

Attrition and Culture – A Case of an IT Firm in India

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Abstract:

Retention is the big challenge facing most companies in 2018. It is disruptive, expensive, and detrimental to productivity. According to a recent report by the Hay Group, the turnover rate for 2013 to 2018 will average 23%, with 192 million people leaving their current employers in this year. And the technology industry is suffering the most.

LinkedIn's analysis of half a billion professionals found that the highest separation rates come from technology (software) which is 13.2%. High attrition can have a huge impact on the organization's bottom line. Especially when separation can cost anything from 50% of an entry-level employee's salary to over 125% for senior or technical specialists. The top reason for leaving is a lack of career opportunity. This is followed by poor leadership, and an unhappy environment or culture, respectively. The organization in the study also faced the same problem of high turnover ratio and it was affecting their work environment.

The study focuses on the problems faced by an IT firm in controlling high attrition rates and turnover mainly due to lack of employee commitment and conducive culture. The study attempts to recommend various approaches to solve the above issues.

Key words: Turnover, Attrition rate, Culture and Organizational commitment.

1. Introduction of the IT Sector in India

Information technology, one of the major industries in India, is a chief contributor to the global economic growth(Kanchan, 2016). India is the leading destination for information technology (IT) and information technology enabled services (ITeS) due to its huge talent pool and cost advantage(IBEf).The Prime Minister has conceptualized a goal of digital India, and for the same Gujarat government has announced a policy for IT sector. Under the new IT policy, new IT parks will be developed in state along with e-governance policy for a period of 2014-19. The new IT policy

looks to take the overall turnover of industry to 75000 Crore by 2020. Easy IT policies made it easier for entrepreneurs to start up new firm, as a result, number of Information technology companies are increasing rapidly making more possible opportunities which leads to high attrition rate and IT professionals jumping from one organization to the other.

The major factors for turnover are compensation and easy start-ups. Compensation, because plenty of opportunities are there for experienced well qualified employees and if they switch over to other companies, they will get better pay. There are many push, pull and other factors involved in initiating thought of turnover among employees (Purohit, 2016). Start-ups, because new easy policies motivate employees to start their own venture. Employees join organization to understand the business and with acquired knowledge they can start their own business.

2. Brief Literature Review

Under the globalized market, a firm's success depends on its innovativeness, adaptability, and speed. These all are derived from its own human resources, but employee turnover can jeopardize a firm's efforts. There are different reasons and factors which creates voluntary turnover in IT sector. Among the six plausible considered push and pull factors -- 'higher-salary', 'higher-portfolio', 'higher-company-brand-name' -- these three pull factors chronologically appear to be responsible for IT professional turnover, regardless of age and gender. From an empirical and turnover model, it appears that an employee's attitude towards life and work is a key parameter affecting employee turnover.(Guha & Chakrabarti, 2014).

A key IT management issue is high turnover ratio, this research study developed and tested a model of how the understudied construct of cognitive engagement amongst IT employees influences their job satisfaction and job performance and ultimately their turnover intention. The results supported job satisfaction as a determinant of turnover intention. Also, job satisfaction completely mediated the effect of attention, as a dimension of cognitive engagement, on turnover intention. Attention also showed a correlation with job performance and fully mediates the effect of task significance, as a job characteristic, on job satisfaction(Storm, 2015).

The result from social exchange theory perspective confirms that IT professionals' perceptions of their skill obsolescence, work overload, and the fairness of the rewards they receive, directly influence their organizational commitment (Sofat et al, 2015). Additionally, their organizational commitment, perceived work overload, and fairness of rewards significantly affects turnover.

To achieve employee retention in IT sector, the managers need to identify the employees who are passionate about continuous learning and challenges, prompted through a continuous positive employee relationship (Harden et al, 2018).

In a study by Lo (2015), high turnover has been the pattern in the IT industry since the 1960's, and predictable shortages in the IT workforce soon make the matter more deserving of attention. The demand for database and network administrators, computer software and hardware engineers, systems analysts, and so on continues to grow, while student enrollment in IT education programs is declining. IT professionals' decisions to stay with their firms or go elsewhere are directly related to job satisfaction and commitment. The greater people's satisfaction with their jobs and emotional commitment to their companies, the more likely will they stay with their firms. In addition, people are less likely to leave when the job market seems tough or they are approaching retirement

3. Methodology

The research was conducted in the organization using interview method through a discussion guide. The unit of analysis were management support, promotion satisfaction, and communication sharing by organization, leadership satisfaction, job satisfaction, turnover intentions, work exhaustion, autonomy, and recognition by supervisor. A series of discussion with the senior managers led to a list of potential problems which became the base of study.

4. Company background

Key concepts IT Services is a software cum application development, website development, and outsourcing company which has one central goal of generating "customer satisfaction". The company began in the year 2010 and was providing services to small and medium business in Gujarat. The real reward came when the company entered the global market by setting their new overseas office in USA. Now the clientele covers USA, Canada, Germany, Denmark, and Australia. They presently work with 58 employees with various managers and all lead by three leaders. Their organizational structure had managers and HR & Administration reporting to the directors. The team leaders handling team members reported to the managers.

5. The Problems

- Employee dissatisfaction: The main problem was expectations of high salary among the employees. Company was taking care of this issue but was unable to increase the salary on continuous basis. No increase in salary lead to high attrition rate which spoilt the culture of the company as well as affected their reputation.
- Working on Saturdays: The company worked on Saturdays to meet the increasing demand, but the employees were not happy working on Saturday as it was not the ritual of IT industry.
- Lack of Confidentiality: There was no confidentiality of salary among the employees which lead to dissatisfaction among them and unnecessary comparison of salary lead to lack of motivation and loyalty. This eventually led to high turnover ratio.
- Lack of professional focus: Employees were more focused on their personal problems rather giving importance to company growth. Meetings rather than focusing on organization's growth ended up discussing employee's personal issues which put question mark on performance.
- Lack of internal promotions: The company had no policy of internal promotion and they recruited employees from external market for higher positions which affected employee motivation.
- Understanding and accepting the culture: Due to lack of proper orientation, new employees failed because of poor culture fit. The company needed to give orientation on vision, mission, work environment and culture of the organization to make employees comfortable to work and fit in the organization.
- At the time of joining only technical training and organizational rules and regulations were communicated to them which failed to create bond between employees and company.
- Employees were given projects without assessing their likings and compatibility with the work which affected the efficiency and productivity.
- Company had top to bottom approach and more of one-way communication where the ideas or problems of the employees were rarely addressed.
- Many of them were unable to cope with stress.
- Employees with more experience were given more responsibility, stricter deadlines, managing more people from business units across country and reworking on millions of lines of code to suit the changing patterns of client requirements. This resulted in stress and high turnover ratio in absence of internal promotion and high salary.

6. Discussion of Findings

Business conducive IT policies in the country are helping IT professionals to start their own venture and poach employees from existing companies in the industry which is also increasing the attrition rate. Attrition rate not only affects the number of employees but also affects the reputation, loyalty of other employees and culture of the organization. High attrition rate enables employee to demand higher salary and benefits from their employers.

Based on the interaction with the employees, it was found that IT courses provide more of technical skills rather than the interpersonal skills, professionalism, and managerial understanding of any business. No matter how talented and expert an employee is, it is essential to have professional behavior at workplace. The main question is whether companies should start imparting training and lectures on loyalty, professional behavior, and communication or focus on IT and business expansion? It may alter the employee perspective towards the company, but would it change their performance? This problem is generalizable and not just restricted to IT firms. Positive results in the future could be possible with more use of proper training and development strategies.

7. Recommendations to the Company

- New employees can be assigned a mentor from the internal team who has displayed loyalty and good performance consistently to provide orientation about the work culture, values, do's and don'ts, and policies of the company to improve their confidence and performance.
- Instead of informal gathering, more formal gathering can be organized by the company to meet different department employees and to discuss growth rather than salaries and other problems. The company can may go for different timings of coffee and lunch breaks to avoid unnecessary and unrequired discussions.
- Training sessions, motivational games and office parties can be held frequently to strengthen the bond within the employees and with the management. Adventure trips and picnics should be arranged to build camaraderie amongst the employees.
- Employees can be applauded in front of others and in case of mistakes, they should be given another fair chance for improvement. Employees can be assigned work based on their abilities and if possible, their interest and liking.
- In some cases, authoritative leadership may also be used by the company to control employees.
- Employee's background should be thoroughly assessed during recruitment. This may eliminate employees who may easily leave job for trivial reasons.

- Employees should be provided flexible and easy leave policies especially for those who display good performance consistently.
- The Saturday working problem of many employees can be countered by providing Saturday leave in different slots to different groups and departments.
- Company can emulate exemplar companies by give stress breaks as provided by biggies in the industry like TCS, Wipro, and Infosys.

8. Closing Remarks

Rapid growth in the IT sector is creating massive employment opportunities for professionals. This has led to greater business opportunity, but employee poaching and turnover is also rampant which has resulted in negative performance. Our case in study needs to follow suggested approaches to retain the motivated employees and more systematic recruitment process. Employer-employee compatibility is a prerequisite for superior performance in the market.

This study may provide relevant insights to employers especially in the IT industry to understand the main reasons for high attrition and devise suitable measures to retain and motivate their employees for better performance.

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