Abstract

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Today, the Software Industry in India exports software and services to nearly 95 countries around the world. The share of North America (U.S. & Canada) in India’s software exports is about 61 per cent. In 1999-2000, more than one third of Fortune 500 companies outsourced their software requirements to India.

Talking about the problem of attrition in India, Pramod Bhasin, CEO, GENPACT said, “Attrition is like a disease in the country, where the employees are always leaving for something better. Today in the voice segment for BPO’s we are seeing attrition rate as high as 30 percent”.

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It's every manager's nightmare: One of your best employees resigns out of the blue. Right away, you've got a number of challenges to tackle. Not only do you have to find a replacement for such a talented team member — no small feat when skilled professionals are in high demand, as they are today — but you also have to consider the impact this departure will have on the rest of your staff. Whenever someone walks out the door, people notice, and some will start wondering if they should follow suit. That's why employee retention should be on every company's radar. In fact, creating effective employee retention strategies is one of your most important jobs as a manager.

1.1 Introduction

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development. Heeks (1996, p. 69) notes that Tata Consultancy Services, (TCS) was the first firm to agree to export software in return for being able to import hardware, in 1974.

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1.2 Objectives and Research Methodology

Objectives of Study

1. Examine the scenario of Human Resource Management (HRM) in Indian IT companies.

2. Identify the emerging trends in HRM in IT sector.

3. To find out the major challenges being faced by the HR department with respect of Employees’ attrition in IT companies.
Research Methodology

Research methods can be classified in different ways, the most common distinction is between the quantitative and the qualitative approaches (Myers, 2007\(^1\)). Quantitative approaches were originally used while studying natural sciences like: laboratory experiments, survey methods and numerical methods. A qualitative study is used when the researcher wants to get a deeper understanding on a specific topic or situation. Myers (2007)\(^2\) stated that the qualitative approach was developed in social sciences in order to support the researcher in studies including cultural and social phenomena. Sources included in the qualitative approach are interviews, questionnaires, observations, documents and the researcher’s impression and reactions. The chosen approach is qualitative.

**Qualitative research** typically takes the form of in-depth interviews with a small number of respondents. These interviews may be done one individual at a time, or in groups. Individual interviews have the advantages of providing very rich information and avoiding the influence of others on the opinion of any one individual. Individual interviews are very expensive and time consuming, however, and as a result, it is not likely that any one research program will interview large number of individuals.

1.3 Scenario of HRM in Indian IT companies

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have on the rest of your staff. Whenever someone walks out the door, people notice, and some will start wondering if they should follow suit. That's why employee retention should be on every company's radar. In fact, creating effective employee retention strategies is one of your most important jobs as a manager.

Succeeding in your employee retention efforts requires you to think about things from employees' point of view. All employees are different, of course, and each has unique desires and goals. But it's a safe bet to assume that virtually all of them want to know they are being paid well and given good benefits. They want to see that they are appreciated by their employer and treated fairly. They want to be challenged and excited by the job they're asked to do.

An effective employee retention program addresses all of these concerns. But it also goes beyond the basics. In fact, it's reasonable to say that your employee retention efforts should start on a new hire's first day on the job. The training and support you provide from Day One sets the tone for the employee's tenure at the company and immediately makes him or her think it was a good choice to join your firm.
The **Human Resource Management (HRM) function** includes a variety of activities, and key among them is responsibility for **human resources** - for deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations.

Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies. Usually small businesses (for-profit or nonprofit) have to carry out these activities themselves because they can't yet afford part- or full-time help. However, they should always ensure that employees have -- and are aware of -- personnel policies which conform to current regulations. These policies are often in the form of employee manuals, which all employees have.

Human Resources (HR) can include a broad spectrum of specialties within organizations. Some examples of specialties include recruiting, payroll, policy, safety, training and development, and performance management. In smaller organizations, the HR professional may handle all of those specialties and in larger organizations, each specialty is most likely its own department.

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1.4 Challenges Faced by HRM in I.T Sector

One of the biggest challenge facing professionals in human resource management today is the development of an effective HR strategy that aligns with and supports your organization’s short- and long-term business goals. But even as high unemployment persists, employers are still facing a shortage of candidates with the right skills and experience to fill critical jobs. To further complicate matters, employee engagement is at its lowest level in years, putting you at risk of losing critical talent.

i. Lack of Effective HR Policies Creates a Talent Flight Risk

A 2011 Mercer report reveals that employee engagement is at the lowest level in years, with 32 percent of employees planning to leave their
current jobs. At the same time, research by Bersin and Associates shows that organizations with a deliberate and defined process for identifying high potential staff are seven times more effective at delivering business results.

ii. Make Employee Retention a Human Resource Management Imperative

The first step in developing an effective Pay for Talent program involves identifying key staff and critical organizational roles, a process that is increasingly being addressed through assessment and calibration.

iii. Use Compensation Management as an Effective Lever for Driving Business Results

When it comes to compensating employees, you want to get the biggest bang for your buck. This means optimizing your compensation spend in a way that rewards and incent key employees for performance that drives business results — past, present and future. As important, you want to make sure you’re compensating your workforce fairly based on clearly-defined criteria and benchmarks to help ensure employee engagement and help minimize compliance risk.


Since Pay for Talent integrates many key talent management functions, including talent assessment, performance management, succession planning, and employee development, your organization may or may not be ready to implement a full-scale program right out of the gate.
v. Lay the Groundwork for the Next Generation of Talent Management Strategy

Unlike the traditional Pay for Performance model that focuses on rewarding employees for past contributions, Pay for Talent uses compensation as a key lever across all talent management processes to drive business success.

1.5 Employee Attrition in IT Companies

It is surprising to know that the rate of attrition this organization has been experiencing is also 20%. This is also the rate of attrition the industry in general has been experiencing at present. An important reason advanced for this higher rate of attrition in this organization has been the change of management from Siemens to Autos Origin. The employees are not sure of the new management, its policies, approach to people, and the opportunities the new management would provide.

Hence, they are taking the first opportunity to get into another organization that is perhaps equally good as the Siemens has been. The other reasons as revealed by the exit interviews conducted by the HR executives from time to time are as follows:

1. For Higher Education,

2. People are going for higher salary outside,

3. People are going for onsite opportunities,

4. Petty reasons,

5. health reason,

6. Marriage,
7. Location constraints,
8. Accommodation problems (housing),
9. Starting one’s own business,
10. Maternity/child care responsibilities,
11. Personal reasons such as elderly parent responsibilities,
12. Desire change in function to match one’s interest/abilities,
13. Need for more flexible work schedule,
14. Lack of recognition for work,
15. Unpleasant working conditions in the company and the department,
16. Relations – conflicts with superior,
17. Compensation,
18. Poor culture,
19. Lack of growth opportunities,
20. Change in field/industry, e.g. FMCG, IT, etc, and
21. Was not consciously looking for a job, got a better offer.

It needs to be noted that when an employee decides to leave his job in one organization and join another, he looks for:

- Better compensation,
- Better designation/position,
• March/fit with his interests/abilities,

• Better working conditions,

• Better benefits/perks,

• Better career opportunities, and

• Better location and Better facilities.

According to the paper titled “Talent management: A strategic approach towards growth in IT industry”3 it is given that One of the biggest challenges facing companies all over the world is building and sustaining a strong talent. Not only do businesses need to adjust to shifting demographics and workforce preferences, but they must also build new capabilities executives and HR management have always been focused on basic talent management—acquiring, hiring and retaining talented employees.

But, to drive optimal levels of success, business leaders need engaged, high-performing employees. One of the crucial elements of a successful business is having the best people in the world. It is a war to find, develop and retain the best people, but it’s one that can be won with the right tools at hand. The purpose of the paper is to identify what are the factors that contribute for improving work performance of people by managing human capital in companies.

According to the definition Talent management refers to the anticipation of required human capital for an organization and the planning to meet those needs. The field increased in popularity after McKinsey’s 1997 research and the 2001 book on The War for Talent. Talent management is the science of using strategic HR to improve business value and to make it

possible for companies and organizations to reach their goals. Everything
done to recruit, retain, develop, reward and make people perform forms a
part of talent management as well as strategic workforce planning. A
talent-management strategy needs to link to business to make sense.
Employees want a performance review process that provides frequent and
fact-based feedback. A survey of U.S. employees found that 80 percent of
respondents want to change something in their performance reviews.4

Research also indicates that employees — especially members of
Generations X and Y — want feedback and they want it often: weekly,
monthly, and quarterly. They want fairness and performance-based
rewards.5 Another study’s findings dispute the generational disparity. In
the U.S., it found equal importance and high value placed by 78 million
baby boomers and 70 million members of Generation Y on recognition and
access to new challenges.6

Managers who do not provide frequent feedback are often surprised when
they receive an unexpected resignation notice from a valued employee.
Receiving feedback and feeling valued as a contributor are critical for
employee engagement and retention, throughout the multigenerational
workforce. A study probing the reasons for employee disloyalty on the
pathway to leaving their job found the top four reasons to be7

1. “Don’t feel my employer values me”: 61 percent

2. “Employer does not pay enough”: 53 percent

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7CareerBuilder.co.uk, “Harris Interactive Survey,” June 2008.
3. “My efforts are not recognized or appreciated”: 46 percent

4. “Not enough career advancement opportunities”: 42 percent

Boosting satisfaction levels with the performance management process can boost employee satisfaction and engagement —related drivers for improving talent retention.

Performance management should be a process of ongoing employee evaluation and development in which employee performance, based on facts and actions, is regularly assessed by their manager and peers in a formalized review process. The review process should provide critical feedback on the employee’s work performance and attainment of assigned objectives, as well as mastery of core competencies and skills associated with the position.

When the performance management process is well designed, it encourages managers and employees to talk regularly about goals and development plans that can encompass social and unstructured learning opportunities. At best, the review process seeks to foster bidirectional communication between employees and their managers about their performance. Meaningful discussions and clear communication are critical for employee engagement and retention.

Managers should convey what matters by explaining how the employee’s goals align with the department and organization’s goals using current data and feedback. The manager needs a clear line of sight to the alignment of goals with business objectives.
The alignment process relates employee goals with business objectives and encourages regular communication. Some managers avoid important conversations with team members because they lack the data or performance and goal-setting information they need to share with employees. In a paper process, for example, valuable feedback from other colleagues often is lost in the e-mail or paper trail. Inadequate, nonspecific, and lack of current information puts the manager at a disadvantage. Feedback on performance should be easily captured in a talent management system to ensure comprehensive and just performance reviews.

1.6 Conclusion

To conclude, change is here to stay, and we need to understand that all the practices that are working today may not necessarily work tomorrow. Customers’ expectations, market changes and strategic decisions will derive the tools to managing the human assets.
The management of people in the IT industry in general has been given a significant importance especially in the context of labor scarcity. The managements are more concerned about keeping the employees happy, satisfied and moving in their careers. The employers in addition to good and attractive salary packages are providing the employees with several benefits, rewards and motivating incentives.

The total efforts of the managements are aimed at retaining the employees. In this Chapter, an attempt is made to present the people management dimensions while referring to different aspects of employee management – with an overview approach. At the same time, the efforts are also to take note of the problem of employee attrition and study the various measures being designed and implemented to retain the employees. In conclusion section an attempt would be made to identify several retention strategies and practices of these companies to retain their employees and examine whether the IT organizations have any common strategies for retaining employees.

References


