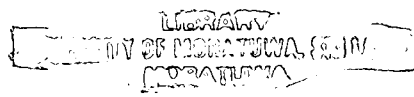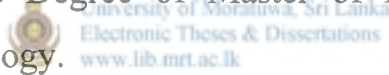# RETAINING IT SKILLED STAFF IN SMALL AND

MEDIUM SCALE SOFTWARE COMPANIES

IN SRI LANKA

By

G. D. Karunaratne

The Dissertation was submitted to the Department of Computer Science and Engineering of the University of Moratuwa in partial fulfillment of the requirement for the Degree of Master of Business Administration in Information Technology.

Department of Computer Science and Engineering
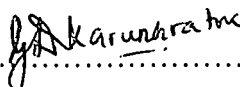
University of Moratuwa

Sri Lanka

December 2004

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DECLARATION

I certify that this dissertation does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any University to the best of my knowledge and belief it does not contain any material previously published, written or orally communicated by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation, if accepted, to be made available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations.

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Supervisor

ABSTRACT

Retention of skilled employees is one of the most important challenges in companies today. The highest priority for any company is to remain successful. One critical factor to this success is the ability of an organization to not only attract top talent, but to retain those already working within the company. Losing employees can have a significant impact on the company's morale, productivity and overall profit.

This research setout to identify the important factors concerned with retaining of IT skilled staff in small and medium scale companies. The research initiated with an in depth literature survey to understand employee motivation and retention. Thereafter, a questionnaire was prepared to capture information on various factors that motivate employee, demographics and turnover intension of employee in another couple of year's time. This study also learned the strategies adopted by these software companies to retain their staff.

From the company interviews it became apparent that the companies did not carryout many specific strategies with the motive of retaining their staff. The results of the employee survey indicated the most important factor was friendly environment or co-worker relationship next to keeping up-to-date with technology. It was also evident that the importance of factors varied with each demographic factor of employees such as sex, marital-status and level of IT experience. Research indicated that 47.5% of employees were willing to leave the company for a salary raise less than or equal to 40% of their present salary. Results also revealed that 30% of staff had the intension of going to another company in 2 years time; 29% planned to go overseas and only 27% intended to stay with the present company.

The identified factors were grouped into five categories and a Category Satisfaction Index (CSI) was formulated and from that an overall Satisfaction Index (SI) of employee derived. A strong correlation (0.76) could be observed between the overall job satisfaction (SI) and the employee's intension of staying in that company in the next two years. A correlation could not be established between the SI and the minimum salary increase expected to leave the present company to another.

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ACRONYMS

BOI	Board of Investment
CSI	Category Satisfaction Index
CSV	Comma Separated Value
FSI	Factor Satisfaction Index
ICT	Information and Communication Technology
ISIC	International Standard Industrial Classification
SME	Small and Medium Scale Enterprise
SI	Satisfaction Index

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I would like to thank all my friends who helped me circulate the questionnaire to get prompt responses. I owe my sincere appreciation to my beloved parents for their love and invaluable support during my life and studies. Finally, I owe my profound appreciation to my husband who encouraged and assisted me with data analysis and for my two children who endured missing my loving attention.