of Data Collection:

Primary data is used to collect information from the respondents. To attain the objective of the study the data is collected through structures questionnaire designed for the employees of the IT companies.

Sampling Technique-

Sampling Method: The study is based on simple random sampling method.

Population: The employees of selected IT companies in Nagpur region.

Sample unit: Two Sampling units 1) Power Plan Corp Pvt. Ltd and 2) E Forum Systems Ltd.

Sample Size: For the study, data of 60 respondents is taken as the sample.

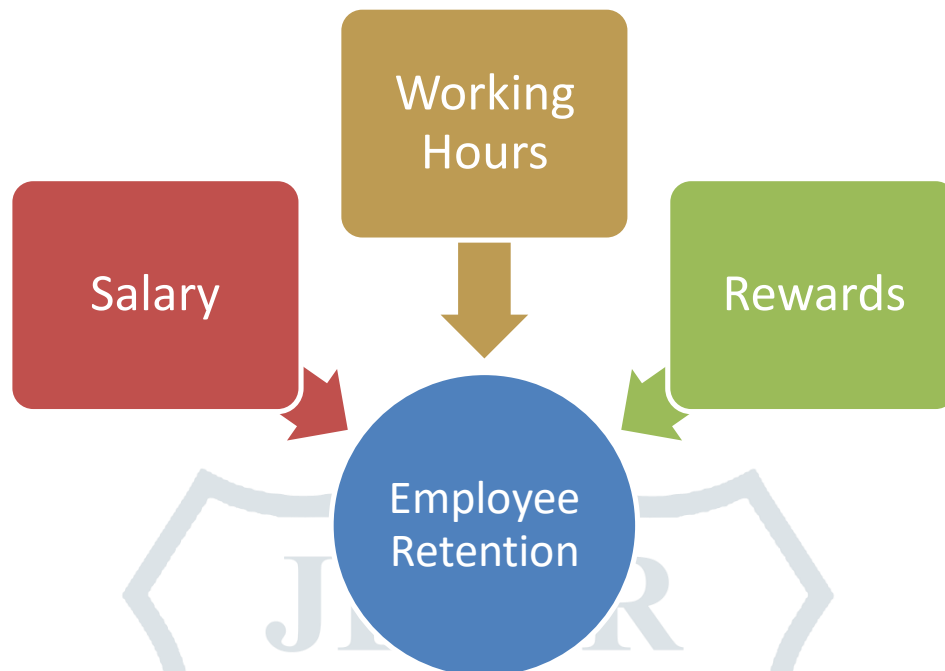
Tools and techniques of analysis:

Chi square test is used for testing the considered hypothesis, the result of which enables to accept or reject the hypothesis.

IV. Theoretical Framework

Employee Retention Strategies adopted by the companies

Company Name	Retention Strategies adopted	Description
Power Plan Corp Pvt. Ltd	1. Competitive Incentive policy	The company follows an incentive policy where employees are given additional incentives for having a regular attendance and the employees having least leaves during the session is given additional incentive.
	2. Flexible working hours	The company follows the policy of flexible working hours where the employees are given a freedom to work on flexible timing.
	3. Growth policy	The company follows a policy where the employees are given freedom to enrich their profile and the expenses of the same are born by the company.
	4. Rewards and recognition	The company motivates the employees by identifying their skills and appreciating their work by identifying “best employee of the month”
E Forum Systems Ltd.	1. Work from home policy	The company provides a facility of work from home, where the employees can do their work from home in case of any emergency.
	2. Merit based remuneration	In order to retain the best human capital the company follows a policy where in it provides additional remuneration on merit basis.
	3. Participation in management	The management of the company makes sure that it includes ideas and suggestions of the employees to enhance employee retention.
	4. Human Connect Policy	The company provides facilities like accommodation, medical reimbursement, sponsored vacation, partial education sponsorship to the employees so as to retain them for a long period of time.

Factors considered for Retention Strategies for the purpose of the study**V. Data Analysis**

Sr. No.	Gender	No. Of Respondent
1	Male	35
2	Female	25

Interpretation:

The above table shows the distribution of respondent considered for the purpose of the study. A sample of 60 respondents was taken, out of which 35 were males and 25 were females. The respondents were selected from two IT companies, namely, Power Plan Corp Pvt. Ltd. and E Forum Systems Ltd.

Gender	Factors of Employee Retention			Row Totals
	Salary	Working hours	Rewards	
Males	16	8	11	35
Females	8	14	3	25
Column Totals	24	22	14	60 (Grand Total)

Interpretation:

The above table shows the responses received from the respondents with regards to three variables considered for the purpose of testing the hypothesis.

Out of the sample of 60 employees, 40% i.e. 24 employees agree with salary as the major factor for employee retention in the company. Whereas, 37% i.e. 22 employees agree with working hours as a major binding factor for employee retention and 23% i.e. 14 employees agree with rewards as the major factor affecting employee retention in the company.

Out of 35 male respondents, 45% i.e. 16 male respondents prefer to salary as the major factor for employee retention. Whereas 22% i.e. 8 male employees prefer working hours over other two factors and 33% i.e. 11 male employees prefer rewards as the major factor over the other two factors for employee retention.

Out of 25 female respondents, 32% i.e. 8 female employees prefer to salary as the major factor for employee retention. Whereas 56% i.e. 14 female employees prefer working hours over other two factors and only 12% i.e. 3 female employees prefer rewards as the major factor over the other two factors for employee retention.

Hypothesis Testing using Chi Square test:

H₀: Gender and employee retention preferences are independent.

	Salary	Working hours	Rewards	Row Totals
Males	16 (14.00) [0.29]	8 (12.83) [1.82]	11 (8.17) [0.98]	35
Females	8 (10.00) [0.40]	14 (9.17) [2.55]	3 (5.83) [1.38]	25
Column Totals	24	22	14	60 (Grand Total)

Source: Primary Data

Interpretation:

The chi-square statistic is 7.4137. The p-value is .024554. The result is significant at $p < .05$. Since the P-value (.024554) is less than the significance level (0.05), we cannot accept the null hypothesis. Thus, we conclude that gender and employee retention preferences are not independent.

VI. Findings

The analysis was done through statistical tools based on primary data acquired through survey conducted with questionnaires distributed to the employees of the two selected IT companies in Nagpur.

- Out of the total of 60 employees, 40% employees agree with salary, 37% agree with working hours and 23% agree with rewards as the major factor for employee retention in the company.
- Out of 35 male employees, 45% prefer salary as the major factor for employee retention. Whereas 22% male employees prefer working hours over other two factors and 33% of male employees prefer rewards as the major factor over the other two factors for employee retention.
- Out of 25 female employees, 32% prefer salary as the major factor for employee retention. Whereas 56% female employees prefer working hours over other two factors and only 12% female employees prefer rewards as the major factor over the other two factors for employee retention.

VII. Conclusion

In this highly competitive world, there exist a large number of opportunities for employees to grow and develop themselves on their career paths. In such a scenario, it becomes very difficult for the employers to retain the rich human capital with their organization. This trend of quick employee turnover is a big challenge in the IT sector in today's time. Human nature being very fragile has different parameters for deciding upon retaining one particular job.

In the above study, it is observed that there are various factors which affect employee turnover. These factors have various impacts on employees. The study focused upon understanding the impact of retention factors on both genders of employees.

On the basis of the statistical analysis conducted in the study, it is concluded that the Null Hypothesis, gender and employee retention preferences are independent, is rejected, since, it is found that the P-value is 0.024554 which is less than 0.05. i.e. males and females have different preferences for retention.

It is also inferred that the male employees are more driven by remuneration offered to them as compared to working hours and rewards given. Whereas, in case of female employees, working hours mattered to them the most as compared to remuneration and rewards.

With the fast growing IT sector, various opportunities are budding up which lure the employees very easily and influence them to switch their jobs in very short span of time. Hence, the IT companies have started adopting various policies and strategies to reduce the employee turnover.

VIII. Suggestions

There are some recommendations on the benefit strategies for the organization in order to retain and attract the capable and productive employees.

- In order to increase employees' job satisfaction and decrease the turnover rate of the employees, the organizations are recommended to develop a comprehensive strategy that takes into account both monetary and non-monetary benefits for the employees.
- Employers should take into consideration the employees' needs when they develop the employee benefit strategy.
- The HR strategy implemented by the companies should have more focus on factors like work life balance, fair appraisal process, customisation of compensation and benefits, more investment in training and development, job security policy.
- The employers are recommended to work towards harmonizing the pay they offer to their employees to ensure that they don't lose staff to other competing firms since they feel they can get better pay there.
- The managers should strive more to improve the working conditions for their employees since, it significantly enhances the employee retention capacity.
- Finally, the study recommends that the employers in this area should strive more towards broadening the spectrum of the rewards they can offer to their employees and not focus on direct monetary rewards alone.

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