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EMERGING EMPLOYEE RETENTION STRATEGIES IN IT INDUSTRY

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Abstract

"Creativity, as has been said, consists largely of rearranging what we know in order to find out what we do not know. Hence, to think creatively, we must be able to look afresh at what we normally take for granted."

A comprehensive people strategy is *not* comprehensive if it doesn't include a proven retention strategy for holding on to the employees you've worked hard to recruit into your company. That may sound logical, but many, if not most, small businesses overlook this critical component in their human resources program. In a recent Watson Wyatt survey, more than 50 percent of the responding companies said they didn't have a formal strategy for retaining employees once they had been successfully recruited. So why is that? I think the answer lies in a misperception about what factors actually drive retention. Most business owners and managers think retention is based on compensation issues--wage and salary levels, incentives, and golden handcuffs--when in reality the drivers go much deeper into the human psyche to the actions and attitudes that make employees feel successful, secure and appreciated. As a result, a sound retention strategy should focus on and tactically address four key elements--performance, communication, loyalty and competitive advantage. A better approach is to address retention proactively, as a strategic issue. I recently connected with two thought leaders in talent management strategy to discuss how to do this in high performance environments. This research paper throws light on employee creative retention strategies to be adopted in service sectors to proactively combat turnover.

Key Words: Retention strategies, compensation, rewards, loyalty.

Introduction: Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs .How to retain valuable employees is one of the biggest problem that plague companies in the

competitive marketplace Not too long ago, companies accepted the “revolving door policy” as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, business often find that they spend considerable time effort and money to train an employee only to have them develop into a valuable commodity and leave company for greener pastures. In order to create successful company employees should consider as many options as possible when it comes to retaining employees while at the same time securing their trust and loyalty .so they have less of the desire to leave in the future.

Employee retention is a process in which in 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 once 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.

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

Both contract and proprietary organizations increasingly need to recruit the best people possible. Retention is also a major challenge in an economic climate in which jobs are plentiful or when the employer is in remote location. Further complicating the issue can be legal requirements applicants must meet in terms of licensing, training or special skills. It takes a special type of person to represent management, enforce rules, make legal determinations and collect loss information, simpletons need not apply. Recruitment and retention of quality protection forces is now a greater challenge than ever. Creative application of strategies based on a clear understanding of employees is the only way that organizations will be able to survive without setting into motion an uncontrollable wage-cost spiral.

Review of Literature

Numerous studies have been conducted on employee retention so far. The exponential growth of IT sector in India in the last few decades have prompted the Organization to focus on employee centered employment relationship to hold back the employees. A considerable amount of literature has been published on retention so far. Review of literature of the related studies gave an insight about the subject matter and also helped in analyzing the existing gap that could be taken up for further research.

A study done by Fitzenz (1990) has indicated that retention is driven by following key factors, which ought to be managed congruently: organizational culture strategy, pay and benefits philosophy, and career development systems. Numerous studies by Anderson and Sullivan (1993); Rucci et al (1998) Bansal explain the importance of high employees involvement and how it could enhance their retention. As earlier studies indicated that young employees are more interested in payment, advancement opportunities and time off, such differences may reflect stages in the career plan or generation differences.

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.

William and Werther (1996) explain reward as what employees receive in exchange for their contributions to the organization. This reward could come in form of salary, promotion, bonuses and other incentives. When there ward system is effectively managed, it helps in achieving organizations corporate objectives, and maintains and retains a productive workforce. If employees perceive that they are inadequately rewarded, it is often likely that they will leave and replacement can be costly and in most cases not readily available. A number of factors have been articulated in order to explain there as on employees leave one organization for another, or in some cases, leave the country.

Lockwood and Anari (1997) concluded the following factors as crucial retention strategies for IT professionals in the USA and U.K. In order of their importance, the study revealed money (base salary plus bonus and stock options); the chance to learn new skills (i.e. those that the market values); the reputation of the organization in technology; and working conditions (e.g. physical, colleagues & boss, casual dress) as some of the important factors. Among retention

strategies that were particularly successful in maintaining a low turnover rate, one of the solutions suggested was an increase in salary.

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.

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.

The above review of literature suggests that there are gaps in the existing literature. This study attempts to fulfill the gaps by analyzing the impact of employee attrition it yields creative retention strategies to be adopted in the service sectors.

Objectives of the Study

- To find the areas where companies are lagging behind
- To study the retention strategies adopted by the company
- To know the employees hiring, compensation techniques used in the organization.
- To suggest measures that improves employee retention.

Need /Importance of the Study:

Employee turnover is very high in IT Organizations in Chennai as skilled workforce has umpteen numbers of opportunities to choose from, prompting each organization to compete with the other in continuously developing attractive and innovative retention strategies to hold back their critical workforce and also to attract prospects. A clear understanding of consequences of employee turnover enables us to understand the importance of this study. The success of any organization depends largely on the workers, the employees are considered as the backbone of any company. The

study was mainly undertaken to identify the level of employee's attitude, the dissatisfaction factors they face in the organization and for what reason they prefer to change their job. Once the levels of employee's attitude are identified, it would be possible for the management to take necessary action to reduce attrition level. Since they are considered as backbone of the company, their progression will lead to the success of the company for the long run. This study can be helpful in knowing, why the employees prefer to change their job and which factors make employee dissatisfy. Since the study is critical issue, it is needed by the originations in order to assess the overall interest and the feelings of the employees towards their nature of job and organization.

This study can be helpful to the management to improve its core weaknesses by the suggestions and recommendations prescribed in the research. This study can serve as a basis for measuring the organization's overall performance in terms of employee satisfaction which results in employee retention.

Scope of the Study

The scope of this study is confined to software industry in Chennai. The study throws light through valuable suggestion to decrease attrition level in the organization. This study can help the management to find the weaker parts of the employee feels towards the organization and also helps in converting those weaker part in to stronger by providing the optimum suggestions or solutions. This study has a wider for scope in any kind of organization since "attrition" is general one and makes the employees to put forth their practical difficulties and need factors in the organization. This study can help the management to know for which the reason employees tend to change their job, through dissatisfaction factors faced in the organization and also helps to recover by providing the optimum suggestions or solutions.

Strategies for Retaining Employees

Employees leave organizations for many reasons; oftentimes these reasons are unknown to their employers. Employers need to listen to employees' needs and implement retention strategies to make employees feel valued and engaged in order to keep them. These retention methods can have a significant and positive impact on an organization's turnover rate. Here we'll take a look at some of these strategies.

According to strategic planning consultant Leigh Branham, SPHR, 88% of employees leave their jobs for reasons other than pay: However, 70% of managers think employees leave mainly *for* pay-related reasons. Branham says there are seven main reasons why employees leave a company:

1. Employees feel the job or workplace is not what they expected.
2. There is a mismatch between the job and person.
3. There is too little coaching and feedback.
4. There are too few growth and advancement opportunities.
5. Employees feel devalued and unrecognized.
6. Employees feel stress from overwork and have a work/life imbalance.
7. There is a loss of trust and confidence in senior leaders.

Turnover Facts and Figures

Turnover is costly. According to Right Management, a talent and career management consulting firm, it costs nearly three times an employee's salary to replace someone, which includes recruitment, severance, lost productivity, and lost opportunities. Life Work Solutions, a provider of staff retention and consulting services, provides the following turnover facts and rates:

- Over 50 % of people recruited in to an organization will leave within 2 years.
- One in four of new hires will leave within 6 months.
- Nearly 70% of organizations report that staff turnover has a negative financial impact due to the cost of recruiting, hiring, and training a replacement employee and the overtime work of current employees that's required until the organization can fill the vacant position.
- Nearly 70 % of organizations report having difficulties in replacing staff.
- Approximately 50% of organizations experience regular problems with employee retention.

From these statistics it's clear that it's important to develop a retention plan to retain employees and keep turnover low.

Retention Methods and Strategies

Think of retention as re-recruiting your workforce. Recognize that what attracts a candidate to a particular job is often different from what keeps that person there. While salary certainly is a key consideration for potential employees, pay alone won't keep them in a job (Angott, 2007). Advantageous aspects other than strictly compensation attract good employees; something more than a number retains them. Today employees are looking for a career package, including a comfortable company culture, career path, diversity of responsibilities, and a work/life balance (Griffiths, 2006).

Here are some effective methods and strategies of employers utilize in order to keep employees happy and part of their organization instead of looking for employment opportunities elsewhere.

Training. Training employees reinforces their sense of value (Wingfield, 2009). Through training, employers help employees achieve goals and ensure they have a solid understanding of their job requirements (Maul, 2008).

Mentoring. A mentoring program integrated with a goal-oriented feedback system provides a structured mechanism for developing strong relationships within an organization and is a solid foundation for employee retention and growth (Wingfield). With a mentoring program, an organization pairs someone more experienced in a discipline with someone less experienced in a similar area, with the goal to develop specific competencies, provide performance feedback, and design an individualized career development plan (Goldenson, 2007).

Instill a positive culture. A company should establish a series of values as the basis for culture such as honesty, excellence, attitude, respect, and teamwork (IOMA, 2008). A company that creates the right culture will have an advantage when it comes to attracting and keeping good employees (Main).

Use communication to build credibility. No matter what the size of the organization, communication is central to building and maintaining credibility. Many employers get communication to “flow up” through a staff advisory council (or similar group) which solicits and/or receives employees’ opinions and suggestions and passes them on to upper management (IOMA). It’s also important for employees to know that the employer is really listening and responds to (or otherwise acknowledges) employee input.

Show appreciation via compensation and benefits. Offering things like competitive salaries, profit sharing, bonus programs, pension and health plans, paid time off, and tuition reimbursement sends a powerful message to employees about their importance at the organization. The rewards given to employees must be meaningful in order to impact their perception of the organization and therefore have a marked influence on its retention efforts. Moreover, if an organization promises a reward, it should keep that promise (Gberevbie, 2008).

Encourage referrals and recruit from within. Having current employees offer referrals could help minimize confusion of job expectations. Current employees can realistically describe a position and the environment to the individual he/she is referring. Another way an employer can lessen the impact of turnover is to hire from within, since current employees have already discovered that they are a good fit in the organization (Branham, 2005).

Coaching/feedback. It's important for companies to give feedback and coaching to employees so that their efforts stay aligned with the goals of the company and meet expectations. During an employee's first few weeks on the job, an employer should provide intensive feedback. Employers should also provide formal and informal feedback to employees throughout the year (Branham).

Provide growth opportunities. An organization should provide workshops, software, or other tools to help employees increase their understanding of themselves and what they want from their careers and enhance their goal-setting efforts (Branham). It's important to provide employees with adequate job challenges that will expand their knowledge in their field (Levoy, 2007). According to Right Management, employees are more likely to stay engaged in their jobs and committed to an organization that makes investments in them and their career development.

Make employees feel valued. Employees will go the extra mile if they feel responsible for the results of their work, have a sense of worth in their jobs, believe their jobs make good use of their skills, and receive recognition for their contributions (Levoy).

Employees should be rewarded at a high level to motivate even higher performance. The use of cash payouts could be used for on-the-spot recognition. These rewards have terrific motivational power, especially when given as soon as possible after the achievement. It's important for employers to say "thank you" to employees for their efforts and find different ways to recognize them. Even something as simple as a free lunch can go a long way towards making employees feel valued. Listen to employees and ask for their input as to what rewards might work best at your organization. Conduct meetings and surveys to enable employees to share their input (Branham). Most team members will work harder to carry out a decision that they've helped to influence.

Lower stress from overworking and create work/life balance.

It's important to match work/life benefits to the needs of employees. This could be in the form of offering nontraditional work schedules (such as a compressed work week, telecommuting, and flextime) or extra holidays. When work-life balance is structured properly, both the employee and employer come out ahead. For example, the employer will experience more productivity in the workplace because employees will be less stressed, healthier, and thus, more productive (Wingfield). Encouraging employees to set work/life goals, such as spending more time with their children, communicates that you really do want them to have a life outside of work and achieve a healthy work/life balance.

Foster trust and confidence in senior leaders. Develop strong relationships with employees from the start to build trust (Stolz, 2008). Employees have to believe that upper management is competent and that the organization will be successful. An employer has to be able to inspire this confidence and make decisions that reinforce it. An employer cannot say one thing and do another. For example, an employer shouldn't talk about quality and then push employees to do more work in less time. In addition, employers need to engage and inspire employees by enacting policies that show they trust them, such as getting rid of authoritarian style of management (Branham).

Retention through Compensation

It's impossible to consider your organization's retention strategies without also looking at your compensation package. Every compensation plan should be constructed to help the firm achieve its strategic goals and to attract, reward and retain the right people. If the plan does not accomplish these two objectives, it should be restructured. Keep in mind the following when implementing a pay-for-performance system:

1. Establish fundamentals, like who will administer the plan, eligibility requirements, tracking results, etc.
2. Ensure the plan is win-win-win for each of the three critical stakeholders: clients, employees and suppliers.
3. Use satisfiers (which attract and retain) and motivators (which drive people to improve performance).
4. Get owners, employees, or both, involved in the design.
5. Balance rewards for results and effort.
6. Identify measures, define targets and track performance.
7. Create high trust between owners and employees. Low trust can kill a compensation plan.
8. Avoid side or one-off agreements to prevent different classes of citizens in your firm.
9. Recommit and re-engage everyone in the first year. If there are problems with the initial design, explore them and make the necessary modifications.
10. Budget for bonuses. A modest budget for bonuses is advisable. If all owners and staff in a firm achieve their goals, the financial results should be there to support more significant bonuses.
11. Communicate. Be sure to allocate sufficient time to explain the program, answer questions and allow individuals to see the differences between the current and past plans.

Recommendation

1. Training program imparted by the company should be improved by taking into account of the increasing training needs of employees
2. Refine your hiring practices
3. Provide employees the opportunity to work on challenging projects of varies types
4. The employees more tend to remain in the organization if they are provided with a better industry standard salary and allowances package.
5. It is recommended by the employees to continue with organizing the company tours as it forms memorable experience of their life time of the organization.
6. Should concentrate on core businesses and traditionally best performing businesses without losing sight on the future growth avenues. Protecting and ensuring healthy growth of business bottom line should be the single most dominant agenda for top management
7. Another recommendation made is to appreciate the employees with a proper performance appraisal system.

Conclusion

Employees are an asset of an organization. The more time an employee spends in an organization, the more experienced the employee gets and becomes more valuable to the organization. The company is run by highly talented professionals. Corporate ethics and standards are well maintained. The co-operation among the top management members helps in achieving organizational goals. The only one word that encapsulates the success of the company is commitment. The company is committed to offer only the very best to the customers. The customers can expect the finest from the company backed by the superior services. They are very careful about their products and they produce more natural organic products that provide total health.

The main factor that has a major role in the retention of the employees is the relationship being maintained in the organization between the peer, subordinates and others. Now only about 60% of them refer to remain in the organization. The employees mainly demand for an industry standard salary package and other allowances. Be it in any sector, most of the employees try to jump over other industries mainly as the competitor attracts with a better salary package than the present one. In this present time of inflationary pressures they tend to go behind better monetary offers.

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