Employee Retention Models and Factors Affecting Employees Retention in IT Companies

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(2014-2017)
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Abstract

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. Retention Strategies helps organizations provide effective employee communication to improve commitment and enhance workforce support for key corporate initiatives.

These policies, when organized and disseminated in an easily used form, can serve to preempt many misunderstandings between employees and employers about their rights and obligations in the business place. It is tempting, as a new small business owner, to focus on the concerns of the business at hand, and put off the task of writing up a human resource policy.

This study will attempt to study the various issues related to employee retention in IT companies operating in India.

1. Introduction

Sultana Nazia & Bushra Begum (2013)[1] had given in their paper that Employee retention is an effort by a business to maintain a working environment which supports current staff in remaining with the company. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring and training new staff.

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According to Get Les McKeon, employee retention is defined as "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. 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."

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. Therefore, employee retention is effort by a business to maintain a working environment which supports current staff in remaining with the company.

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[1]Sultana Nazia&Bushra Begum (2013), **"EMPLOYEE RETENTION PRACTICES IN INDIAN CORPORATE – A STUDY OF SELECT MNCs"**, International Journal of Engineering and Management Sciences, Vol 4 N0 3, pp. 361-368.

2. Objectives and Research Methodology

Objectives of Study

i. Examine the scenario of Employees Retention in Indian IT companies.

ii. Identify the major models of Employees' Retention.

iii. To find out the major factors affecting the Employees retention 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[2]). 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)[3] 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

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[2] Myers, M. D. (2007), "Qualitative Research in Information Systems", MIS Quarterly, vol. 21 No. 2, pp.241-242.

[3] Ibid

likely that any one research program will interview large number of individuals.

3. Models of Employees' Retention

There are three important models on employee retention, one of them is a) Zinger Model and the other is 2) ERC's Retention Model. 3) Integrated System for Retaining Employees. A brief explanation of these models is follows:

Zinger Model: Employee retention is the art and science of engaging people in authentic and recognized connections to strategy, roles, performance, organization, community, relationship, customers, development, energy, and well-being as companies leverage, sustain, and transform their work connections into results.
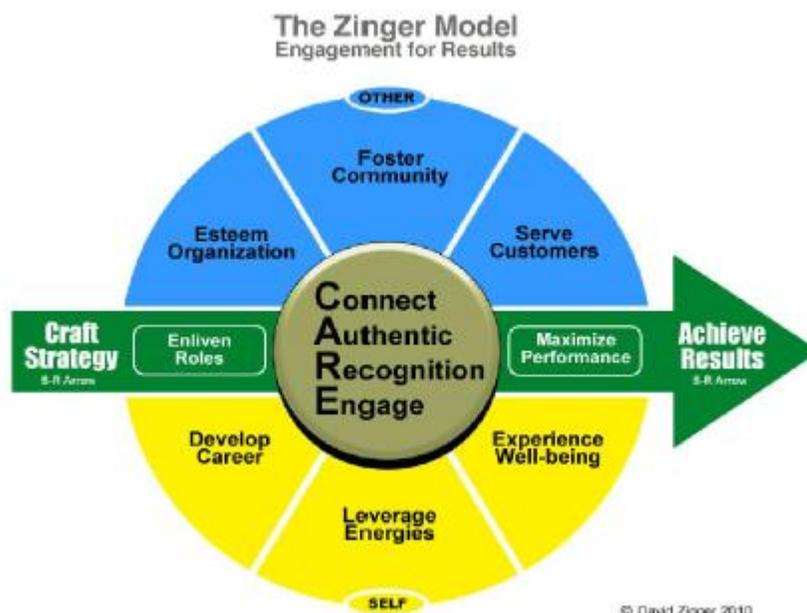

Figure 1: Ginger Model
Source: SultanaNazia & Bushra Begum (2013)[4]

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[4]Sultana Nazia&Bushra Begum (2013), **"EMPLOYEE RETENTION PRACTICES IN INDIAN CORPORATE – A STUDY OF SELECT MNCs"**, International Journal of Engineering and Management Sciences, Vol 4 N0 3, pp. 361-368.

According to the Zinger Model, employee retention is directed towards achieving results of the organization that the department, team, or individual wants to achieve. To achieve results, companies need to craft a strategy to get there .A central key of employee retention is connection. In some cases connection is synonymous with engagement. Engagement is not a one time survey measure or a steady state. To engage is to fully experience and contribute to the dynamic elements of work.

Employee retention must be authentic and retention of competent employee requires powerful recognitions. A role is a set of behaviors, rights and obligations at work companies must guard against too many roles or role overload while also fully being in the roles that contribute to results, relationships, and engagement. Thos model emphasizes that employee retention can contribute to effective performance management and performance demonstrates company's engagement while engagement and retention can help companies excel at performance. Good employee retention should foster star performers.

The employee should also align with the organization so as to build up the esteem of the organization and there should not be a disconnect between employee and organization. Companies want employees to serve their customers and this is a very strong relationships between employee engagement and employee retention. Effective Employee retention helps to serve customers a lot. The model comments that employees should experience both personal and professional development through work ranging from courses and learning to develop their own strengths, value, visibility, and engagement. Powerful retention involves mastery of physical, mental, emotional, spiritual, and organizational energy. Work should contribute to employee well-being. Employees need to both engage in and experience healthy well being. An organization's results are dependent upon the health and productivity of individual employees.

ERC's Retention Model

Employee Retention Connection's model concentrates on applied organizational experience indicating three primary drivers of employee retention. · Work can be made stimulating by giving variety of assignments, autonomy to make decisions, resources and support provided to do good work, opportunity to learn, feedback on result and understanding the significance of one's personal contributions.

Figure 2: ERC Retention Model   Source: As above figure

Motivational Leadership also helps retain employees therefore leaders should champion change and must be open to new ideas. They should inspire a shared vision of organization direction, develop the capabilities of others and become a model for a behavior s that reflects organization values. Companies should recognize and reward a job that is done well and should reinforce desired behaviours and create an emphasis and focus on recognition. They should celebrate successes in order to build self esteem and enhance camaraderie and team work.

Integrated System for Retaining Employees

The Employee Retention Connection transforms the organization culture and enhances the competitive edge through the following five-phased approach: ERC begins by analyzing the organization's motivation and retention culture through surveys and focus groups that is the motivating and demotivating aspects of the culture. ERC concentrates on designing high-involvement job and work assignments and trains supervisors and managers in proven methods of motivational leadership.

Figure 3: Integrated Retention System   Source: Ibid

Sinha and Sinha (2012)[5] in their paper had given major factor that contribute to retention of Employees. They have mentioned Agrela, et al (2008) states the need to focus on the factors that affects retention leading

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[5]ChandranshuSinha and RuchiSinha (2012), "Factors Affecting Employee Retention: A Comparative Analysis of Organizations", European Journal of Business and Management, Vol 4, No.3, pp. 145-160.

to growth and success of organizations. Studies suggests that retention strategies, which effectively satisfy the needs of all employees consequently enhances the ability for companies to adapt more effectively to ongoing organizational change (Gale Group, 2006). Research shows that trends redefining modern retention strategies go beyond the traditional salary and benefits package (Gale Group, 2006) and compensation (Feldman, 2000) embracing employee motivation (Thomas, 2000), as one of the key factors to cater to the diversity and long stay of the workforce in the organization. Retention factors incorporating the needs and desires of employees at any age enhance levels of individual job satisfaction, loyalty, and commitment (Boomer Authority, 2009).

Cunningham (2002) states that employees rank employee recognition, flexibility and training as top priorities for prolonging individual employment, while Walker (2001) and others call for establishing a supportive learning and working climate for employee retention. Further, career development (Boomer Authority 2009), organizational commitment (Patrick Owens, 2006), communication (Gopinath and Becker, 2000) and superior-subordinate relationship (Zenger, Ulrich, Smallwood, 2000) are also the factors known for prolonged stay of the employees in the organization.

4. Factors affecting Employees Retention

The list of retention factors and literature review is not meant to be exhaustive of all possible theories or variables related to employee retention and turnover (Griffeth et al., 2000). Rather, the emphasis in this study is placed on testing the relative frequency with which various retention factors emerge when analyzing employees' versions for why they stay. A brief introduction and review of the 12 retention factors working towards the preservation of an organizations most valuable asset

– employees (Yazinski, 2009), examined in this study are provided in the following section.

i. Skill recognition

Providing skill recognition of personal job accomplishments is an effective retention strategy for employees at any age (Yazinski, 2009). Studies indicate fulfilling peoples need for acceptance by acknowledging individual work accomplishments prolongs employment of employees (Redington, 2007). A Study by Yazinski (2009) show trends of an increased number of job applicants seeking out companies that encourage employee input, growth, education, and teamwork, beyond the traditional compensation/benefit packages offered by employers.

ii. Learning & Working Climate

Since learning and development opportunities appear crucial for the retention of talented employees (Arnold, 2005; Hytter, 2007; Walker, 2001), an organisation must establish a supportive learning and working climate. The concept "learning and working climate" is derived from previous research (Abrams et al., 2008 etc). In general it refers to the environment wherein employees both learn and work.

iii. Job Flexibility

Job flexibility is vital for retaining employees of any age (Boomer Authority, 2009). Researchers describe the importance of employment flexibility such as scheduling variations that better accommodate individual work times, workloads, responsibilities, and locations around family responsibilities (Cunningham, 2002; Pleffer, 2007). Studies show that "flexibility" empowers individuals to facilitate a healthier balance between work and personal obligations, something that appeals to all ages of employees (Eyster, et al., 2008; Scheef&Thielfodt, 2004).

iv. Cost Effectiveness

Studies supports the conclusion that organizations providing cost effective job flexibility options benefit from satisfying the needs of all employees, independent of age, which allows for the reallocation of expenses related to recruitment, work space changes, sick time, absenteeism, and commuting costs (Agrela, et al., 2008; Boomer Authority, 2009; Cunningham, 2002).

v. Training

Training is a key retention factor for employees at any age. Statistical evidence indicates job training is a critical factor for personal (behavioral) and professional (technical) development (United States Department of Labor, 2009). The availability for all employees having access to training and development programs is critical in facilitating organizational growth, particularly with performance and technological improvements (Boomer Authority, 2009).

vi. Benefits

The relationship of benefits with retention is another aspect of making people stay is often investigated by researchers. Maccoby (1984) identified the job satisfaction of employees and supervisors of Bell System over a five-year period and found that the employees and supervisors were satisfied with their pay and benefits and were also motivated to work productively.

vii. Career Development

The purpose of career planning as part of an employee development program is not only to help employees feel like their employers are investing in them, but also help people manage the many aspects of their

lives and deal with the fact that there is not a clear promotion track. Employers can no longer promise job security, but they can help people maintain the skills they need to remain viable in the job market (Moses, 1999).

viii. Superior-Subordinate Relationship

Employee development programs cannot exist without a culture that supports them. Any effective program must have strong support from people in senior management positions, and these people must also serve as positive role models to subordinates (Zenger, Ulrich, Smallwood, 2000). Managers and supervisors take on a new role when an organization gets into the business of employee development.

ix. Compensation

Creating a compensation structure that supports an employee development program is a distinct challenge for companies. Many organizations claim to base pay raises on performance, but that is not actually the case. Some companies try to emphasize a team environment, but continue to reward people for individual achievement (Feldman, 2000). These inconsistencies can cause frustration and cynicism by employees.

X. Organizational Commitment

Studies have concluded that committed employees' remains with the organization for longer periods of time than those which are less committed. Steers (1977) suggest that the more committed an employee is, the less of a desire they have to terminate from the organization. These "highly committed" employees were found to have a higher intent to remain with the company, a stronger desire to attend work, and a more positive attitude about their employment.

xi. Communication

Studies have indicated that 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 enthuse (Gopinath and Becker 2000; Levine 1995). Many companies are working to provide information that employees want and need in better way of communication, through the most credible sources (e.g., CEO and top management strategies) on a timely and consistent basis.

xii. Employee Motivation

Management theory and practice has traditionally focused on extrinsic motivators. While these are powerful motivators, by themselves they are no longer enough—intrinsic rewards are essential to employees in today's environment (Thomas, 2000). Nowadays motivational issues are more complex because of the wealth and opportunity so many employees have enjoyed.

5 Conclusion

The main aim of any organization is to earn profit. But to attain the maximum profit, the organization should concentrate more on employees and the ways to retain them for their long run. From the study it is identified that lack of growth opportunities and salary are the major factors which force employees to change their jobs. This study concludes that to reduce attrition industries should create some opportunities for the growth of their employees within the organization by adopting new Innovative Technologies and Effective training programs. The company should also think of recruiting people who are in the vicinity of the industry, so that the family related problems will not lead to attrition.

The analysis and discussion of the people retention policies and practices in the IT organizations covered under this study shows one thing very clearly that the IT organizations are conscious of the need to manage people with care. They know that it is advantageous to have better people management practices. They not only have implemented good salary/compensation packages for the employees, but more importantly they take care of the career needs of the employees. Taking career needs of the employees is rather more beneficial to the organization itself. There are companies like Symphony Services who involve international experts and consultants to design the career management strategies and programs. A third important strategy adopted by these companies has been Communication. It is facilitated by the information technology itself and communication is rather of 360 degree dimension.

In addition to these general strategies different organizations have their own strategies such as awards and rewards, family involvement, employee engagement activities, regular and frequent meetings between the employees and the top management executives including the President of the Company, recognition from the President of the contributions the employees make. However, one important factor that has helped large number of organizations to retain their employees is the Brand Name and the Image of the Organization.

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