Factors Influencing the Retention of Employees in the IT Services Industry In Bengaluru

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By

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Introduction

The fastest growing industry is the Information Technology Industry. The Indian IT industry is growing, although faster and has gained a lot of equity in the global market. IT industry in India comprises of the software industry and the information technology enabled services industry. Both of them have added a lot of revenue and advantage to the Indian economy. Technology has proven to be quite beneficial for the citizens of the country. With the development of technology in the world, it has become easy and efficient to be connected every time with others. Works or jobs that used to take days to time to be done by the employees of any organization are being done in just a few hours today all because of technology development. With the growth of the Indian economy and the development of the technology, ample number of opportunities are available in the marketplace. Competition with the organizations has increased so much that each company needs to have the competitive edge to survive for a longer period of time.

Literature Review

India's economy has grown to a great extent which has been accompanied by the information technology growth. The IT industry is growing undoubtedly and the economy is growing along with it. Although there is growth in this industry and this industry is adding a lot to the overall development of the country, it has been observed that the IT industry is facing some challenges within itself said Sengupta and Gupta (2012) in their study. They explored the dimension of attrition by stating some of the factors as the leading factors of attrition in IT industry. The revolution in the technological front has helped the IT industry to grow tremendously. They have become the master and the core of all other business in the marketplace. With the availability of the human resources, companies are targeting India to outsource their business. Sengupta and Gupta (2012), due to many personal and professional reasons, the employees of the organizations are leaving the firms in a very short duration. At times the period is so short that the organization finds it difficult to find a new employee in that short period of time. The time and other resources spent on hiring the previous employee and the new employee are so much that the organization is at a great loss in many aspects. The overall cost added in the whole process is so much that the organization cannot afford this total cost many times in different departments of the organization.

As said by Adhikari (2009), most of the processes of the organizations are outsourced to the other country like India. But the companies are also facing the attrition problem. Since there

area lot of opportunities available in India marketplace retaining employees becomes little difficult. The exports of work have increased rapidly, but retaining of the skilled employees is also becoming a big challenge as there are increased opportunities in the market. Organizations are driven by the need for a reduction in the cost and to concentrate on the core activities. The major reason to outsource is to reduce the economy of scale. With the globalization, organizations are forced to work on the retention of their best-skilled employees so as to remain competitive.

According to Anitha (2014), organizations are continuously losing on the skilled employees and are facing a big challenge in retaining these employees. Organizations recruit the most skilled candidates from the market, but they are not capable of retaining these highly skilled employees for a longer period of time. The employees who put their hundred percent have some expectations from the organization as well and the organizations do not satisfy the employees they tend to leave the organization sooner in a very short period of time.

Problem Statement

In today's scenario organizations take a proactive measure to formulate the retention strategies. Retention Strategies help organizations to improve employee commitment and enhance workforce support for key corporate initiatives.
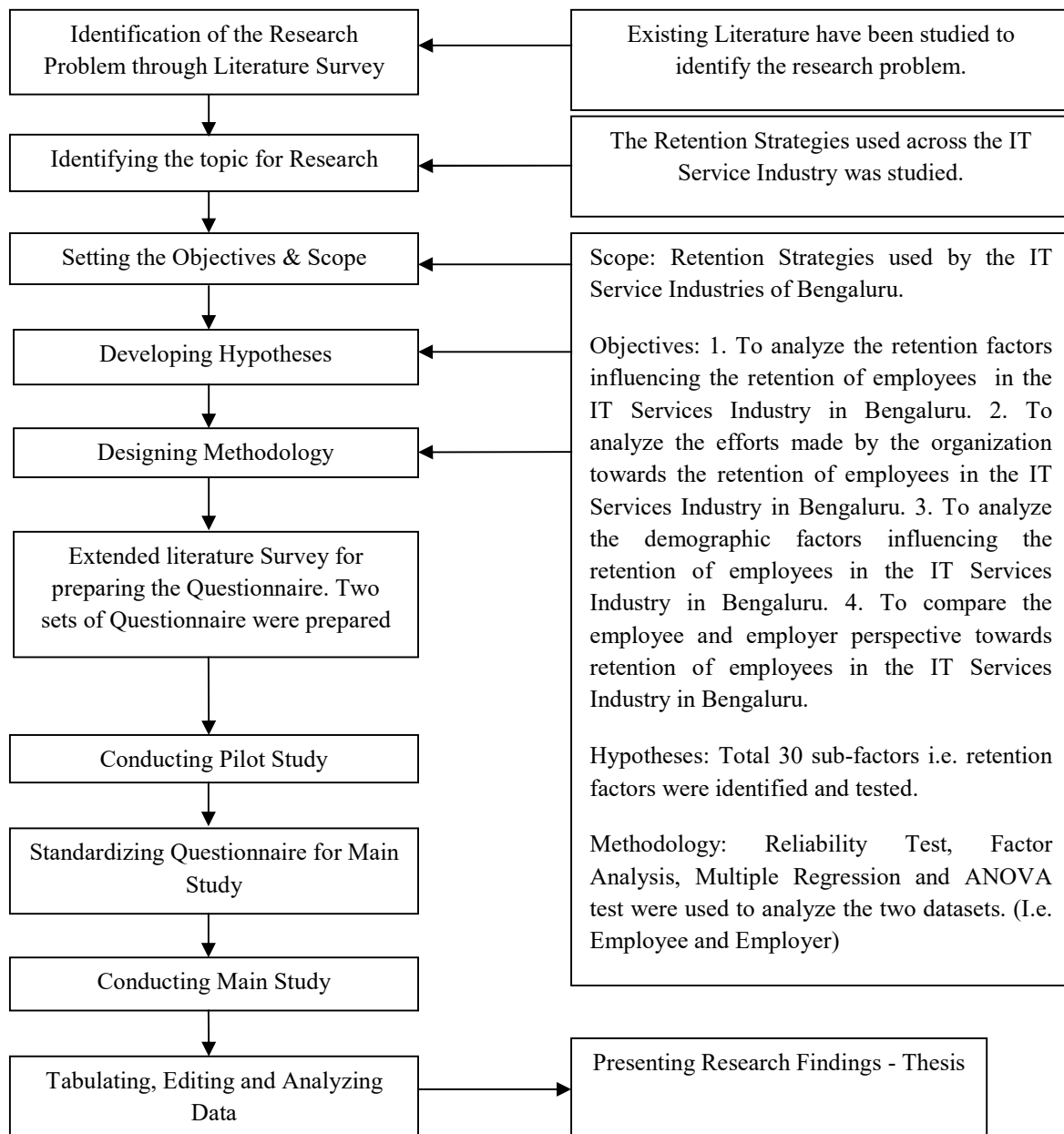
Organizations are working towards the incorporating various ways which improve the loyalty and commitment of the employees and also towards their willingness to be highly productive but still the attrition rate is quite high. Every organization has almost similar retention policies and strategies but the influence of these retention factors differs from organization to organization. Thus, it is very crucial to understand and identify the most influencing retention factors according to the expectations of the employees.

Research Questions

1. What are the most important and crucial retention factors that the organization uses to encourage the employees to stay with the organization?
2. What are the factors which the employees consider as a motivator or catalyst to stay with the organization?
3. Does the employer update their retention strategies with time?

4. Does demographic profile of the employees effect the tenure and loyalty of the employees towards the organization?

5. What are the factors which the employees consider to be included in the retention strategies?

Research Flow

Identification of the Research Problem through Literature Survey	Existing Literature have been studied to identify the research problem.
Identifying the topic for Research	The Retention Strategies used across the IT Service Industry was studied.
Setting the Objectives & Scope	Scope: Retention Strategies used by the IT Service Industries of Bengaluru.
Developing Hypotheses	Objectives: 1. To analyze the retention factors influencing the retention of employees in the IT Services Industry in Bengaluru. 2. To analyze the efforts made by the organization towards the retention of employees in the IT Services Industry in Bengaluru. 3. To analyze the demographic factors influencing the retention of employees in the IT Services Industry in Bengaluru. 4. To compare the employee and employer perspective towards retention of employees in the IT Services Industry in Bengaluru.
Designing Methodology	
Extended literature Survey for preparing the Questionnaire. Two sets of Questionnaire were prepared	
Conducting Pilot Study	Hypotheses: Total 30 sub-factors i.e. retention factors were identified and tested.
Standardizing Questionnaire for Main Study	Methodology: Reliability Test, Factor Analysis, Multiple Regression and ANOVA test were used to analyze the two datasets. (I.e. Employee and Employer)
Conducting Main Study	
Tabulating, Editing and Analyzing Data	Presenting Research Findings - Thesis

Research Objectives

The existing literature helped to frame the objectives. Also, the need to identify the gap that is prevalent in the IT Services Industry helped in identifying the objectives. In order to finalize

the objectives the variables which influence the employee behaviour of the IT Services Industry have been considered and examined. Following are the research objectives:

1. To analyze the retention factors influencing the retention of employees in the IT Services Industry in Bengaluru.
2. To analyze the initiatives taken by the organization towards the retention of employees in the IT Services Industry in Bengaluru.
3. To analyze the demographic factors influencing the retention of employees in the IT Services Industry in Bengaluru.
4. To compare the employee and employer perspective towards retention of employees in the IT Services Industry in Bengaluru.

Methodology

To test the hypotheses and to obtain the required objectives, there were various tests done through the SPSS 16 version. Mentioned below are the various methodologies used to attain the objectives of this study.

1. Descriptive Analysis

In SPSS, descriptive analysis of the dataset represents the Mean value of the different variables. This method is used to study, the mean and the variance among the different questions and to draw the conclusion related to the response from the employees and the HR's of the service industry.

2. Reliability Test of Questionnaire

Reliability Test of the questionnaires were done in order to check the reliability of the set of questions asked in the questionnaire. In this the value of Cronbach Alpha is measured and considered. Greater the value of Cronbach Alpha, the higher is the consistency within the set of items in the questionnaire. For both the set of Questionnaire's this test was done to authenticate the consistency of all the items.

3. Exploratory Factor Analysis

Factor analysis is a method used to identify the variables which are related to one another. A relationship between the variables is measured and identified. This method is used to reduce the large number of variables into smaller number of variables.

4. Multiple Regression

This method is used to predict the value of a variable based on the values of two or more variables. For this study multiple regression was used as one of the methods so as to measure the value of the 30 identified retention factors related to each other. This method helped in allocating the weightage to the 30 factors and categorizing these factors on the basis of the influence they show on the employee retention.

5. ANOVA for the Retention Factors

An ANOVA test is done to state whether the survey is significant. This method helps to figure out whether to reject or accept the Null Hypothesis. It is a method used to test the groups and identify if there is any difference between the groups.

6. Descriptive Statistic comparison of the Retention Factors

The descriptive statistic method is used to measure the means of the variables and compare them. For this study descriptive statistic is used to compare the means and state the most influencing factors for retention of the employees.

Research Findings

It has been observed and researched that an organization where the employees are not valued or their skills are unutilized prolifically or they are not heard, would lose them out to other organizations. This creates a lot of chaos in the minds of employees and employer unable to decipher the root cause of attrition. From the study, it was found that retention of employees is largely dependent on four components i.e. Competition, Environment, Growth, Relationship and Support. It is imperative on behalf of Employer to motivate the employees on all factors in order to retain the employees.

This study helped in exploring the measures taken by the employers. The findings made it very clear that there is no single approach that can be used to retain employees. Also, the old age strategies are proving to be outdated and ineffective with gen X, Y and millennials. With the massive changes in the work and the workplace, it has become important to work on executing the retention strategies rather than them just being on papers. Retention is a combination of various factors which vary in their importance from organization to organization. Today organizations have realized that the success of the business is determined by the quality of the talent of the overall workforce. Recruiting and retaining the skilled and

talented employees is a very difficult task and consumes a lot of time and efforts of the organization. Often the cost associated with employee turnover is ignored by the employers which result in a huge loss to the organization. IT executives are reporting higher turnover rates these days and that the employer should work and concentrate on the retention strategies are there than hiring strategies

The study reveals the most influencing factors that lead to employee retention. After a detailed pilot study, the questionnaire for the final data collection was prepared. There were two sets of questionnaires prepared; one was for the employee respondents and the other for the HR respondents working in IT services Industry in Bengaluru.

Respondents belonging to different competencies answered the survey questionnaire. It is observed that the average years of experience was 4 to 10 years. It can be concluded that respondents belonging to the large size organizations were more concerned about the strategies used by the organization to retain them. From the SPSS analysis and output results it is found that the dependent variable is highly influenced by the factors like Career Growth, Work-Life Balance, Approachable and Cooperative Supervisor, Flexible Working Hours, Opportunities resulting Promotion, Training and Development, Team Work, Shorten Feedback Loop, Fringe Benefits, Opportunities resulting New Assignments, Mentoring Programs etc.

IT Industry is such that it allows the fairer sex to have a better balance between their professional and personal lives. The maturity by virtue of age aiding the workforce of IT Industry to assimilate and adjust to the Industry ethos, work culture, compensation expectations, work-life balance etc. As we know IT Industry is a knowledge industry and employees need to constantly upgrade or add new skills in order to stay relevant and to grow in their career. Hence as expected none of the undergraduates reported extreme satisfaction with their tasks due to the inadequate opportunities available due to inadequate education levels comparatively to the more academically more qualified peers. It is found that in the initial phase of their career, employees in the IT industry experience a higher dissatisfaction level (this could be attributed to the comparisons made with freshers entering in other industries such as FMCG, Banking where employees are more exposed business aspects rather than Technology) but with progression of time, the numbers improve with the total work experience. Thus, it can be said that employees gradually understand the dynamics of

the IT industry when they spend years and years working in the same and end up with higher satisfaction.

It is found that upon joining a new organization, employees are very gung-ho about their change. But the excitement fades with time. But after spending a few years in the organization, they become adept to the culture of the same and adapt to the same and hence experience higher satisfaction levels. Employees switch to larger organizations for better career opportunities simply because larger IT organizations have bigger and diverse projects, technologies to work on. It is found that bigger IT organizations have more human and material resources deployed in HR function towards creation and execution of employee retention strategies.

Listed below are the most influencing retention factors:

1. Career Growth – Both employees and the employer consider that providing good opportunities for career growth is one the most important factor that helps in retaining the skilled employees of the organization.
2. Work-life Balance – It was observed that every employee wants a balance between the personal and professional life. With the increase of work load and to uphold the quality of deliverables, employees work hard which creates an imbalance in their personal and professional life.
3. Approachable Supervisor – Managers of the organizations with a higher rate of retention are found to be more approachable and cooperative. The primary reason for the same is that they empower the employees in different ways. A few being they encourage their team members for the up-skilling and cross-skilling trainings provided by the organization so that the employees develop new skill sets and feel secure about their future. Also they motivate the employees to create a balance between their professional and personal life.
4. Flexible Working Hours – In IT industry this factor is something that employees want the employers to consider as one of the key components of work-life balance and thus to maintain their productivity. Providing flexibility in working hours leads to high productivity and employee satisfaction.
5. Promotion – Employees stated that there should be ample opportunities for promotion in the organization in order to keep the employees motivated. Organization should definitely consider this strategy as an important one because employees of all age and experience

equally desire to get promoted after reasonable time and efforts in a position. Also from various studies it has been observed and proved that employees deeply desire to get promoted even earlier when they perform exceptionally well.

6. Training & Development – Training and Development programs always help the employees to gain more knowledge and skills. Employees appreciate when the employer provides regular training and development programs. At the same time these programs help the employers to retain the employees for a longer period of time.

7. Team Work – Team work is another very important factor for employee retention. In today's work-place none of the employees can work or perform their jobs all alone due to the highly integrated modules between different work items in IT Industry. Hence, it is important to encourage every employee to work in a team. Team work has other benefits for the employees as well. The work load reduces and the employees exchange knowledge when they work in a team.

8. Feedback Loop–From the output of the various tests it can be inferred that the employees consider following a short feedback loop for the work done. They want to get the feedback frequently i.e. instead of getting the feedback on an annual or half-yearly basis. If the manager provides the feedback for any work done almost instantly, it will be easy and highly motivating for the employees to perform better in the same task or the related tasks which in turn affects their longevity in the organization.

9. Fringe Benefits – Today only pay or remuneration does not does not motivate the employees. The dataset of the employees reveals that they want the employer to provide fringe benefits apart from the standard remuneration. It turns out to be a distinguishing element for the organization and becomes a must when it is provided by other organizations in the same industry.

10. New Assignments – Opportunities to get aligned to new assignments is something that employees of the IT service industry expect from their employers. The observation is that the employees treat this factor to be important as it provided new learnings and opportunities to develop their skills. Every employee wants to get opportunities to work for different projects and assignments as it will help them to gain more knowledge and skills.

11. Mentoring Programs – On the basis of the tests results it is inferred that employees look forward to some good mentoring programs right from the time they join the organization. Mentoring of the employees keeps them motivated and satisfied with their job.

Significant contribution have been made as the study reveals the areas where the employer needs to focus more on and to consider the influence of the important retention factors, for the industry's overall performance. In additiona to practical implications the present study also contributed to existing literature. This study, contributed to the current understanding of how the above 11 factors out the 30 factors identified factors, are the most influencing factors that leads to retention of employees.

The holistic analysis of this study added to the existing research, by identifying and comparing those retention factors which has more influence towards employee retention. The study confirmed the results of the existing studies that also emphasized on factors like Career Growth, Remuneration, Promotion, Rewards and Incentives, Job Security, Policies & Culture, Good Welfare Measures, Fringe Benefits, Team Work etc. (e.g. Doh et al. 2011, Jyothi and Ravindran 2012, Vignesh and Babu 2014, Herzberg et al. 1999, Kumar and Dhamodharan 2013, Lumley et al. 2011, Goud, P.V. 2014, Vijayasri, G. V. 2013). However, the present study also identified factors like Stress reduction Programs, Flexibility in Working Hours, Healthy Work Environment, Open Communication Policy, Training for different domain, Day-care Facility, Transport Facility, Shorten Feedback Loop, Motivation by immediate Supervisor, Respect and Fair Treatment, Opportunities to develop New Skills, Adequate Leave and Leave Benefits etc. which were not much emphasized in the existing literature and only partly focused items was studied and which was not in the prior studies in the domain of IT Services Industry. Moreover, the study contributed a theoretical model for Employee Retention. The results show that Incidental Factors, Quintessesntial Factors and Motivational Factors have the highest importance. The study conducted separately quantitative and qualitative analysis of the dataset. Eventually, the quantitative analysis of these retention factors has been conducted which has not yet applied in the context before.

Gap between Employer and Employee Perspective

From the analysis of the primary data, it can be found that Employee's perspective towards the retention factors are different from that of the Employer's perspectives. The Employees consider Career Growth to be the most important driving factor to stay with the organization whereas the employer does not give it that degree of importance. According to the employees, factors like stress reduction programs, fringe benefits, transport facility, day-care facility, Work-life Balance, Welfare Measures etc. are some of the influencing factors but as

per the employer's data output, these factors are not considered as the influencing factors for retention of the employees.

Research Contributions

This study provides an in-depth information about the various factors that affect the retention rates in the IT Service Industry. The study is limited to analyse only on the retention strategies formulated and implemented by the organizations. Today the role of remuneration in retention is debatable and the study also provided evidence that as per the employees of the IT service industry remuneration does no act as the primary influencing factor.

Although the employer does consider it to be important. In fact, the study results point that there is no correlation between the remuneration and the duration of stay with the organization. Remuneration acts as a secondary driver for retention of employees. Employees desire to have internal career development and respect and fair treatment from others. They wish to develop good corporate social networks. Employees with critical skills and in a work position which they enjoy are proved to be more productive and engaged and they stay for a longer period of time with the organization.

At the same time organizations should take efforts to communicate with the employees when they cannot fulfill all the demands of the employees. Organizations should take efforts to bring most of the retention strategies into practice and but employees are also expected to understand the limitations of the organization. Both the employer and employee should put themselves in each other's shoes and understand the situation. This would definitely help both the parties in solving most of the problems. Every organization would face serious manpower issues if they do not have good qualified Human Resource team which focusses on the retention strategies apart from their day to day operational works.

Recommendations

An employer cannot assume that the employees know what they have to do or what the employer is expecting out of them. Orientation programs are mandatory even for the experienced employees. Aspects of history, vision, service, departmental roles, performance expectations etc. should be shared with all the employees and elicited occasionally. Educational programs related to the interdepartmental work should be conducted for the employees. Lack of respect has been identified as one of the critical issue resulting in employee attrition. Mutual respect does not cost anything to the organization or to human

beings and developing a culture for the same will help the organizations retain their employees. Since it is the individual and collective work of employees and smaller team, which bring the overall results for the organization, the employers need to follow the bottom-up approach. Employees work harder and get motivated towards their work when their inputs and ideas are considered. In order to contribute to their fullest, the employees need to know what does the team leader needs in the form of deliverables and what is the overall direction of the organization.

Recommendations from Focus Group Discussion

Based on the focus group discussion following are some recommendations provided by the HR participants of the discussion:

❖ Employers should conduct Stay Interviews to address the attrition issue.

❖ The retention strategies should be assessed and updated annually.

❖ Extra Effort like providing e-cards (with points) to the employees or e-buttons to make employees appreciated can prove to be less costly and easy to use.

❖ Employer should appreciate and acknowledge employees in order to retain and build loyalty among the employees.

❖ Employer should show concern and extend help whenever possible to employees.

❖ Promoting Team Work should be encouraged.

❖ Medium sized organizations should provide work from home facility, more flexible vacation offerings and performance bonus which will lead to employee retention.

❖ Providing compressed work schedules or back-up day care can be an excellent factor to retain the employees.

❖ Employees wish to have social interaction and a rewarding work environment. They desire to receive respect and recognition from managers, and also a challenging position which allows them to learn and move up.

Research Limitations

To assess the true impact, it would require studying some other crucial factors like location, local labour availability, market demography etc. Also, it has been observed that along with the study on Retention, researchers also study the factors leading to the attrition of the employees. This was never the intent of this study. The study is limited to only those respondents who wished to answer the questionnaire. This study only focused the factors

leading to the retention of employees in the mid-sized and the large sized IT Service Industry. Interviews with HR personnel's was cumbersome, as it was difficult to get appointments and discuss about the retention of employees. The summary message is that the majority of the practices are present theoretically in the majority of organizations, regardless of their employee turnover but they need to be emphasized into action in the order of their importance and effectiveness from employees' point of view.

Scope for Future Research

The scope for future research can be the study conducted in different geographic regions like different countries, states, different industries with more variations in the socio-economic profiles, between Indian IT companies and MNC's etc. Future research can take place so as to enrich the research work as over a period of time, factors like employees' awareness and information about the strategies may change. Researchers will be encouraged to create and develop new constructs related to the retention of employees in the IT Service Industry.