

# Attrition Issues and Retention Strategies in IT and ITES Organizations in Bangalore

N. Bharathi<sup>#1</sup>, Dr. P. Paramashivaiah<sup>\*2</sup>

<sup>1</sup>Ph. D. Research Scholar, Commerce, Research and Development Centre, Bharathiar University, Coimbatore -641 046.  
bharathinanda2015@gmail.com

<sup>2</sup> Professor & Dean, Department of Studies & Research in Commerce,  
Dr. P. Sadananda Maiya School of Commerce & Management Studies, Tumkur University, Tumkur-572 103.  
paramashivaiah@gmail.com

**Abstract**— The aim of the current research was to undertake a study on attrition issues and retention strategies in IT and ITES companies. Attrition entails loss of valuable employees due to various reasons / circumstances. IT and ITES companies have been pursuing various kinds of retention strategies to arrest attrition. This research examines such practices in order to formulate efficient ones that can turn around a company's fortunes for the better.

**Keywords**— Attrition, Retention, IT and ITES.

## 1. Introduction

Information Technology (IT) industry in India is one of the fastest growing industries. Indian IT industry has built up valuable brand equity for itself in the global markets. IT industry in India comprises of software industry and information technology enabled services (ITES), which also includes business process outsourcing (BPO) industry. India is considered as a pioneer in software development and a favourite destination for IT enabled services.

## 2. Objectives of the Research

The primary objective of the research was to study issues related to attrition and retention in IT / ITES companies.

The secondary objectives of this research were:

- To identify factors causing involuntary attrition in IT/ITES companies.
- To identify factors causing voluntary attrition in IT/ITES companies.
- To study the behavioural intentions (attrition) of employees.
- To assess impact of involuntary attrition and voluntary attrition on behavioural intentions in IT/ITES companies.
- To explore suggestions for reducing attrition rates and improving employee retention.

*Research Questions and Hypotheses*

*Research Questions for survey (based on current research model)*

- RQ1: Do certain variables have an effect on involuntary attrition?  
RQ2: Do certain variables have an effect on voluntary attrition?  
RQ3: Does involuntary attrition have an effect on behavioural intentions?  
RQ4: Does voluntary attrition have an effect on behavioural intentions?  
RQ5: Do demographics have an effect on involuntary attrition, voluntary attrition and behavioural intentions?

## 3. Research Hypotheses

- Hypotheses*  $H_{01.1}$  to  $H_{01.4}$ : Environment factors, Training and development factors, Organisational culture and strategy, and Job-specific factors have no effect on involuntary attrition.
- Hypotheses*  $H_{02.1}$  to  $H_{02.2}$ : Personal functional factors and Personal dysfunctional factors have no effect on voluntary attrition.
- Hypotheses*  $H_{03.1}$  to  $H_{03.2}$ : Involuntary attrition and Voluntary attrition have no effect on behavioural intentions.
- Hypotheses*  $H_{04.1}$  to  $H_{04.9}$ : There is no significant difference between male and female with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.
- Hypothesis*  $H_{05}$ : There is no association between gender and perception about Behavioural intentions of employees.
- Hypotheses*  $H_{06.1}$  to  $H_{06.9}$ : There is no significant difference between age groups with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal

dysfunctional factors, Voluntary Attrition and Behavioural Intentions.

- vii. *Hypothesis H<sub>07</sub>*: There is no association between age groups and Behavioural intentions of employees.
- viii. *Hypotheses H<sub>08.1</sub> to H<sub>08.9</sub>*: There is no significant difference between graduates and post-graduates with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.
- ix. *Hypothesis H<sub>09</sub>*: There is no association between education and Behavioural intentions of employees.
- x. *Hypotheses H<sub>010.1</sub> to H<sub>010.9</sub>*: There is no significant difference between income groups with respect to perception about Environmental Factors, Training and development factors, Organisational culture and strategy, Job-specific factors, Involuntary attrition, Personal functional factors, Personal dysfunctional factors, Voluntary Attrition and Behavioural Intentions.
- xi. *Hypothesis H<sub>011</sub>*: There is no association between monthly income and behavioural intention of employees.
- xii. *Hypothesis H<sub>012</sub>*: There is no association between marital status and behavioural intention of employees.
- xiii. *Hypothesis H<sub>013</sub>*: There is no association between service in current company and behavioural intention of employees.
- xiv. *Hypothesis H<sub>014</sub>*: There is no association between total work experience and behavioural intention of employees.

#### 4. Sampling Design

The population comprised employees (Human Resource Management and Administrative department) from IT and ITES companies. The frame comprised. Employees (Human resource management and administrative departments) from IT and ITES companies in Bangalore. Proportionate Stratified Sampling was employed wherein strata was based on company type (IT & ITES). The list of companies was sourced from NASSCOM. The sample size was 456 (IT & ITES) employees.

#### 5. Data Collection Design

Primary Data Collection Method was survey method. Primary Data Collection Instrument was undisguised structured questionnaire. Secondary data was sourced from periodicals, World Wide Web and company reports.

#### 6. Statistical Tools

The main tools used for statistical analysis were Percentages, Means, Standard deviation, Structural Equation Modelling (SEM), t-test, chi-square test, ANOVA test, and Duncan test.

#### 7. Major Findings

Major Findings based on survey:

- i. *Hypotheses H<sub>01.1</sub> to H<sub>01.4</sub>*: There will be 1 unit increase in involuntary attrition for every 0.661 unit increase in job-specific factors; every 0.769 unit increase in organizational culture and strategy factors; every 0.501 unit increase in training and development factors; for every 0.543 unit increase in environmental factors.
- ii. *Hypotheses H<sub>02.1</sub> to H<sub>02.2</sub>*: There will be 1 unit increase in voluntary attrition for every 0.824 unit increase in dysfunctional personal factors; and for every 0.458 unit increase in functional personal factors.
- iii. *Hypotheses H<sub>03.1</sub> to H<sub>03.2</sub>*: There will be 1 unit increase in behavioural intentions for every 0.416 unit increase in involuntary attrition; and for every 0.369 unit increase in voluntary attrition.
- iv. *Hypotheses H<sub>04.1</sub> to H<sub>04.9</sub>*: There is significant difference between male and female with respect to perception about Environmental Factors, Training and Development Factors, Organizational Culture and Strategy, Involuntary Attrition, Dysfunctional Personal Factors, and Voluntary Attrition. There is no significant difference between male and female with respect to perception about Job Specific Factors, Functional Personal Factors and Behavioural Intentions.
- v. *Hypothesis H<sub>05</sub>*: There is association between gender and behavioural intentions of employees.
- vi. *Hypotheses H<sub>06.1</sub> to H<sub>06.9</sub>*: There is significant difference between age groups with respect to perception about Environmental Factors, Job Specific Factors, Functional Personal Factors and Voluntary Attrition. There is no significant difference between age groups with respect to perception about Training and Development Factors, Organizational Culture and Strategy, Involuntary Attrition, Dysfunctional Personal Factors and Behavioural Intentions.
- vii. *Hypothesis H<sub>07</sub>*: There is association between age groups and Behavioural intentions of employees.
- viii. *Hypotheses H<sub>08.1</sub> to H<sub>08.9</sub>*: There is significant difference between graduates and post-graduates with respect to perception about Environmental Factors, Training and Development Factors,

Organizational Culture and Strategy, Job Specific Factors, Involuntary Attrition, Functional Personal Factors, Dysfunctional Personal Factors, Voluntary Attrition and Behavioural Intentions.

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- x. *Hypotheses H<sub>010.1</sub> to H<sub>010.9</sub>*: There is no significant difference between income groups with respect to perception about Behavioural Intentions. There is significant difference between income groups with respect to perception about Environmental Factors, Training and Development Factors, Organizational Culture and Strategy, Job Specific Factors, Involuntary Attrition, Functional Personal Factors, Dysfunctional Personal Factors, and Voluntary Attrition.
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- xiii. *Hypothesis H<sub>013</sub>*: There is association between service in current company and Behavioural intentions of employees.
- xiv. *Hypothesis H<sub>014</sub>*: There is association between total work experience and Behavioural intentions of employees.

## 8. Recommendations of the Study

*Six key practices* that organisations can implement with technology support to retain their top talent:

- i. Recruit the right people in the first place.
- ii. Improve the line manager's ability to manage.
- iii. Give employee's constant feedback about clear, meaningful goals.
- iv. Empower employees to manage their own careers.
- v. Proactively drive talent mobility.
- vi. Continuously measure and improve retention strategies.

## 9. Scope of the Research

The scope of the research broadly encompassed sub themes like involuntary attrition, voluntary attrition, behavioural intentions, retention strategies and demographics.

## 10. Conclusion

Flexibility in work / time and Communication flow in the company are the environmental Factors that require greatest attention for improvement. Coaching / mentoring

by superiors and Career advancement are the training and development factors that require most attention for improvement. Employee empowerment (powers in decision-making) and Motivation Levels are the organizational culture and strategy variables that require most attention for improvement. Job Life span (job security) and Nature of job assignments are the job-specific variables that require the most attention for improvement.

The mean rating for involuntary attrition indicates a majority rating of "high". The mean rating for functional personal factors indicates a majority rating of "very high". The mean rating for dysfunctional personal factors indicates a majority rating of "very high". The mean rating for dysfunctional personal factors indicates a majority rating of "very high". The mean rating for behavioural intentions indicates a majority rating of "probably continue in the job".

It was found that environmental factors, training and development factors, organisational culture and strategy, and job-specific factors had a positive impact on involuntary attrition. Functional personal factors and dysfunctional personal factors had a positive effect on voluntary attrition. Involuntary attrition and voluntary attrition in turn had a positive effect on behavioural intentions.

Structural Equation Modelling (SEM) analysis revealed that the calculated p (significance) value was 0.105 (greater than 0.05) thereby indicating good fit. The Goodness of Fit index (GFI) value was 0.995, Adjusted Goodness of Fit Index (AGFI) value was 0.978 and Comparative Fit index (CFI) value was 0.995. All these values were greater than 0.9 indicating a very good fit. It was found that Root Mean Score Error of Approximation (RMSEA) value was minimal (0.033).

The current research helped in the following ways:

- i. The facets of involuntary attrition and voluntary attrition contributing significantly to behavioural intentions (in terms of attrition) was compiled and documented through review of related literature and conceptual framework for research was formulated.
- ii. It served as a starting point from where problem areas in terms of employee maintenance and integration that needed immediate attention were identified. This study provides immense insights for HR managers to suitably change their retention strategies to ensure minimal or no attrition.
- iii. It served as a barometer to gauge the level of satisfaction with determinants affecting involuntary and voluntary attrition.
- iv. It helped in ascertaining the retention strategies currently being employed by IT and ITES companies and related benefits.
- v. There was value in knowing how involuntary and voluntary attrition factors impact behavioural intentions (in terms of attrition).

- vi. The IT and ITES service sector is facing stiff competition from within and abroad and it is critical to manage its human resources efficiently. This research helped in understanding attrition issues and retention strategies and would help formulate HRM/HRD strategies for the future.

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**Prof. N. Bharathi**, Principal, Garden City College, Bangalore has completed her Masters in Commerce, MBA, M.Phil and is currently a PhD Research Scholar in Commerce at Bharathiar University, Coimbatore- 641 046 . She has presented several papers and published articles in National and International Journals. She has over two decades of experience in teaching. She is also a certified Internal Auditor for ISO 9001:2008. Her areas of specialization are Accounting and HR. She is a member of the Board of Studies and Board of Examinations for Bangalore University.



**Dr. P. Paramashivaiah** is Professor & Dean at the Department of Studies & Research in Commerce at Dr. P. Sadananda Maiya School of Commerce & Management Studies, Tumkur University, Tumkur-572 103.