

Employee motivation, retention and reasons of attrition in IT sector: A review

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ARTICLE DETAILS

Article History

Published Online: 27 November 2017

Keywords

Employee
Motivation
Retention
Attrition

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ABSTRACT

At present, IT industry in India is facing high staff attrition. It mainly occurs due to resignation, retirement or due to death of the employee. The Young and talented employees don't want to stay in the same organization for more than one year due to career opportunities. They have a widespread employment prospects not only at the local level but more prominently at the global level. Organization need to motivate their employees properly. Employees always prefer a positive work culture. Theories have been discussed to understand the philosophy of motivation so as to incorporate the same in the study of employee retention. The aim of this study is to find out the "Intermediate linkages in the relationship between employee motivation, retention and attrition and the reasons behind the attrition as well as employee preferences of work culture by review of literature. Further, the study would help Indian IT companies formulate strategies to control attrition and to enhance retention.

INTRODUCTION

The knowledge workers are the main resource of IT sector. They add value to their organizations through their communication skill, high level of education and domain knowledge. As such employee in IT Industry are valued human asset and not nonessential cost-centers. Employee motivation, as an area of research and practice, has an important role in the field of management. At the practical level, it is integral to employee performance. 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 problems that plague companies in the competitive marketplace. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. One of the major problems affecting the IT industry is high rate of attrition. Attrition, in fact determines the destiny of a company. A company with high attrition rate earns a dubious impression among the public and is bound to suffer from shortage of manpower. Added to this, the business of such companies suffers for want of continuity and consistency in work performance. As a result they lose their hold over the market and enable their competitor to gain their hold. Attrition reflects the status of an organization in an industry. It is often said that attrition is the outcome of internal policies of a company and so it can be controlled, provided the company does introspection. . As it is often said "every problem carries its own solution, provided the problem is understood" Hence, an in-depth research is undertaken to study all aspects of attrition. The reason is twofold: while big companies do undergo attrition problem, they manage it by outsourcing the process or resorting to other business models to overcome the problem. Employees do not leave an organization without any significant reason. There are certain circumstances that lead to their leaving the organization. The main three reasons of employee attrition may be pointed as Dissatisfaction with superiors, inadequate compensation and benefits and Lack of career development opportunities.

CONCEPTS

Employee retention is a technique adopted by businesses to maintain an effective workforce and at the same time meet operational requirements. Employee retention is commonly considered to mean the ability to maintain a stable workforce. It is often linked to morale and to organizational productivity. It refers to policies and practices companies use to prevent valuable employees from leaving their jobs. 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 diverse needs.

Motivation is the act of getting someone to act on a situation. Motivation is the set of states of the individual's needs that require to be satisfied and therefore pushes, incites and causes the individual to perform a series of actions in order to satisfy them. Employee motivation is the level of energy, commitment, and creativity that a company's workers bring to their jobs. According to Nohria and Groysberg of Harvard Business School, Motivating employees begins with recognizing that to do their best work, people must be in an environment that meets their basic emotional drives to acquire, bond, comprehend, and defend.

Employee attrition occur when an employee leaves the company. Attrition usually can be described as a reduction in workforce. It can mean the reduction in staff and employees in a company through normal means, such as retirement and resignation. Attrition in a company is usually measured with a metric called attrition rate, which simply measures the no of employees moving out of the company (voluntary resigning or lay off by the company). It can be calculated as, Attrition rate (%) = Number of employees resigned for the month/(Total number of employees at the start of the month + Number of employees joined for that month - Number of employees resigned) x 100.

PRESENT SCENARIO OF IT INDUSTRY

Information Technology in India accounts for a substantial part of the country's GDP and export earnings while providing employment to a significant number of its tertiary sector workforce. The most prominent IT hubs are IT capital Bangalore and presently growing in Chennai. Technically proficient immigrants from India sought jobs in the western world from the 1950s onwards as India's education system produced more engineers than its industry could absorb. India's growing stature in the information age enabled it to form close ties with both the United States of America and the European Union. There has been a steady growth in the number of India's IT professionals over the last decade. From a base of 6800 knowledge workers in 1985-86, the number increased to 522000 software and services professionals by the end of 2001-02. It is estimated that out of these 522000 knowledge workers, almost 170000 are working in the IT software and services export industry; nearly 106000 are working in the IT enabled services and over 220,000 in user organizations. According to NASSCOM-McKinsey Report 2012, the offshore IT and BPO industries directly employ around 1100000 professionals and provide indirect employment to approximately 2.75 million workers.

The Indian IT Industry is playing a vital role in India's economic growth. It accounts for nearly a 5.2 percent of country's GDP. Over the last 10 years, this industry has grown at an average annual rate of 30%. The major area includes BPO & IT Company. According to National Association of software and services company (NASSCOM) are generating 72% of the total revenue of Indian IT Industry annual report 2013-2014). With the steady gains of females at both software companies prompting NASSCOM to believe that women's involvement in IT services will climb a further 16 per cent by 2017. The IT/ITeS sector has led to employment opportunities, both direct and indirect, of nearly 2.8 million and around 8.9 million respectively. This growth is expected to increase to more than 14 million (direct and indirect) by 2015 and to around 30 million by 2030. The market size of the industry is expected to rise to USD 225 billion by 2020 considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint.

REVIEW OF LITERATURE

According to Martins and Coetzee (2007), says that, organization culture and motivation needs of the employees should match the organization objectives, work life balance and working environment. According to Ghazzawi (2008), employee's team member, coworker, organization culture to which the individual is exposed all have prospective to persuade job satisfaction. Adhikari, 2009; Kasmi, (2011) states that individual may leave the job in various reason such as Based on job role, responsibilities and assignment, supervision, career, advancement, growth and development, stress, personal, family situations, stress, and society. There is a relationship between commitment towards organization and attrition is also a predominant factor said by Mohammad (2006) Morris and Madsen (2007) research indicates that work life balance is a one of the major influencing factor in attrition. So HR department should focus and devise a suitable method and frame the policies, practices, programs and interventions. Moore (2007) research showed that a mismatch of managerial staffs and non-managerial staff in work life balance issues. Training is more important for employees where they acquire knowledge skill and abilities to Facilitate to attain the indicial

as well as organization goals. (Sinha & Sinha, 2008). Talent training paves the way to fill the gap between the present and needed competencies of employees for succession planning. According to survey by Society for Human Resource Management's 2012 Employee Job Satisfaction and Engagement indicates that relationship with their boss, creating room for the employees to excel their potentialities, freedom, decision making are motivator for employees. Hannay and Northam (2000) mentioned that it become very important for employer to retain its employees. For retaining its employees organization has to make retention strategies like expanding the benefits package as one of the method to build loyalty and commitment. Individualizing jobs to satisfy employees needs for autonomy, challenge and growth, investigating alternate labor market by hiring older workers, providing realistic job previews to applicants during recruitment process and providing a tuition reimbursement program me to employees are retention strategies that contribute to improve employee retention. James and Mathew (2012) suggested some important retention strategies. They include rewards and recognition, training and development opportunities, mentoring and coaching sessions, career planning, flexi work timing, annual performance appraisal, on site and day care facilities.

N. R. Narayana Murthy, one of the most successful industry leaders, holds a firm belief that people are the most important asset of an organization. He says, "When our key assets, i.e., employees walk out every evening, our net worth is reduced to zero. Our challenge is to ensure that they come back next day rejuvenated, refreshed and energized." (Chary, 2002). Rasmussen and Boxall, Macky (2003) have conducted a study of retention variables for Australian employees in which they concluded that there are lots of variables which can affects retention of employee's. Those were nature of work, benefits & compensation which were most dominant factors for retention and attrition of employee's. The research analysis showed that employees wish to have support from management and want to be interactive member of organization. On the hand every employee expects rewards and recognition based on their performance. Both financial and non-financial rewards had showed a deep impact on retention of employees. Srivastava, Vinay k. and Shailesh Rastogi (2008) the reasons of employee attrition are growth, family problems, dissatisfaction. Causes of dissatisfaction are not having objectivity in job allocation, employee recognition and fairness in career advancements. Management control system is fully capable of bringing objectivity in the organization and managing employee dissatisfaction which leads to high employee retention and better productivity and better organizations.

ATTRITION IN IT INDUSTRIES

In the June quarter, attrition at TCS was as high as 15.9 per cent, a peak over several quarters. The company said it normally saw a rise in April-June (the financial year's first quarter), with many leaving after annual appraisals and for higher education. The number who left in this period was 15,023, as compared to 10,850 who quit in the same period a year before. Infosys, India's second largest IT services company, is also battling high attrition. It had peaked at an all-time high of 20.4 per cent in the October-December quarter of FY15. In the ensuing January-March quarter, the company managed to arrest this at 18.9 per cent, with a number of employee-friendly initiatives. In the case of Wipro and HCL Technologies, (third and fourth largest in the sector), the rate (growth) was mostly flat at 16.5 per cent and 16.2 per cent, respectively.

Impact: When an employee leaves the organization, the need for replacement arises; the organization incurs some tangible costs. The impact ranges from costs of replacement to culture management issue with the new recruit. Clients and business get affected and the company's internal strengths and weaknesses get highlighted. It leads to a chronic or systemic cycle—attrition brings decreased productivity, people leave causing others to work harder and this contributes to more attrition.

REASONS OF ATTRITION

- ✓ **Career opportunities and ambitions:** all levels of employees aspire to build their career. There are economic aspirations, professional aspirations, family aspirations and all kinds of aspirations and ambitions that affect persons desire to move.
- ✓ **Inadequate Training and Ineffective Management:** inadequate training and ineffective management style sometimes compelled a good and prospective employee to leave the present organization and move as it may affect the confidence and self esteem of an individual and he feared to lost in his position.
- ✓ **Factors of personality:** some employees get bored and fatigued easily as they are restless and need for variety .Some may have a different motivation or value profile which may not be matched with the present job.
- ✓ **Family factors:** In many cases, the desire to be with family and with closed ones pushes the person to move. Need for being close with the family, spouse, children, parents' etc prompt a few persons to leave their assignments and move from one place to another.
- ✓ **Lack of motivation:** If the employees are not properly motivated then they may fail to achieve the desired level of outcome and performance which ultimately causes of leaving.
- ✓ **Others:** So many other factors that cause the decision to leave are- Lack of challenges, Lack of scope for growth, position, salary, Status etc, Lack of learning opportunities, Job related stress, inability to use one's competencies, Lack of excitement and innovation, scope of further higher education etc.

CONCLUDING REMARKS

Proficient employees keep the quality up and business operations run smoothly along with the cost saving in the longer run paper. The IT companies should try hard to retain their employees and reduce their company's attrition rate so that their resources can be saved and used on other productive purposes by providing good working conditions and introduce positive work culture so that an employee is at ease and not stresses while working. Employee retention became one of the major problems for the IT industries. From the evidences of literature review it is clear that that the organizational factors are more important than job factors for retaining employees. Some IT companies have initiated training programmes to arrest attrition. TCS, for example, has already announced it would train 100,000 employees, about a third of its total workforce, in digital services. Earlier, Infosys had announced an initiative to train 40 per cent of its workforce, 70,000 employees, in design thinking by the end of the financial year.

Moreover, Organization should emphasize upon the proper motivation factors. Employees would love to work at a place that keeps up their interest and growth in balance with the work and organizational goals. IT organization has to make retention strategies like rewards and recognition, pleasant working environment, skill recognition, support learning, training and development opportunities, mentoring and coaching sessions, good compensation structure, providing flexi-timing facilities and annual performance appraisal to retain its employees. Exit Interviews also emerged as a highly effective tool for improving the level of Employee Retention. Employees should be free to their work at workplace according to their own mind. Friendly organizational culture with positive working conditions, low pressure, fair pay and higher opportunities for career growth can reduce the attrition rate at a great extent and increase employee attitude in order to sustain in the organization.

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