Research Paper
Impact Factor: 3.072
Peer Reviewed, Listed & Indexed

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

A STUDY ON EFFICACY OF EMPLOYEE RETENTION STRATEGIES IN IT INDUSTRIES – A LUCRATIVE SIDE OF BUSINESS

Dr. K. Shyama Sundar*   Mr. S. Kasinathan **

** Research Supervisor, (Bharathiyar University, Coimbatore) & Dean, Department of Management Studies, Mohamed Sathak College of Arts and Science, (Affiliated to University of Madras) Sholinganallur, .*

*** Research Scholar, (Bharathiyar University, Coimbatore) & Assistant Professor, Department of Management Studies, Sikkim Manipal University, DDE, Gangtok, Sikkim .*

Abstract

Employee turnover is one of the largest though widely unknown costs an Organization faces. Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time.Many of the IT companies are using different retention strategies to retain their potential employees to reduce the cost to the company in recruiting and training new employees. Also it is very important to have a common framework strategy of retention for all the organizations in the same industry, especially it is very much require for the information technology industry which is facing lot of problem in recruitment and training due to poor retention of employees.The objective of this study is to examine the best practices in IT industries to retain employees. The research design adopted for this study is descriptive research. The required data were collected from the employees of the IT companies in Chennai by the help of a questionnaire among a sample of 110 chosen based on Convenience Sampling (Non-Probability). The data collected were analysed and calculated with the help of statistical tools to arrive at a precise finding. It has been found out from the study that employee retention strategy is high and the lengthy process must evaluate and redefined.

Key words: Employee Engagement, Employee Retention, IT Industry.

INTRODUCTION

According to **Get Les Mckeown's** employee retention is define as "effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their divers needs. Also of concern are the costs of employee turnover (including hiring costs. productivity loss). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers, business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring, and training the new employee just to get back to where you started."

The term “employee retention” first began to appear with regularity on the business scene in the 1970s and early ‘80s. Until then, during the early and mid-1900s, the essence of the relationship between employer and employee had been (by and large) a statement of the status quo: *you come work for me, do a good job, and, so long as economic conditions allow, I will continue to employ you*. It was not unusual for people who entered the job market as late as the 1950s and ‘60s to remain with one employer for a very long time, sometimes for the duration of their entire work life. In the 1970s and later, as job mobility and voluntary job changes began to increase dramatically, the status-quo model began to fray substantially at the edges. Employees found themselves with a new phenomenon to consider: employee turnover. As organizations began to feel the impact of employee turnover, so a matching management tool began to be developed- employee retention. (McKeown 2002)

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organization as well as the employee. Employees today are different, they are not the ones who don’t have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don’t, they would be left with no good employees.

A good employer should know how to attract and retain its employees. Most employees feel that they are worth more than they are actually paid. There is a natural disparity between what people think they should be paid and what organizations spend in compensation. When the difference becomes too great and another opportunity occurs, turnover can result. Pay is defined as the wages, salary, or compensation given to an employee in exchange for services the employee performs for the organization.What people are paid has been shown to have a clear, reliable impact on turnover in numerous studies. Employees comprise the most vital assets of the company. In a work place where employees are not able to use their full potential and not heard and valued, they are likely to leave because of stress and frustration. In a transparent environment while employees get a sense of achievement and belongingness from a healthy work environment, the company is benefited with a stronger, reliable work-force harbouring bright new ideas for its growth.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Employee turnover is one of the largest though widely unknown costs an Organization faces. While companies routinely keep track of various costs such as Supplies and payroll, few take into consideration.Once the causes of attrition are found, a strategy is to be implemented so as to reduce employee turnover.

The most effective strategy is to adopt a holistic approach to dealing with attrition. An effective retention strategy will seek to ensure: Attraction and recruitment strategies enable selection of the 'right' candidate for each role/organization New employees' initial experiences of the organization are positive Appropriate development opportunities are available to employees, and that they are kept aware of their likely career path with the organization The organization's reward strategy reflects the employee drivers.

OBJECTIVES OF THE STUDY

- To examine the best practices in the organization to retain employees.
- To evaluate the effectiveness of the existing best practicesto retain employees.

REVIEW OF LITERATURE

Byrnes (2002) notes that there are five essential steps for a company to develop an effective retention strategy. First, a corporate values system must be defined based upon the organization's values and vision. These values must guide the company and identify those employees desiring to move in the same direction.

Weinberg (1997) Rock Bottom Restaurants is one of such companies, The Boulder, Colorado based restaurant chain allows employees to participate in the hiring process. In this way, new hires understand the demands and expectations of the work environment from others directly involved in the work themselves. Rock Bottom also allows employees to help in setting work schedules. This type of environment contributes to employees who enjoy their work and provide exceptional service as a result.

Sunil Ramlall (2003)Research indicates that the total cost of employee turnover is about 150% of an employee's salary. Because of this high cost of turnover, the organization that is the focus of this article sought to understand their employee's turnover intentions and the reasons for the potential turnover. Through a series of surveys, observations, and interviews, it was determined that the location of the company and its compensation package were the most common factors in remaining with the company and that compensation and lack of challenge and opportunity were the most common factors in contemplating leaving the organization.

Watson Wyatt (2006) Strategic Rewards study, none of the employers surveyed believe healthcare coverage is a key reason why top-performing employees leave. Twenty-two percent of top-performing employees surveyed in the same study, however, cited healthcare benefits as one of the top three reasons they would leave an employer.

RESEARCH METHODOLOGY

The research design adopted for this study is descriptive research. The required data were collected from the employees of the IT companies in Chennai by the help of a questionnaire among a sample of 110 chosen based on Convenience Sampling (Non-Probability). The data collected were analysed and calculated with the help of statistical tools to arrive at a precise finding.

DATA ANALYSIS AND DISCUSSION

Table No. 1,Gender wise classification of respondents

Gender	Number of respondents	Percentage
Male	77	70
Female	33	30
Total	110	100

Source: primary data

Table No. 2,Age wise classification of respondents

Age (in years)	Number of respondent	Percentage
18-25	32	29
26-36	43	39
>36	35	32
Total	110	100

Source: primary data

Table No. 3,Experience wise classification of respondents.

Experience(in years)	Number of respondents	Percentage
0-2 years	28	25
3-4 years	65	60
>4 years	17	15
Total	110	100

Source: primary data

Table No. 4,Rewards and Recognition on your achievements matters

Rewards and Recognition on your achievements matters	Number of respondents	Percentage
Strongly agree	20	18
Agree	24	22
Neutral	16	15
Disagree	38	35
Strongly disagree	12	10
Total	110	100

Source: primary data

Table No. 5,Reward and Recognition as any impact on Retention

Reward and Recognition as any impact on Retention	Number of respondents	Percentage
Strongly agree	37	34
Agree	30	27
Neutral	22	20
Disagree	12	11
Strongly disagree	9	8
Total	110	100

Source: primary data

Table No. 6Correlation between Reward and Recognition as any impact on Retention

Options	X	Y	X^2	Y^2	XY
Excellent	37	33	1369	1089	1221
Very good	30	22	900	484	660
Good	20	26	400	676	520
Poor	14	20	196	400	280
Very poor	9	9	81	81	81
Total	**110**	**110**	**2946**	**2730**	**2762**

Table No. 7,The coefficient of correlation r is given by

Factors	Excellent	Very good	Good	Poor	Very poor
Rewards & Recognition	37	30	20	14	9
Retention	33	22	26	20	9

$$\mathbf{r = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}}$$

$$r = \frac{5 * 2762 - 110*110}{\sqrt{5 * 2946-(110)^2} * \sqrt{5 * 2730 - (110)^2}}$$

$$= \frac{13810 - 12100}{\sqrt{2630} * \sqrt{1550}}$$

$$= \frac{1710}{51.28 * 39.37}$$

$$= \frac{1710}{2018.89}$$

$$= 0.847 \quad = 0.85.$$

Interpretation

Here the value is less than 1. There is a positive correlation between Rewards & Recognition and Retention.

General findings

- Majority 70% of are male members. Females get minimum level of 30% representations.
- Average experience of the respondents [60%] in the company is 3- 4 years.
- Nearly half of the respondents [47%] say they will leave the organization for the reason of career opportunity.

Statistical findings

- There is a positive correlation between rewards & recognition and retention.

CONCLUSION

Retention is an important concept that has been receiving considerable attention from academicians, researchers and practicing HR managers. In its essence, Retention comprises important elements such as the need or content, search and choice of strategies, goal-directed behavior, social comparison of rewards reinforcement, and performance-satisfaction. The increasing attention paid towards Retention is justified because of several reasons. Motivated employees come out with new ways of doing jobs.

They are quality oriented. They are more productive. Any technology needs motivated employees to adopt it successfully. Several approaches to Retention are available. Early theories are too simplistic in their approach towards Retention.The Human Relations Movement posits that social contacts will motivate workers. Mere knowledge about the theories of Retention will not help manage their subordinates. They need to have certain techniques that help them change the behavior of employees. One such technique is reward. Reward, particularly money, is a motivator according to need-based and process theories of Retention.

BIBLIOGRAPHY

1. Daniel G. Spencer, Employee Voice and Employee Retention, The Academy of Journal, Vol. 29, No. 3 (Sep., 1986), pp. 488-502 http://www.jstor.org/stable/256220
2. Davis, K. and Nestrom, J.W. (1985). Human Behaviour at work: Organizational Behaviour. 7th Edition, McGraw Hill, New York, p.109
3. Feldman, D.C., & Arnold, H.J., (1983). Managing Industrial and Group Behaviour in Organizations McGraw-Hill, New York, p. 192.
4. Kaliprasad, M. (2006). The human factor I: attracting, retaining, and motivating capable people. Cost Engineering, 48(6), 20–26
5. Kevin MM, Joan LC, Adrian JW (2004). “Organizational change and employee turnover” Personnel Rev. 33 (2):161-166.
6. Ongori Henry(2007) A review of the literature on employee turnover. African Journal of Business Management, pp. 049-054, June 2007.
7. Ramlall, S. (2003). Managing Employee Retention as a Strategy for Increasing Organizational Competitiveness, Applied H.R.M. Research, 8(2), 63-72.
8. Robert P. Steel, Rodger W. Griffeth, Peter W. Hom, Daniel M. Lyons Practical Retention Policy for the Practical Manager, Source: The Academy of Management Executive (1993), Vol. 16, No. 2, Theme: Achieving Competitive Advantage (May, 2002), pp. 149-164 .
9. Smith (2001), Multidisciplinary Approaches to Breathing Pattern Disorders, Churchill Livingstone.
10. Stauss, B., Chojnacki, K., Decker, A., Hoffman, F. (2001). "Retention effects of a customer club", International Journal of Service Industry Management, Vol. 12 No.1, pp.7-19.
11. Watson, Wyatt. (1999). Work USA 2000: Employee commitment and the bottom line. Bethesda, MD: Watson Wyatt. pp: 43-58.
12. Workforce Planning for Wisconsin State Government. (2005). Employee retention. Retrieved July 1, 2010.