INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

CONTENTS

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT   ii

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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.

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ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

EMPLOYEE RETENTION STRATEGY IN IT INDUSTRY: A CASE STUDY OF TCS LTD.

PRIYANKA PRIYADARSHINI
M. Phil. RESEARCH SCHOLAR
PG DEPARTMENT OF BUSINESS MANAGEMENT
FAKIR MOHAN UNIVERSITY
VYASA VIHAR

ABSTRACT

This paper examines the importance of employee retention strategy for IT Industry in general and analyses the employee retention strategy implemented by Tata Consultancy Services Limited in particular. The paper also assesses its impact on organizational competence building. An Exploratory and Descriptive study was conducted through secondary data analysis and review of literature. The study concludes that TCS has developed strong employee retention measures like attractive compensation packages, career planning and development opportunities, performance appraisal, employee reward and recognition system and attrition control measures which have greatly contributed to their organizational competence building by increasing job satisfaction, employee productivity, developing loyalty and commitment to the organization, less absenteeism and less turnover, increasing customer satisfaction and good relations with other stakeholders, and cost saving.

KEYWORDS
TCS Ltd., retention strategies, organizational competence building.

JEL CODES
M12, M50, M51, M52, M54.

INTRODUCTION

Employee retention strategy refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employee retention measures go a long way in motivating the employees so that they stick to the organization for the maximum time and contribute effectively. Employee retention has become a major concern for corporates in the current scenario. Individuals once being trained have a tendency to move to other organizations for better prospects. Lucrative salary, comfortable timings, better ambience, growth prospects are some of the factors which prompt an employee to look for a change. Organizations need to make enormous efforts to attract talented employees and retain them in the organization.

Organizational competencies are the unique factors that make an organization competitive and are difficult for competitors to imitate. Organizational competencies cannot be outsourced no matter how much money is available because they are fundamental to the organization and its success. Happy, motivated and performing employees contribute to the organizational competence building by their performance, therefore organizations need to develop innovative employee retention policies to retain them for future.

REVIEW OF LITERATURE

A number of research studies have been undertaken to emphasize the role of employee retention strategy in competence building in organizations. Mckeown (2010) stated that employee retention is 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. Employee retention refers to the ability of an organization to retain its employees. A distinction should be drawn between low-performing employees and top performers, and efforts to retain employees should be targeted at valuable, contributing employees.

Career opportunities have the strongest impact on employee commitment while the impact of financial rewards is less. Providing career development opportunities makes the employees to stay in the company for long and at the same time enhances their loyalty to the firm. Also creating a positive social work environment and adding content to the jobs and tasks to be done by the employees enhances employee satisfaction and commitment. (Meganck, 2007).

Various reasons cited for employee attrition are: dissatisfaction with internal job postings, work profile, personal causes and finally dissatisfaction with compensation/ salary (Bhatnagar, 2007). So for better retention of talent, organizations must improve pay/compensation and benefits and also factors like good working conditions, flexible work timings, cooperative teams, good bosses, culture and values of the organization (Devi, 2009).

Employee rewards, employee autonomy and image of the company play a major role in employee retention and commitment in the organization (Gberevbie, 2010).

Gayathri et al (2012) said that frustration and constant friction with their superiors or other team members are the real reasons of most employees leaving an organization and identified mentoring, well equipped safety environment, potential and prospective roles, encouragement and recognition and competitive compensation as the significant variables that influences employee retention. Providing emotional support and work life balance to employees helps organizations in low turnover (Karatepe 2013).

Bagga (2013) emphasizes that induction plays a major role in employee retention and increases loyalty towards the organization. A number of employees usually leave within first three months of joining so it is clear that if proper induction of new joiners' is not done they will tend to leave the organization. A well planned orientation program must be planned to help retain employees.

George (2015) find out two types of retention factors one at organization level and at job level. Organizational factors are management, pleasant environment, social support and developmental opportunities. Factors at job level are compensation, autonomy, work-load and work life balance. It was found that organizational level factors are more important for employee retention then job level factors.

IMPORTANCE OF THE STUDY

Employee turnover is very high in IT organizations in India as skilled workforce has umpteen number of opportunities to choose from, prompting each organization to compete with the other in continuously developing attractive and innovative retention strategies to hold back their critical workforce. When employees are motivated, happy in their workplace they work for their company with sincerity and dedication which contribute to organizational productivity leading to organizational competence building.

Tata Consultancy Services Limited (TCS) has developed a very effective employee retention strategy in IT sector in India. The innovative strategies adopted by TCS are: recruitment and Selection Process online through portals called 'Next-Step' and 'Campus Connect' and creation of 'Knome' (TCS's internal online social network- a facility not provided in other IT Companies), shifting employees across departments and organizing training programmes to keep workforce up to date with fast changing technology.

Therefore, there is a need to conduct an in-depth study on how TCS has managed its huge workforce by designing employee retention strategy and their impact on organization competence building.

STATEMENT OF THE PROBLEM

The Indian IT industry is characterized by acute shortage of skilled IT professionals. Retaining critical workforce in the organization is therefore a challenge posed by HR Managers of IT organizations. Retaining employees is beneficial for both employees and for employer. A critical analysis of workforce trends shows that there is shortage of highly skilled employees who possess the requisite knowledge and skills to perform. If the organization is not able to retain these high performer employees then it will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive. The present study aims to know the Employee Retention Strategy implemented by TCS and to assess the impact of their strategy on organizational competence building

OBJECTIVES OF THE STUDY

In light of the above the key objectives of the paper are
1.   To study the importance of employee retention strategy for IT industry.
2.   To study the employee retention strategy implemented by TCS Ltd.
3.   To assess the impact of the strategy on organizational competence building of TCS.

RESEARCH METHODOLOGY

An exploratory study was conducted with the help of secondary data on the employee retention strategies from website of TCS Ltd. and other IT Companies, going through the various research articles on Employee Retention Strategies, and case studies on different IT companies for further clarity. After carrying out initial Exploratory studies to bring clarity on the subject under study, Descriptive study was conducted to know the employee retention strategy implemented in TCS Ltd. and study the impact of the strategy on organizational competence building The knowledge of these strategy is needed to document the process and suggest some improvements in the current system to make it more effective

IMPORTANCE OF EMPLOYEE RETENTION FOR IT INDUSTRY

The IT industry in India is witnessing large scale attrition of talented employees and retaining critical manpower resources is a key challenge for management of an organization. The reasons for developing an effective retention strategy are as follows:

- IT companies need **hardworking and talented employees** who can really come out with something creative and different. No organization can survive if all the top performers quit. It is essential for the organization to retain those employees who really work hard and are indispensable for the organization.
- **A new joinee is completely raw and the management really has to work hard to train him for his overall development**. It is a complete wastage of time and money when an individual leaves an organization all of a sudden. The HR has to start the recruitment process all over again for the same vacancy; a mere duplication of work. Finding a right employee for an organization is a tedious job and all efforts simply go waste when the employee leave
- When **employees join the competitor**, they tend to take all the strategies, policies from the current organization to the new one. Individuals take all the important data, information and statistics to their new organization and in some cases even leak the secrets of the previous organization. To avoid such cases, it is essential that the new joinee is made to sign a document which stops him from passing on any information even if he leaves the organization. Strict policy should be made which prevents the employees to join the competitors. This is an effective way to protect their company from competitors
- **The employees working for a longer period of time are more familiar with the company's policies, guidelines and thus they adjust better.** They perform better than individuals who change jobs frequently. Employees who spend a considerable time in an organization know the organization in and out and thus are in a position to contribute effectively.
- Employees who are continuing in their job for several years tend to develop a **sense of belongingness, commitment and loyalty towards their organization**. They hardly badmouth their organization and always think in favor of the management. For them the organization comes first and all other things later. It is very difficult to find such loyal and committed employee and it becomes a necessity to retain such employee for organizational wellbeing and sustainability
- A **turnover rate** says more about a company than it does about an employee. A high turnover typically means working conditions are not optimal, pay is below the market average, or staffers are not well trained, and low employee job satisfaction and performance. When an employee leaves his company unsatisfied he spreads bad word of mouth about the company and thus hampers the reputation of the company in the market to a great extent. This puts organization at a risk of losing new employees who may not venture to apply in their organization
- When knowledgeable skilled and performing employees leave their jobs in search of better career opportunities, organization is losing its valuable asset in the form of employee. This creates a **shortage of talented and knowledgeable employees** and it is very difficult to find such employee again. There is no guarantee the new employee will turn out to be the same like the one that has left the company.
- Recruitment Costs, Training Costs, New Hire Costs, lost Productivity cost are some of the **cost incurred by the organizations** when employees leave and new employees are hired.
- The Italian engineer and economist Vilfredo Pareto lent his name to the **Pareto principle** or what is more commonly called "the 80:20 rule" today. One might say "80 percent of the productive effort of an organization comes from 20 percent of its employees". This statement usually leads to the development of incentives for this productive 20 percent and to make sure that they are well-rewarded and stick around and to encourage them carry on contributing at this high level.

ABOUT TATA CONSULTANCY SERVICES LIMITED

Tata Consultancy Services Limited (TCS) is an Indian multinational information technology (IT) services, business solutions and outsourcing Services Company headquartered in Mumbai, Maharashtra. TCS is a subsidiary of the Tata Group and is listed on the Bombay Stock Exchange and the National Stock Exchange of India. It is one of India's most valuable companies and is the largest India-based IT services company with 2012 revenues.

TCS established the first software research center in India, the Tata Research Development and Design Center (TRDDC) in Pune undertakes research in Software engineering, Process engineering and Systems Research. In 2007, TCS Ltd. launched its Co-Innovation Network, a network of TCS Innovation Labs, startup alliances, University Research Departments, and venture capitalists. In addition, TRDDC, TCS has 19 Innovation Labs based in three countries.

Tata Consultancy Services (TCS), the country's largest provider of IT services, has over 300,000 people on its payrolls and plans to add another 55,000 in the current financial year. This will bring TCS within striking distance of the country's largest employer in the corporate sector, state-owned Coal India which has 357,000 employees. For the human resources team of TCS, the challenge is not just the scale but also that these men and women represent 118 nationalities and are located in 50 countries. For a services provider like TCS, human resources hold the key to success.

For TCS Executive Vice-president & Head of Global Human Resources Ajoy Mukherjee, the challenge is to strike a balance between the need for a charged-up workforce and profits. IT companies have realized that one way to keep employee costs under control is to hire fresh graduates from campuses in large numbers. They are inexpensive manpower. But getting the wrong people requires substantial investments in training and the cost advantage gets negated.

TCS MANPOWER PLANNING AND HIRING PROCESS

At TCS, Manpower Planning is done at least three years in advance. The projections get refined for each year. And the company starts visiting campuses for recruitment one-and-a-half years in advance. A team of TCS visits almost 370 colleges every year from September to mid-February. The team creates a pool of students who are assessed through an online test, followed by two rounds of interview. Around 70 per cent of these students join TCS. The bulk of these freshers come from engineering colleges at an entry level salary, which has remained unchanged for five years now at Rs 3.15 to Rs 3.50 lakh.

Since the company hires in such large numbers across geographies (US, China, Hungary), the recruitment team has made use of technology extensively. For instance, the entire process of hiring from campuses is done online. TCS has created a portal called **'Next-step'** where students go to apply for a job. Right from the time a candidate sends in his resume, to enrolling for an online test and getting an offer letter-the entire process is online. There is also an effort to connect with the future employees. Through **Campus Connect**, students are made part of TCS even before they join; it also helps the company spot talent much ahead of the placement.

THE SOCIAL NETWORK

The prime concern of TCS is to meet the aspirations of the young employees (those born in the 1980s and early 1990s) who make up 80 per cent of the workforce. To keep in touch with the goals of this generation in 2013, TCS did a survey of India's younger generation, covering 17,500 high school students across 14 cities. The biggest finding was that this generation was a heavy user of smart devices and had a constant need to be online. This led to the creation of **Knome**, TCS's internal online social network. This is significant as several IT companies do not allow employees to access platforms such as Facebook or Twitter during work hours, but Knome allows employees to connect though posts, discussions and blogs. The Chief Executive Officer of TCS rather than sending emails to individual employees, has chosen to post his thoughts on this platform, ensuring it reaches out to the largest number. This is also a platform that helps employees reach their voice to the top. In addition, TCS does an annual Pulse Survey which takes every employees feedback on things that matter to them. The feedback is confidential and the human resources team works on each of the issues raised during the survey.

More than the sheer number of employees, what worries the TCS HR management is how to keep this 300,000-strong workforce relevant in the fast changing world of technology. TCS does it by shifting employees across departments and organizing training programmes. However, because the training programmes require its employees to move from one office to another across geographies, they can also be a difficult exercise in compliance, especially to rules pertaining to visas.

RETENTION STRATEGY USED BY TCS LTD.

The following measures are adopted by TCS to retain its employees.

COMPENSATION

Compensation constitutes the largest part of the employee retention process. The employees always have high expectations regarding their compensation packages. Compensation packages vary from industry to industry. So an attractive compensation package plays a critical role in retaining the employees. Compensation includes salary and wages, bonuses, benefits, prerequisites, stock options, bonuses, vacations, etc. While setting up the packages, the following components are kept in mind:

SALARY AND MONTHLY WAGE

It is the biggest component of the compensation package. It is also the most common factor of comparison among employees. It includes Basic wage, House rent allowance, Dearness allowance, and city compensatory allowance. Salary and wages represent the level of skill and experience an individual has. Time to time increase in the salaries and wages of employees are done. And this increase is based on the employee's performance and his contribution to the organization.

BONUS

Bonuses are usually given to the employees at the end of the year or on festival.

ECONOMIC BENEFITS

It includes paid holidays, leave travel concession, etc.

LONG-TERM INCENTIVES

TCS provides long term incentives such as stock options or stock grants. These incentives help retain employees in the organization's startup stage.

HEALTH INSURANCE

Health insurance is a great benefit to the employees. It saves employee's money as well as giving them a peace of mind that they have somebody to take care of them in bad times. It also shows the employee that the organization cares about the employee and its family.

AFTER RETIREMENT

It includes payments that an Employee gets after he retires like EPF (Employee Provident Fund).

MISCELLANEOUS COMPENSATION

It may include employee assistance programs (like legal assistance, etc.), discounts on company products, of a company car, etc.

GROWTH AND CAREER OPPORTUNITIES

Growth and development are the integral part of every individual's career. If an employee cannot foresee his/her path of career development in the current organization, there are chances that he will leave the organization as soon as he gets an opportunity.

WORK PROFILE

TCS knows that the work profile matters a lot for its employees therefore it tries to give its employees the position which synchronizes with their capabilities. The profile should not be too low or too high

CAREER PLANNING AND DEVELOPMENT

Guaranteed high motivation levels at TCS through competitive compensation packages, stimulating job content, outstanding development opportunities, and, not the least, an innovative recognition mechanism has helped in retention of employees. The various ways in which TCS recognizes its people are listed below:

1. Project milestone parties — to encourage the efficient execution of projects.
2. Recognition of star performers / high fliers — to recognize outstanding talent.
3. Nomination to covet training programs — to encourage self-development.
4. Best project award — to promote a spirit of internal competition across workgroups to foster teamwork.
5. Best PIP award — to encourage innovation and continuous improvement.
6. Best auditor award — to acknowledge participation in critical support roles
7. Spot awards — to ensure real-time recognition of employees.
8. Recommendations for new technology assignments / key positions to ensure career progression and development of employees' full potential.
9. Performance-based annual increments — to recognize high performers. Early confirmations for new employees — to reward high- performing new employees.
10. Long-service awards — to build organizational loyalty.
11. EVA (Economic Value Added-based increments) — to ensure performance-based salaries.
12. On-the-spot recognition —to guarantee immediate reorganization of good performance.

Equipped with the training programs at The TATA Management Training Centre (TMTC), the extensive Labs at Indian Society for Applied Behavioural Science (ISABS) and Indian Society for Individual and Social Development (ISISD), the constant exposure at conferences, the HR team is a formidable one and at the cutting edge of Technology. The HR team at TCS is transcending from its traditional "maintenance" role to a new developmental role. Designing training modules for Senior Project Leaders on Performance management, facilitating the implementation of People Capability Maturity Model (P-CMM) being done for the first time in Asia) or designing a Balanced Score Card for the team the HR group is at the forefront, rubbing shoulders with the technology experts.

PERFORMANCE APPRAISAL

What needs emphasis is that performance evaluation contributes to TCS's competitive strength. Besides encouraging high levels of performance, the evaluation system helps identify employees with potential, reward performance equitably and determine the employee's need for training. Specifically, performance appraisal has helped the TCS gain competitive edge in the following ways.

TCS conducts two appraisals:
- At the end of the year
- At the end of a project.

Appraisals are based on Balanced Scorecard, which tracks the achievement of employees on the basis of targets at FOUR levels.
- Financial
- Customer
- Internal
- Learning & Growth

The *financial perspective* quantifies the employee's contribution in terms of revenue growth, cost reduction, improved asset utilization and so on. The *customer perspective* looks at the differentiating value proposition offered by the employee. The *internal perspective* refers to the employee's contribution in creating and sustaining value. The *learning and growth* are self-explanatory.

The weightage given to each attribute is based on the function the employee performs. Based on their individual achievements, employees are rated on a scale of one to five (five denotes "superstar"). If employees get a low rating (less than two) in two consecutive appraisals, the warning flags go up.

Over the years the TCS has found the pattern that leads to maximum decline performance- boredom. TCS's performance management system has metamorphosed into one that emphasizes objectivity and a system that mandates performance evaluation against pre-determined criteria. What deserves special mention is the active participation of the senior management in the determination of guidelines for the performance appraisal process.

The process ensures buy in of the employee's since the guidelines for the rating system and its conversion into money terms is not unilaterally decided by HR but is a consensus of a cross functional team with representation from all levels. TCS's performance appraisal system is supported by an on line system called the Human Resource Management System- an Oracle Developer 2000 based tool. TCS however widely encourages informal feedback discussions between Project Leaders and Team Members and this concept has found an overwhelming appeal among the people

ATTRITION CONTROL MEASURES

When an employee formally indicates a desire to resign, the HR executives choose from many different retention strategies to prevent the resignation of that employee. They offer:
- A higher salary
- A promotion
- Overseas deputation
- Transfer to a location of choice
- A change of role, or one with higher responsibility
- Financial assistance or loans
- A change of project
- Training and other competency building initiatives
- Redressal of any specific grievances

Apart from such targeted (individual-specific) retention efforts, there are other, broader means at the disposal of HR to reduce impact of attrition. Some of these are:
- Proactive identification (in advance) of employees at high risk of attrition.
- Training and deployment for "back-up" team members for critical tasks and core employees Improved and effective knowledge transfer mechanisms.
- Creation and implementation of a succession plan for leadership positions, etc.
- Preparation of a comprehensive and optimized attrition-handling plan, to mitigate the after effects of predicted attrition.

IMPACT OF THE RETENTION STRATEGIES ON ORGANIZATIONAL COMPETENCE BUILDING

The followings are the impacts of the retention strategies on organizational competence building of TCS:

WORKPLACE CULTURE

TCS's work profile, award and recognition system have contributed to a conducive work culture to motivate their employees to stay in their companies and contribute to organizational productivity.

EXPERIENCED EMPLOYEES

Training and development programs and proactive attrition control measures, and career planning programs and attractive compensation packages have helped TCS, in retaining its skilled, intelligent, competent and performing employees.

JOB SATISFACTION

Informal feedback discussions in TCS increases job satisfaction in employees thus making them stay in their company and contribute to overall organizational productivity and competence enhancement.

DEVELOPMENT OF LOYALTY AND COMMITMENT TO THE ORGANIZATION

Involvement of senior management in Performance appraisal process of employees and health insurance by TCS are the strategies which instills a feeling in the employees that they are the assets to their company. The employees feel that company is interested in their career growth and overall wellbeing which develops a feeling of ownership, belongingness and ultimately loyalty and commitment towards their organization. This results in employee working in the organization for long years and hence contribute to organizational competence.

LESS ABSENTEEISM

Conducive work environment, incentives, rewards and recognitions, career and development programs of TCS Ltd. help in creating a positive environment in the workplace, and when employees feel they are heard and actions are taken proactively, they are motivated to work in the office and avoid late arrival and absenteeism. Employee discipline will raise the efficiency of one and all the employees contributing to productivity in the workplace.

CUSTOMER SATISFACTION AND RELATIONS WITH OTHER STAKEHOLDERS

Dedicated, hardworking and competent workforce handle customer and clients, suppliers, and competitors, and foreign clients more effectively than unproductive dissatisfied and indiscipline employees. This contributes to a positive image of the company in the IT industry thus making an example of excellence and competence

COST SAVING AS A RESULT OF EMPLOYEE RETENTION

Employee Turnover is a huge loss to a company's financial resources, hence company's retention strategy must ensure that performing employees stay in the company in the long run. When company's capital is saved due to employee retention, it can invest that capital in other ventures or for development of its employees.

FINDINGS

TCS Ltd. gives importance to motivating their skilled knowledgeable and performing employees by recognizing their work through innovative awards in different fields of expertise.TCS offer attractive flexible benefit plan and rewards performing employees with bonus, long term incentives, commissions, and performance linked pay and after retirement EPF. A well designed work profile, proactive attrition control measures and new developmental role of HR Team helps TCS retain its employees to great extent. TCS with their better career prospects, performance appraisal interview and informal feedback discussions and reward system have empowered their employees to a great extent. TCS's proactive attrition control measures and a well-designed Performance appraisal rating scale to identify performing and non performing employees have helped arrest employee leaving the organization.

SUGGESTIONS

Hiring employees is just the beginning to creating a strong committed work force. The real task is to retain them. TCS Limited has a strong and well-designed strategy, but still they can work on few areas for more effective employee retention. TCS can conduct 'STAY and EXIT' Interviews to understand as to why employees choose to leave the organization. The company can have a RETENTION TEAM which will identify the employees leaving, find out the reasons behind their leaving, and have an informal discussions with them to facilitate open and free discussions, and design programs with them to help them out in their issues. This will evade the chance of employee leaving the organization. The company can give utmost importance for employee orientation strategies since the employees would be adapted to Organization's culture, environment and technology by training employees on Policies, Procedures, and Projects and also encourage employees to be part of the company's corporate social responsibility initiatives so that they feel they are not only working for the organization but also they are doing something good for the society.

CONCLUSION

The present study aims to understand the importance of employee retention strategy for IT Industry, to have an in-depth knowledge about the employee retention strategy implemented by Tata Consultancy Services Limited, and assess the impact of their strategy on organizational competence building. Increasing employee turnover, shortage of talented and knowledgeable and performing employees, costs due to employee leaving, fear of employee joining their competitors, and loyalty and commitment to the organization, are the reasons why IT Industry is worried about retaining their employees for sustenance of their organization in the highly competitive world of today.

TCS has developed strong employee retention strategies which greatly contribute to their organizational competence building by increasing job satisfaction, employee productivity, developing loyalty and commitment to the organization, less absenteeism and less turnover, increasing customer satisfaction and good relations with other stakeholders, and cost saving as a result of employee retention.

LIMITATIONS AND SCOPE OF FURTHER RESEARCH

This paper is limited to employee retention strategy of one IT Company. The study can be further carried out on other IT Companies of India to have a comprehensive and in depth knowledge about the employee retention strategies implemented by them.

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