



EMPLOYEE RETENTION STRATEGIES AND ITS IMPACT ON EMPLOYEE PERFORMANCE IN IT INDUSTRY – A STUDY OF SELECT IT COMPANIES

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Abstract

Attrition rate in Indian IT industry has been sending alarming signals for serious consideration on remedial measures. Companies like TCS, Wipro and Infosys have been struggling to cope up with the attrition rate, hence initiated several retention strategies to retain the talented workforce. Further, the retention strategies have been significantly found important in the modern industry as the rate of attrition adversely affecting the productivity of the companies. In view of the scenario, the paper presents deeper insights on need for retention strategies and throws light on the emerging strategies applied by the select IT companies.

Key Words: Attrition, Retention, Work Load, Training and Development.

1. Conceptual Overview of Attrition and Employee Retention

Attrition is widely understood to be one of the major problems affecting organizations today. Losing employees has a many direct and indirect impacts across a company. Most companies today have understood the importance of reducing attrition and invest in reducing it. However, these methods do not always guarantee success, especially in organizations with a high level of maturity. However, one area where mature organizations can focus their efforts is minimizing the impact of attrition. Assuming a steady rate of attrition that cannot be reduced, organizations can try to measure the direct and indirect impacts of attrition, and discover opportunities for minimization. Processes can then be put into place to minimize these impacts of talent loss, and ensure that transition periods in the organization happen smoothly and reducing dependencies on critical personnel.

The direct impacts are relatively easy to measure: costs must be incurred to recruit and train new employees. During the recruitment process, other employees generally see an increase in their workload which can result overtime costs, but also affect their own productivity. In roles where employees maintain a close relationship with customers, employee attrition can also lead to reduced revenues from these customers and in the worst case, customer attrition.

Employee Retention is defined as an organization's ability to retain its employees. It can also be called as a process, in which the resources are motivated and encouraged to stay in an organization for a longer period of time for the sustainability of the organization. The ultimate aim of Employee Retention is to make both the stakeholders, i.e., employees and employer happier. It facilitates loyal employees sticking to the company for a longer duration, which in turn will benefit both the stakeholders.

Employee retention is not just a matter that can be dealt with records and reports. It purely depends upon how the employers understand the various concerns of the employees and how they help them resolve their problem, when they are in need. Every organization spends time and invests money in grooming new employees and make them corporate-ready. The organization will be in complete loss, if such employees quit after they are fully trained.

2. Objectives of Employee Retention

It is very important for an organization to attract, hire, and retain the right resources. Most of the organizations are very effective, when it comes to attracting and hiring new talents, but they fail in retaining the same talents. There can be many reasons for an employee to leave an organization. It is very essential for an organization to



know the reasons, which can help the organization in making the job attractive and encourage the employees to stay with the organization.

The first and foremost requirement is to measure the key factors which influence the retention rates, such as salary expectations, employee engagement, working environment and boss/managers. Once these measurements are identified, the initiatives are to be planned and to be implemented for improvement of the retention rate.

The HR department has to provide the line managers with the right tools to retain talented employees. The retain policy should be designed with flexible schemes that can be changed according to the prevailing conditions. It is the manager who can influence the employee, but the Human Resources department has to provide the managers with the required tools and channels to influence the employees effectively. In an organization, the core driver of retention policies is the strategies behind them. The team of line managers and the leaders are the owners of the documentation and the HR department has to measure the progress, successes and failures of the strategies applied. The ownership of the strategies falls on the team of line managers and the leaders, who need to protect the work interests of the employees and retain them.

Finally, the retention program has to be measured. The HR department has to measure the performance of the retention plan. They should measure the difference in the turnover, the development of the attrition and the satisfaction of employees in the program.

3. Employee Retention Strategies

Most organizations apply the following strategies to retain their employees –

1. Create open communication between employees and management.
2. Conduct "stay" interviews.
3. Provide some small perks.
4. Offer financial rewards.
5. Make sure employees know what you expect of them.
6. Use healthy competition and incentives to help keep workers motivated and make them feel rewarded.
7. Foster employee development.
8. Promote from within, whenever possible.

Employee retention also refers to the various policies and practices applied within an organization for employees to stick to their jobs and fulfill their responsibilities over a longer period of time.





4. Overview of Indian IT Industry

India is the world's largest sourcing destination, accounting for approximately 55 per cent of the US\$ 185-190 billion market in 2017-18. India's highly qualified talent pool of technical graduates is one of the largest in the world and the country has a low-cost advantage by being 5-6 times inexpensive than US. India is the second-fastest digitizing economy amongst 17 leading economies of the world.

The cloud market in India is expected to grow three-fold to Rs 49,621 crore (US\$ 7.1 billion) by 2022 with the help of Growing adoption of Big Data, analytics, artificial intelligence and Internet of Things (IoT), according to Cloud Next Wave of Growth in India report. India's IT industry contributed around 7.7 per cent to the country's GDP and is expected to contribute 10 per cent of India's GDP by 2025.

The IT-BPM sector in India stood at US\$177 billion in 2019 witnessing a growth of 6.1 per cent year-on-year and is estimated that the size of the industry will grow to US\$ 350 billion by 2025. Moreover, revenue from the digital segment is expected to form 38 per cent of the total industry revenue by 2025 whereas, digital economy is estimated to reach Rs 69,89,000 crore (US\$ 1 trillion) by 2025. Total export revenue of the industry is expected to grow 8.3 per cent year-on-year to US\$ 136 billion in FY19. Spending on Information Technology in India is expected to reach US\$ 90 billion in 2019.

IT industry employs nearly 3.97 million people in India of which 105,000 were added in FY18. The industry added around 105,000 jobs in FY18 and is expected to add over 250,000 new jobs in 2019. Hardware exports from India are expected to grow at 7-8 per cent in FY19. The export sector crossed Rs 9,57,493 crore (US\$ 137 billion) of revenues and marginally grew at the rate of 7-9 per cent in FY19. The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflows worth US\$ 41.26 billion between April 2000 and September 2019 and ranks second in inflow of FDI, as per data released by the Department for Promotion of Industry and Internal Trade (DPIIT).

PE investments in the sector stood at US\$ 11.8 billion across 493 deals in 2019.

The Government of India has extended tax holidays to the IT sector for software technology parks of India (STPI) and Special Economic Zones (SEZs). As of November 2019, there were 417 approved SEZs across the country where 274 are of IT & ITeS and 143 are exporting SEZs. Further, the country is providing procedural ease and single window clearance for setting up facilities. On May 2019, the Ministry of Electronics and Information Technology (MeitY) launched the MeitY Startup Hub (MSH) portal.

Also, the government has identified information technology as one of the 12 champion service sectors for which an action plan is being developed. It is setting up a Rs 5,000 crore (US\$ 745.82 million) fund for realising the potential of these champion service sectors.

The global sourcing market in India continues to grow at a higher pace compared to the IT-BPM industry. India is the leading sourcing destination across the world, accounting for approximately 55 per cent market share of the US\$ 185-190 billion global services sourcing business in 2017-18. Indian IT & ITeS companies have set up over 1,000 global delivery centres in about 80 countries across the world.

India has become the digital capabilities hub of the world with around 75 per cent of global digital talent present in the country.

The IT-BPM sector in India stood at US\$177 billion in 2019 witnessing a growth of 6.1 per cent year-on-year and is estimated that the size of the industry will grow to US\$ 350 billion by 2025. India's IT & ITeS industry grew to US\$ 181 billion in 2018-19. Exports from the industry increased to US\$ 137 billion in FY19 while domestic revenues (including hardware) advanced to US\$ 44 billion. IT industry employees 4.1 million people as of FY19.



Spending on information technology in India is expected to reach US\$ 90 billion in 2019. Revenue from digital segment is expected to comprise 38 per cent of the forecasted US\$ 350 billion industry revenue by 2025.

Indian IT's core competencies and strengths have attracted significant investments from major countries. The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflows worth US\$ 39.47 billion between April 2000 and June 2019 and ranks second in inflow of FDI, as per data released by the Department for Promotion of Industry and Internal Trade (DPIIT).

Leading Indian IT firms like Infosys, Wipro, TCS and Tech Mahindra, are diversifying their offerings and showcasing leading ideas in block chain, artificial intelligence to clients using innovation hubs, research and development centres, in order to create differentiated offerings.

Some of the major developments in the Indian IT and ITeS sector are as follows:

1. Total export revenue of the industry is expected to grow 8.3 per cent year-on-year to US\$ 136 billion in FY19.
2. UK-based tech consultancy firm, Contino, has been acquired by Cognizant.
3. In May 2019, Infosys acquired 75 per cent stake in ABN AMRO Bank's subsidiary Stater for US\$ 143.08 million
4. In June 2019, Mindtree was acquired by L&T.
5. Nasscom has launched an online platform which is aimed at up-skilling over 2 million technology professionals and skilling another 2 million potential employees and students.
6. Revenue growth in the BFSI vertical stood at 6.80 per cent y-o-y between July-September 2018.
7. As of March 2018, there were over 1,140 GICs operating out of India.
8. PE investments in the sector stood at US\$ 2,400 million in Q4 2018.

Achievements

Following are the achievements of the government during 2017-18:

1. About 200 Indian IT firms are present in around 80 countries.
2. IT exports from India are expected to reach highest ever mark of US\$ 137 billion of revenues in FY19 growing at 8.3 per cent.
3. Revenue of GICs is expected to touch US\$ 50 billion by 2025.
4. Highest ever revenue was generated by Indian IT firms at US\$ 181 billion in 2018-19.

Road Ahead

India is the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. Export revenue of the industry is expected to grow 7-9 per cent year-on-year to US\$ 135-137 billion in FY19. The industry is expected to grow to US\$ 350 billion by 2025 and BPM is expected to account for US\$ 50-55 billion out of the total revenue.

IT companies are doubling down on efforts to prevent young employees skilled in digital technologies – and other high-performers — from jumping ship, as they grapple with rising attrition rates. The software services providers are looking to stem the talent outflow through better salary increases, promotions and bonuses for top talent, as well as overall employee value proposition, which includes career growth, and learning and reskilling opportunities.

5. Attrition Rate In Indian IT Industry

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In the April-June period, several leading IT players including Infosys, Wipro NSE -4.09 % and Cognizant reported higher attrition numbers. For Cognizant, it jumped to 23% against 19% for January-March. Infosys NSE -4.67 % reported 23.4% attrition (including people who were let go) compared to 20.4% in the preceding three months.

At Wipro, the attrition rate in the quarter was 17.6%, up 1% over the last 12-18 months. The company has rolled out new initiatives for high-performing talent and stepped up reskilling efforts. It has given retention bonuses of Rs 1 lakh to junior level employees to stem attrition.

6. Efforts of TCS towards Employee Retention

To support our growth, we continue to tap into talent pools across the world and add to our ranks. In FY 2019, we added 29,287 employees on a net basis, bringing the total headcount at the end of the year to 424,285. The workforce has representation from 147 nationalities, with women making up 35.9% of the base. By creating a vibrant, enriching and fulfilling workplace, we have established an industry benchmark in talent management and retention. In FY 2019, our attrition rate in IT Services was 11.3%, the lowest in the industry. This year, we reimagined entry level hiring in India by holding the TCS National Qualifier Test on the iON™ Assessment platform. This democratizes the opportunity to pursue fast track careers in TCS for talented youth across the nation, regardless of where they study. The test attracted over 280,000 students from over 1800 colleges, across 100 cities. Besides benefiting students from outside our traditional catchment area, this gives us access to the most talented youngsters in the country. Our people-centric investments go beyond the boundaries of our organization, into communities across the world, where we support initiatives to bridge the digital divide, and encourage STEM education and careers. All these programs continue to scale up very well, and are benefiting hundreds of thousands of people across the world. Our purpose-driven worldview is shared by our employees who collectively racked up over 650,000 volunteering hours in FY 2019, for worthy social and environmental causes in their respective communities.

7. Employee Retention practices in Wipro Technologies

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" programmed 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 level of 17%.

For the financial year 2018-19, Indian IT major Wipro has promised to pay a retention bonus of Rs 1 lakh to the fresher's hired from campus placements this year who complete one year with the company. The decision has been taken to counter the high attrition rates prevalent across the IT industry. Wipro has reportedly given bonuses to the tune of Rs 1 lakh each to its junior employees with experience of up to three years who have worked with the firm since the time of their campus placements.

The Bangalore-based firm has given 10 per cent hike to employees with three to four years of experience in the company. Those with digital skills have also been given reasonable increments. However, the company has not given any hike to low-performers. Wipro's delivery managers and those in leadership levels have got a raise between 4 to 5 per cent.

8. Employee Retention in Infosys

Infosys Ltd, India's second-largest software exporter by revenue, aims to reduce high attrition levels with skilling programmes and compensation-based incentives.

The attrition rate at Infosys was 23.4% in the April-June quarter, up from 20.4% in the previous quarter. This is much higher than competitor Tata Consultancy Services Ltd's attrition rate that stood at 11.5% in the June quarter.



The attrition rate at Infosys increased in the June quarter despite measures such as variable compensation, higher promotions, overseas postings and retention bonuses and is “beyond the comfort range for the company”, according to a 29 August report by brokerage firm Sharekhan. “The high attrition has negative impacts like higher recruitment costs, dissatisfaction among the employees, lower client satisfaction, and lower utilisation,” the report stated.

9. Conclusions

The paper mainly examines the significance of Retention strategies in the modern competitive world to retain the talent. Organizations over the years have been adopting several innovative strategies to make the employee retain in the organizations, especially for Indian IT sector is concerned, where the rate of growth is faster, hence rising competition can make the IT sector to witness rising expectations of the employees, the employees with high risk in the job will make alternative decisions to turnover leading to attrition. The companies have to be proactive, like the Wipro Technologies approach of giving bonus as monetary incentive to retain employee will boost the morale. Further, the approach of Infosys is been putting questions over its approach to retention. Whereas the TCS is marginally better as the attrition rate is comparatively lesser in comparison with other IT companies. Effective mooting of the employee problems, encouragement and providing benefits will make the employees to sustain in the organization for more years.

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