International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS)
(An International Quarterly Multidisciplinary Open Access Double Blind Peer Reviewed Refereed Journal)
ISSN :2581-7930 (Online), Impact Factor (Cosmos): 7.270 & PIF (I2OR): 5.010, Volume 09, No. 03(II), July-September, 2026, pp 121-126

A Study on Organizational Policies and their Impact on Employee Retention in IT Companies

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***Citation**: Saniya, S., Rahaman, I. & Singh, A. (2026). A Study on Organizational Policies and their Impact on Employee Retention in IT Companies. International Journal of Advanced Research in Commerce, Management &Amp; Social Science, 09(03(II)), 121–126. https://doi.org/10.62823/IJARCMSS/9.3(II).9316*

Abstract

Employee retention plays a crucial role in IT organization which is a challenging task. This review paper would like to understand the studies conducted so far on employee retention strategies of IT companies and examine how innovative HR and management approaches (flexible work time, effective communication, feedback, career development plans, compensation/recognition systems, and workplace culture and leadership practices) influence both voluntary turnover intentions and desires to stay among IT employees. The information examined secondary data obtained from articles in research journals, company reports and HRM studies. Conversely, punitive or vague policies, like such as return-to-office mandates or unclear criteria for promotion, are associated with higher levels of disengagement and turnover. The study also finds that retention's dependence on pay and benefits is often mediated by non-financial factors — like psychological safety, manager quality and organizational reputation. Drawing on these observations, the paper proposes a comprehensive policy for IT companies in that will enable them to achieve this dual goal of competitive total rewards and people-focused (flexibility, meaningful growth, inclusive leadership) practices which supports long term retention as well as organizational effectiveness. The result is often decreased turnover and elevated morale, not to mention an employer-friendly work culture.

***Keywords**: Employee Retention, Organizational Policies, IT Industry, Job Satisfaction, Employee Engagement.*

Introduction

In the highly competitive environment of the information technology (IT) sector, retaining talented employees has become one of the most vital challenges faced by organizations. Employees of the IT companies are more creative, problem solvers, and consultants who know very well for technology change that shape the future. That's why IT professionals have an abundance of career opportunity. Keeping good employees is just as important as hiring them. The goal of employee retention is to build a company where people want to stay, from the moment they start until they move on. Companies do this by focusing on what makes employees happy and satisfied in their jobs, which saves money on constantly hiring and training new people. It is challenging to continuously integrate new members and rebuild teams for every project because when a team constantly loses members, the remaining employees have a harder time cooperating and trusting each others. When employees are retained effectively, they become more engaged and are more likely to support the company's most important projects. (V.SuneelKumar, and Dr. P.Raghunadha Reddy 2023)

Employee retention is the second process after hiring best employees. The goal of employee retention is to keep a steady and dedicated workforce by attending to their personal and professional needs so they decide to stay with the company for a longer amount of time. Employee retention is only the initial phase of developing a capable workforce; the real challenge lies in keeping them motivated and productive (V.Suneel Kumar et al 2023). The most difficult task that businesses face nowadays is not just how to hireemployees, but also how to manage on the job for long time while keeping them healthy and motivated (Krishna prakash, jawaharphilimis).The most difficult task of building a team is retaining employee, not recruiting them. It is challenging to continuously integrate new members and rebuild teams for every project. Retention rates continue to increase, and as the competition for talent intensifies annually, it is increasingly imperative for businesses to ensure that their human resources are motivated to remain with the organization for as long as possible or until the completion of the project because attrition rate is high time to time. Employee wants monetary and non monetary factors such as reward and recognition, flexible working hours, psychological safety, manager quality, work life balance, decisive role and meaningful growth. So, the company faces a complete loss when these trained employees leave their jobs after gaining the necessary skills because hiring a new employee is very expensive as frequent turnover not only disrupts workflow but also increases recruitment and training costs. Every company spends time and money to train new employees and help them adjust to the workplace so they can perform like existing staff. Such changes in team procedure can negatively impact overall productivity and organizational performance.

However, one of the major challenges faced by IT organizations is retaining skilled employees in a highly competitive market. When employees who have acquired essential skills decide to leave, the company experiences a total loss. Factors such as compensation, work-life balance, career growth opportunities, performance evaluations, and employee engagement play a crucial role in influencing whether an employee chooses to remain with or depart from an organization.

A well-structured and employee-centric policy framework can foster job satisfaction, motivation, and organizational commitment, ultimately reducing attrition rates. Frequent employee turnover leads to high costs and disturbances, affecting productivity, team spirit, and the company's image. Therefore, focusing on employee retention is not only wise but essential for long-term growth and success. Conversely, rigid or poorly communicated policies can lead to dissatisfaction and disengagement, prompting valuable employees to seek opportunities elsewhere.

It is challenging to continuously integrate new members and rebuild teams for every project because when a team constantly loses members, the remaining employees have a harder time cooperating and trusting each others. Moreover, new employees often need time to adapt to the team's workflow and may initially struggle to meet expected standards of efficiency and quality. It is challenging to continuously integrate new members and rebuild teams for every project. Moreover, new employees often need time to adapt to the team's workflow and may initially struggle to meet expected standards of efficiency and quality (Manju ,D.2020).

Employee retention starts from the moment an individual joins the organization and continues throughout their employment journey. It refers to the company's ongoing efforts to maintain a supportive and positive work environment that encourages employees to stay. Retention initiatives are designed to meet employees' diverse needs, enhance job satisfaction, and reduce the significant expenses involved in hiring and training new talent. Ultimately, retention is about motivating employees to remain with the organization for the long term or until their projects are completed. Strong retention strategies also foster better communication, increase engagement, and strengthen employees' commitment to the organization's overall objectives. The study discusses in depth the elements that contribute to employee retention, including pay, benefits for health and wellbeing, training initiatives, skill recognition, supervisor-subordinate relationships, career advancement, etc. and makes it clear to readers how crucial it is to have effective communication with staff members in order to motivate them to remain with the organization.

How to Calculate Employee Retention

Understanding your current retention rate is essential to measure the effectiveness of your retention strategies. The employee retention rate is typically calculated by dividing the number of employees who have remained with the company over a specific period by the total number of employees at the start of that period. This guide will walk you through how to calculate retention rates, identify patterns, and use this data to inform future HR strategies

Employee Retention Rate=(Employees at end/Employee at start)X100

Methodology

This review paper follow a conceptual and descriptive research design is based on secondary data which is collected from journal paper, websites, and online database such as Google scholar, ResearchGate and Science Direct using keywords including employee retention, IT industry, job satisfaction and HR policies. A large number of published research paper reviewed about employee retention between 2015-2024.

Literature Review

G Ajay Kumar and Dr. M. Srinivasa Reddy (2016):-This paper's main goal is to investigate Bangalore software businesses' employees' agreements about staff retention tactics. In order to get their thoughts on the following employment strategies, 375 software workers were interviewed: a) Management/Organizational Strategies; b) Orientation Strategies; c) Communication Effectiveness Strategies; d) Reward and Recognition Strategies; e) Employee Benefit Strategies; and f) Employee thoughts and suggestions. The study's conclusions demonstrate that, among all retention tactics for both male and female employees, there is a high degree of consensus about communication-effective measures. It may be inferred that while female employees are more likely than male employees to agree with employee retention plans, there is no discernible difference in the degree of agreement between the sexes on employment retention tactics.

A.Raghavendra Prasad and DR. S. Subha Reddy (2021) analyze retention strategies in TCS, Infosys and Wipro, using primary survey data to identify the factor influencing attrition and retention and the findings are (a) career advancement opportuneities (b) superior support, (c) work environment, (d) work pressure, (e) reward and recognition. The findings of this study are anticipated to help managers in IT organization which aimed at reducing employee turnover and improving retention levels.

Manju Dhillon (2020) examines the approaches employed by prominent IT firms like Wipro, Infosys, HCL, Accenture, and TCS to keep their employees. The research points out that significant employee turnover can hinder productivity and raise operational expenses. Some crucial retention strategies identified include attractive salaries, opportunities for career advancement, recognition, training initiatives, and maintaining a healthy work-life balance. The author notes that strong leadership and a constructive organizational culture significantly contribute to job satisfaction and employee loyalty. The study concludes that implementing effective retention strategies is vital for maintaining growth in India's fast-evolving IT industry.

Francina A.(2018) stated that stress, lack of support, no appreciation reward, no growth opportunities and disproportionate remuneration are the major factor of leaving a job. The basic primary goal is to raise employee morale and satisfaction by training program, certification and mentorship to promote retention level for long term.

The research conducted by Igbinoba et al. (2022) explores the connection between strategies for retaining employees and the performance of organizations, highlighting the role of keeping talented staff in boosting productivity and ensuring stability. The study identifies key elements such as training, opportunities for career growth, recognition, and supportive work environments as crucial in fostering employee loyalty. The authors contend that successful retention strategies not only cut down on turnover expenses but also encourage innovation and enhance efficiency. The findings suggest that organizations that focus on employee satisfaction and engagement tend to see better performance results. Consequently, employee retention is depicted as a strategic approach to maintaining competitiveness and achieving long-term success for organizations.

Supatn and Puapradit (2020) explored the relationship between expectancy theory, employee engagement, and job performance. The study emphasizes that employees' motivation is strongly influenced by their belief that effort will lead to desirable performance and rewards. It is totally based on expectancy, instrumentality and valence. The authors highlighted that link between effort and a positive outcome significantly influences employee engagement; when employees see this connection; they are more motivated, committed, and productive.

Mamatha Sridevi and J. Suresh Reddy (2023) conducted many retention policies and try to find relation between each factor. Statistical techniques used areT-test, one way ANOVA and regression analysis . It was found that the age, gender, income, experience, job designation and employee's retention strategy had no significant difference on employee intention to stay.

Balasubramanian and Indira Lax Malini (2020) discussed about a software company in Chennai with the sample size of 400 employees in top 10 Software Company. The questionnaire consists of different questions on Employee Retention Strategies such as 1. General retention Strategies, 2. Natural Environment, 3. Working environment, 4. Non-Monetary recognition, 5. Safety & Welfare measure, 6. Compensation strategies, 7. Organizational culture, 8. Training Strategies, 9. Job Satisfaction, 10. Overall Employee Retention Strategy with demographic profile. They conclude that most of the respondent(26.3%) opinion towards the retention followed recognition and (3.8%) respondents joined because of job content.

Objectives of the Study

The objectives of this conceptual review are to:

- Analyze the major factor inspiring employee retention in IT companies.
- Review and inspect existing research on effective retention policies.
- Identify the role of leadership, culture, and HR policies in promoting retention outcome.
- Prefer a basic understanding for increasing retention in IT organizations.

Discussion

Employee retention is the primary goal of every organization. As we discussed about all previous paper employee retention is necessary for every organization but in IT sector it is very crucial coin because employee knows about technical knowledge. The goal of employee retention is to create an atmosphere that encourages worker happiness, loyalty, and productivity rather than only preventing workers from quitting. High retention rates promote overall organizational stability, lower turnover costs, and boost business culture. Long-term employees grow more deeply when they work for your company. The reviewed literature reveals that retention in IT organizations is influenced by a complex interplay of financial, psychological, and personal elements. Traditional retention strategies centered on compensation are inadequate as they fail to address key psychological and personal needs, leading to disengagement and high turnover that's why modern retention policies focus on flexibility, value of recognition and meaningful work culture. A long term success of retention is based on continuous learning, autonomy of work and open communication in an organization. Transformational leadership plays an important role in shaping these conditions. Stronger organizational connection is fostered by transformational leaders who motivate, support, and values their colleagues.

Moreover, the hybrid work model has reshaped retention strategies because of flexibility and remotework provides work life balance. HR analytics enable us to understand current employee problems and prescriptive analytics to improve future outcome. When technology and data driven retention are combined with employee attribute, companies can create a valuable and motivated workforce.

Theoretical Structure

Several motivational theories explain the dynamics of retention:

- Herzberg's Two-Factor Theory (1959): suggest that motivation comes from two different factors such as hygiene factor (salary, working conditions) and motivators (achievement, recognition). Sustainable retention requires both factors are necessary.
- Maslow's Need Hierarchy Theory (1943): emphasizesfive types of needs, starting with basic physiological and safety needs and moving up to social, esteem, and finally self-actualization needs.
- Social Exchange Theory (Blau, 1964): Suggests that retention occurs when employees perceive a balance of fair exchange between their efforts and organizational support.
- Expectancy Theory (Vroom, 1964):emphasizes that motivation comes from good performance to meaningful reward. Retention comes from these motivational outcomes.
- Job Embeddedness Theory: suggest that the connections, fit, and sacrifices interrelated with one's job influence the decision to stay.

Together, these theories provide a multidimensional understanding of how psychological, economic, and social factors drive retention.

Key Findings

- Retention Requires a Comprehensive Attitude: Maintaining a long-term partnership requires attending to financial, professional, and psychological requirements.
- Effective Leadership is Essential: Democratic, Transformational and Laissez-faire leadership create a culture which influence trust and morale.
- Work-Life Integration is Important: Programs for wellness and flexibility have a big impact on retention.
- Lifelong Learning Manage Loyalty: Employees remain in same organization when manager invest time and resources with their employee for job satisfaction.
- Impact of Work Engagement Over Compensation: Emotionally connected and organizational support are stronger retention factor.
- Technology-Driven HR Practices: Proactive retention management is strengthened by targeted interventions and predictive data.

Recommendations

Based on these types of literature, the following measures are recommended:

- Implement HR frameworks centered on employees that focus on career growth, incorporation and wellness.
- Promote leadership training program, learning initiatives to enhance transparency and the ability to accomplish tasks among managers.
- Support employees in managing their professional and personal liability through flexible and hybrid work structures.
- Implement recognition and rewards that appreciate effort and creativity in addition to money.
- Utilize AI-based HR analytics to improve morale for retaining employees and forecast turnover uncertainty.
- Encourage the movement of talent within the organization to retain high motivation and prevent stagnation.

Conclusion

High staff turnover leads to decreased employee retention and an increased attrition rate. When employees are retained, product costs decrease, productivity increases, and the industry's loss of talent is mitigated. The rapid growth of the IT sector has resulted in challenges for employee retention. Retaining talent is no longer just a task for the human resources departments; it is a critical factor that directly impacts the company's performance. Organizations must reexamine tradition methods and implement all-encompassing, people-centered retention strategies due to the industry's dynamic and competitive character. The study emphasizes that a variety of other elements, including work-life balance, promoting leadership, career advancement, and a pleasant workplace culture, have an impact on retention in addition to compensation. To promote long-term devotion, a sustainable IT retention strategy should incorporate both financial (salary, bonus, commissions, pay raises, performance related pay and fringe benefits) and non financial rewards(job security, flexible work hours, working conditions, career development and so on) . Businesses that successfully integrate organizational goals with the human experience will succeed in the long run as technology persists to change the scope of work. Artificial Intelligence, machine learning algorithms, remote and hybrid work models in forecasting and improving retention outcomes may be the subject of future studies.

To enhance employee retention, organizations should focus on building employment relationships that put employees first. Given the difficulties IT departments face in maintaining staff, HRD should emphasize strategies related to managing work pressure, rewards, and recognition. Employers need to provide their employees with excellent opportunities for career advancement, support from supervisors, a positive work environment, performance expectations, and avenues for rewards and recognition. By doing so, employees will feel motivated to fully invest in the company.(A. Raghavendra Prasad, and D. Subba Reddy)

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