

A NEW DIMENSION OF KNOWLEDGE ON THE FACTORS OF ATTRITION IN IT UNLISTED CONSULTING FIRMS IN CHENNAI

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Abstract

The asset of an organisation is the employees. Whatever and how many ever machines and technology uproots in the world, employee/manpower play a vital role in the growth of the organisation. There is no replacement for human resource. As all resource have pros and cons manpower also has pros and cons. The benefits are many but the problem is only on called Attrition. Attrition means the employees terminates their employer due to any variable reasons. The study of their rate is called as Attrition rate. The reasons for attrition can be many. This study is based on IT consulting firms like manpower outsourcing, consultants, body shop etc. The research is to find and analyse the top reasons for attrition in growing firms of manpower consulting in Chennai only. The findings will be analysed thoroughly and few user friendly solutions will be provided. The Chennai city is selected for study because, once known as the Detroit of India because of its automobile industry, Chennai is getting much of its current economic growth from the information technology sector. Chennai has a highly literate population and the availability of skilled technical talent at a reasonable price-point, over time, has attracted many multinational companies to set up their operations in the city. The more interesting story, however, is the rise of entrepreneurship in Chennai, a relatively new phenomenon (Newstex Entrepreneurship Blogs Chatham: Newstex. (Jan 8, 2013). This study is to understand the reasons for attrition in dimension of Management and the infrastructure.

Keyword: Attrition, organisation, Manpower, IT consulting firms

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Objective

To analyse and find the reasons for attrition in small growing IT consulting firms in Chennai location only. The main objective is to analyse

1. To analyse if the attrition is due to the lack of brand name for the organisation as it is unlisted co,
2. To list out the drawbacks in organisational structure and
3. To ascertain the capital support requirement to manage the employees at time of bench as the main reasons for attrition.

Introduction

Indian IT industry once in early 1950 was at the boom as narrated by Peter Ducker. India was found to have the highest linguistic proficiencies compared to other countries. The resources were available at nominal cost. After the deep fall of the dotcom in 2000, to all wonders the rapid growth of IT industry in India have helped to increase the share for software export of IT industries.

Indian IT professionals no longer a hot commodity (EIU Views Wire. (Jul 1, 2003)) Indian IT professionals no longer a hot commodity many countries are rolling up the welcome mats those they once laid down for Indian IT professionals. But this may not matter since IT work that was once done abroad is increasingly being done in India Once wooed by countries around the world, Indian IT professionals are no longer such a hot commodity. Indeed, countries like the US, Germany and the UK – stung by the economic slowdown and the need to protect jobs at home -- are increasingly less welcoming of Indian IT professionals. SHRM's report shows the greying employee population is the most important demographic trend for 2006. Those surveyed say the aging workforce, retirement of a large number of baby boomers around the same time and demographic shifts leading to a shortage of skilled workers are some of the issues likely to have a major impact on the workplace. The rapid growth and entry of new players have resulted in the poaching of

employees in high numbers. Salaries at the entry level have risen 10-15% while 25-30% at the top level. With the revival in the economy, the war for retaining talent has begun once again. The fourth quarter results of information technology (IT) giant Infosys show that the attrition rate in the company has gone up from 11.1 per in the year ended 31 March 2009 to 13.4 per cent in the year ended 31 March 2010. This is in keeping with an industry-wide trend where

the rise in the number of job opportunities has led to an increase in the number of people switching companies for greener pastures.(Business World).The astronomical growth rate in the industry is an important reason responsible for rising attrition rates among the knowledge workers who are not loyal to the company but to their value system (Sadri et al., 2006). Because of high attrition rate, Indian software industry is not able to progress beyond providing low-end software coding, development and maintenance services (Arora et al., 2001). This is a tenacious concern for most of the organizations (Joseph et al.,2007) as the exodus of desirable employees is generally considered detrimental to the growth of an organization; both in terms of replacement costs and work disruption (Hallman, 1997). With new career horizons within the industry and multiplied prospects of mobility of IT professionals among different companies; a growing number of employees are not willing to spend their career with the same employer (Ghosh and Geetika 2006). Virtually all firms are finding it difficult to retain talented professionals despite paying substantially above Indian standards (Arora et al., 2002) and HR interventions are woefully failing to address the knowledge worker's need to belong. However organizational withdrawal and intention to leave (ITL) may not lead to attrition every time because of personal commitments and personal problems (Lambert et al., 2001)

Also the reasons of attrition generally in history are as follows;

1. Missing of team cooperation
2. Unlisted company
3. Lack of Performance Monitoring system
4. Internal crisis of misunderstanding
5. Life way issue for the employees
6. Not happy with Working culture
7. Profile responsibility not as per expectation
8. No basic Employee benefits
9. Unstable HR policies
10. Wrong hire
11. Job insecurity
12. Mismatching of expectation and requirement
13. Betterment

14. Lack of corporate standards
15. Not environmental friendly
16. No onsite projects
17. No challenges
18. Environment unfriendly
19. Access to Office

Employee Benefits

No share/longterm incentive schemes for employees. IT organisation like TCS,Wipro, Infosys, CTS, and HCLetc are listed IT companies. The unlisted IT companies are otherwise just start up companies without any market share in NSE/BSE,New York Stock exchange etc. For both listed and unlisted companies, employee share plans can play a crucial role in the recruitment and retention of employees at all levels within their business, especially as some forms of employee share plan attract tax favourable treatment in the UK. Graham Muir. In unlisted companies this type of share plan not practised. Employee benefits like share / long term incentives, periodical salary hikes, attractive remuneration schemes and benefits like team outing, coupons issue on foods are attractions to retain an employee and reduce the attrition rate.The cost cutting policies will occur frequently in low budget organisation; hence employee benefits will be stringy compared to bigger organisation. Team outing, Diwali gifts, group insurance, medical reimbursements, cafeteria, transportation etc will not be provided, which may affect employees to stay back.

Bench resource maintenance

SaurabhGovil, senior VP-HR in Wipro Technologies, said voluntary attrition (attrition that excludes firing) in the company touched a 36-month low at 12% in the September quarter. "The tough environment is helping us to keep attrition levels low; jobs aren't available and companies are going slowly on all fronts," he said.Ravi Shankar, Chief People Officer in Mindtree, said attrition had softened as companies were hiring more freshers than lateral hires. "We are looking at ways to improve utilization on the bench," he said Author: Phadnis, Shilpa; Tejaswi, Mini Joseph, Publication info: The Economic Times (Online) [New Delhi] 21 Nov 2012. The bench

resources will be terminated in case of attrition in unlisted companies as they will not have enough fund for the same. Hence there is no job security in unlisted companies, candidates will be basically scared to join unbranded, unlisted companies. Candidates will comparatively opt to join Tier 1 companies.

Job security

As the bench resource managing is impossible with small firms, the job security at all levels and various of experience employees will have fear to stay on long term , they will switch over immediately when they come across good branded organisation opening. Poaching is easier in such companies.

Training

Tier 1 companies will spend on training to retain skilled employees. Small concerns cannot allocate budget for training as they will not have resource to be trained and placed. They generally recruit employees with skill set relevant to the opening and place them, as years role, the attrition will increase as there is no retention policy or action from unlisted companies.

Unstable policies

Starting from hiring policies, on boarding, notice period, profile, responsibility, remuneration, travel,leave,attendance, benefits policies are narrowed down and keeps changing at time to time. The policies change as Management change. In case of attendance, they will have hard and fast rules to stretch till 9 hrs, no OT benefit. Limited number of leaves per year, no sick leaves or benefits like leave claim. Medical claim. No benefits of LTA or dearness allowance. The unlisted small firms are not bound to follow the standard corporate infrastructure which reflects slowly to the employees forcing them to decide to leave the organisation.

Revision of salary and position for senior level

Consulting firms like AonHewitt have seen an increase in clients asking for managers' salary structure to be changed, with a percentage of variable pay linked to controlling attrition and increasing subordinates' employability(Author: Sengupta, Devina,Publication info: The Economic Times (Online) [New Delhi] 10 Aug 2011).Desperate to rein in high attrition levels,

India's top information technology (IT) firms are offering mid-term hikes, promotions and even restricted stock (shares that are locked in for a fixed period before they can be sold) to keep employees from hopping on to rival companies. Most IT firms had cut perks and frozen salary hikes during the downturn of 2008-09 as business from customers had slowed. But with the economy improving in the US--the largest market for Indian IT firms--customers are offshoring more work to save costs and remain competitive. Listed companies will provide such support to employees but unlisted companies which have small turnover business cannot afford stimulating employees to look for change.

Organisation Structure

Listed IT companies will have board of directors, department heads, shareholders, public share holders and a team of Management. Any policy, decision will be discussed in board of meeting and announced to organisation in way of MOM. Any change or amendment have to undergo a process, so that employees are not impacted with any sudden surprises. But unlisted IT consulting firms will be run with one man show support. The founder, investor will run the show and any decision he will only decide and amendment can happen any day without prior discussion notice. This type of management discretion will not have happy employees and hence attrition. Standardised HR policies will follow a system to implement followed by discipline and opinions among employees will have a stream line.

Irregular policies and customised policies will show biased attitude amongst the employees.

Hence crop up as a major reason for misunderstanding and creates conflicts resulting shifting of job. Prior research also defines psychological climate as the "degree to which the environment is personally beneficial versus detrimental to one's self of well-being" (James, James, & Ashe, 1990, p. 53).¹¹ Psychological climate can be thought as the linkage between the individual and the organization that serves as an important "sense making" function (Weick, 1993). The purpose of measuring the psychological climate over the organizational climate is to understand how employees experience their organizations (Patterson et al., 2005).

Retention failure

Middle level and senior level employees cannot be retained in unlisted companies, as they are highly paid employees with more knowledge of playing challenging roles, unlisted companies'

growth opportunity in business will be generally very meagre comparatively. Experienced candidates of more than 8 years will have tough to fit in the market compared to 3-4 years experienced candidates. Employees of 3-4 years' experience will also get into poaching and shifting jobs frequently.

Conclusion

From my point of view I can suggest the following benefits to the companies

- Cost savings as a result of decreased attrition.
- Profiling high performers and high potentials and mitigating their exit chances.
- Better engagement levels.
- Creating chance for ex-employees to join back the organization
- Better alignment and implementation of rewards and career development strategies.
- Succession planning for the employees who are at the risk of leaving the organization.
- Fixing organization and division specific issues.

Review Literatures

Attrition has been vastly and in detailed study has been conducted and submitted in papers. The areas covered so far are BPOS, ITES, IT, Student affairs etc. The area of study has been on various factors of attritions. I am confident that the area and dimension of research in IT non branded, small organization that too in consulting business still remain untouched area.

Few of the review literature

1. Attrition& HR Initiatives in INDIAN ITES BPO Industry
Mr. Rakesh Yadav, Research scholar, TISS, Mumbai. www.theinternationaljournal.org

In this literature, reasons for attrition in BPO industries overall India is due to HR policies

No.2 Exploring the dimensions of attrition in Indian BPOs
,DOI:10.1080/09585192.2011.561211 [Santoshi Senguptaa&AayushiGuptaa*](#) pages 1259-1288, Journal: [The International Journal of Human Resource Management](#) Volume 23, Issue 6,

March 2012, pages 1259-1288

This literatures again speaks about the Attrition in BPO covering Hyderabad , and the factors are mostly culture, job satisfaction,

No.3

Topic: Factors Affecting Employee Attrition, A Multiple Regression Approach.

Name of the Author: Atanu Adhikari

Objective: he has targeted both IT and ITES segment in India and respondents mainly from Hyderabad.

Methodology:He has handled the factor analysis using Bartlett Test and KMO, multiple regression via cluster analysis, his sample size study was 350 responses in both IT and ITES at Hyderabad

Findings: He has arrived to four factors of Attrition work related issues, employer related issues, Compensation related issues, and finally skill set related issues.

No.4

A Study on Attrition among New Entrants in Software Testing Professionals

M. Kannan ,Research Scholar, Department of Computer Science and Applications

SCSVMV University, Enathur, Kanchipuram-631561

K. Vivekananda Professor, Department of Computer Science and Engineering

Pondicherry Engineering College, Pondicherry - 605 014 .

This literatures study was about the new joinees- Organisational satisfaction, job satisfaction, relationship between employer and employee in Software Industry in Chennai

No 5

Topic: Talent management strategy of employee engagement in Indian ITES employees: key to retention

Name of the Author: Jyotsna Bhatnagar, Human Resource Management Area, Management Development Institute.

Objective: Sukhrali, Gurgaon, India have exorbitantly analysed the factors of Attrition in ITES in India, Methodology: she has conducted the research on 272 BPO/ITES employees using Gallup q12 or Gallup Workplace Audit and

Findings: have arrived to few findings that organisational culture, Career Planning like incentives and Organisational support are the high loading attrition reasons.

No 6

Topic: Causes of Attrition in BPO Companies: Study of a Mid-Size Organization in India

Name of the Author: Ammu Anantharaja

Objective: To find out the reason for employee turnover and how to control the same

Methodology: 110 employees in and around Bangalore, descriptive approach, chi-square test, Karl Pearson Rank correlation and percentage method is used for the analysis and interpretations of the collected data

Findings-Business related, process related issues

No 7

Topic: Outcomes Of Intention To Quit Of Indian It Professionals

Author: SANDEEP K. Krishnan And Manjari Singh

Findings: The present study explores performance orientation, organizational deviance, and organizational citizenship behaviour as outcomes of intention to quit of Indian IT professionals

No.8

Jenine Buchanan says have analysed for Attrition in Student Affairs

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