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Managing business-to-business relationships under conditions of employee attrition: A transparency approach

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ABSTRACT

Client-contact employee attrition can negatively affect client-supplier relationships, a problem all the more obvious within the knowledge-intensive service industry in which the untimely loss of employees adversely affects client relationships. From the client's perspective, employee attrition increases uncertainty over the perceived quality of service and results in the loss of valuable tacit knowledge from the provider. Drawing on case study materials, this paper seeks to develop a framework for understanding how firms can successfully manage client relationships despite threats of employee attrition. This paper suggests that relationship transparency based on the active transfer of information, knowledge retention and sharing, the implementation of succession plans, and timely intervention by the management, can reduce clients' perceived uncertainty, thereby fortifying a trusted relationship with their provider. This study offers a transparency-based conceptual framework that contributes to the business-to-business relationship literature within the knowledge-intensive service industry and discusses managerial implications.

1. Introduction

Developing, maintaining, and enhancing relationships with business customers has been a key area of research in marketing, particularly within knowledge-intensive service (henceforth KIS) industries (Athanassopoulou, 2006; Das & Kasturi Rangan, 2004; De Ruyter, Moorman, & Lemmink, 2001; Ekici, 2013; Kalwani & Narayandas, 1995). Research has shown that retaining customers is a less expensive and less time-consuming process than attracting new customers (Rosenberg & Czepiel, 1984). Furthermore, building intimate relationships with customers is crucial for creating customer loyalty and increasing profitability (Mattila, 2001). However, the relationship between customers and service providers is complex, as it is affected by various external and internal factors. Within a business-to-business (B2B) context, research has emphasized the role of client-facing employees (or contact employees) in building and maintaining long-term relationships between the two parties (Bendapudi & Leone, 2002; Madill, George, & Riding, 2007; Stanley, 1985; Zhang, Baxter, & Glynn, 2013). Client-contact employees are largely responsible not only for mapping customer requirements and for ensuring quality at the point of service delivery but also in service development processes (Chung & Schneider, 2002). Furthermore, the assumption that customers are involved in the production of the service as co-producers (Vargo & Lusch, 2006) presupposes a special interpersonal relationship between the parties. This intimate relationship can mean, in many cases, that a firm's key contact employees can have a relationship with their clients that is stronger than the firm's relationship with those clients (Czepiel, 1990; Gwinner, Gremler, & Bitner, 1998; Lian & Laing, 2007). Thus, client-contact employee relationships with the firms they serve are considered an important means of building strong ties with their customers (Cravens, 1995; Dwyer, Schurr, & Sejo, 1987; Weitz & Bradford, 1999). Given the importance of client-facing employees, an untimely departure of these key employees will likely cause project delays and result in disruption, increased uncertainty, and costs to the client, thereby weakening or deteriorating the relationship between the parties (Bendapudi & Leone, 2002; Kumar, 2012; Lewin, 2009; Madill et al., 2007).

Despite the importance of this issue, relevant research remains scarce. Thus, little is known about how firms manage the adverse effects of the untimely loss of contact-employees on their client relationships. This issue is particularly important in the modern context, in which continuous changes in the technological and competitive landscape make it increasingly difficult for firms to keep their employees satisfied and willing to make a long-term commitment (Demirbag, Mellahib, Sahadeva, & Ellistonc, 2012; Horwitz, Heng, & Quazi, 2003). The study by Bendapudi and Leone (2002) is specifically concerned with personnel attrition in the B2B environment and proposes certain measures to mitigate the effects of personnel attrition, such as rotation of employees, advance notification of replacements, information sharing among employees, retaining and protecting the knowledge co-created during projects. Apart from Bendapudi and Leone's (2002) work, very little effort has been made to conceptually understand the dynamics of personnel attrition and its damaging effects on the trusted relationship

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between the parties. The limited body of research available is somewhat fragmented and tentative (e.g. Kumar, 2012), thereby providing little guidance to practitioners within KIS concerning how to proactively mitigate the threat of personnel attrition and maintain long-term relationships with clients.

In this paper, we suggest that, in times of personnel attrition, suppliers can adopt a transparency-based approach to address the challenge related to client-facing employees and maintain open and trust-based relationships with clients. To this end, we develop a framework based on the concept of transparency, which we then ground empirically using four cases of Indian firms operating within the KIS sector. The framework is developed in a dialogical interplay between theoretical pre-understandings and a close examination of how the chosen cases have deployed the strategies of transparency as they struggled with personnel attrition. We use these cases because they are "particularly revelatory" (Eisenhardt & Graebner, 2007: 27) and because a large number of Indian KIS firms have suffered (and continue to suffer) from high rates of personnel attrition (Demirbag et al., 2012; Jaggi, 2010; Nasscom, 2010, 2013). However, despite high attrition rates, several Indian KIS firms have addressed these issues effectively, as evidenced by their continued growth. How such firms manage the effects of their contact-employee attrition can be relevant to other firms facing similar challenges.

The present study contributes to the B2B relationship literature by providing a framework that helps suppliers manage major relationship threats posed by personnel attrition. Our assumption is that the concept of relationship transparency can be a remedy to personnel attrition's effects on clients and can preserve an open and trust-based relationship.

In the following section, the theoretical background and the rationale for the study are presented. Subsequently, a preliminary conceptual framework is developed. The research method is then discussed, followed by the presentation of case study material used as a basis for supporting and grounding our preliminary theoretical framework. Finally, the findings and related propositions are presented, and conclusions and implications are discussed.

2. Theoretical background

2.1. Role of contact-employees in client-provider relationships

The effect of an untimely loss of key customer-contact employees on client relationships in knowledge-intensive services is an issue that needs further attention from marketing researchers (Bendapudi & Leone, 2002; Kumar, 2012). Research shows that clients are a main source of innovative ideas for the service firm (Cooper & Kleinschmidt, 1986; Yoon & Lilien, 1988; Urban & von Hippel, 1988; von Hippel, 1988; Calantone, Benedetto, & Haggblom, 1995; Athanassopoulou, 2006: 89) because firms, through their client-facing personnel, can gain insights into the problems of clients and conceptualize new product or service development ideas (Hanna, Ayers, Ridnour, & Gordon, 1995). Moreover, the customer relationship management literature emphasizes that interaction with customers is a main source of market knowledge (Ashwin & Sharma, 2004; García-Murillo & Annabi, 2002). Furthermore, service development is an interactive, co-productive process between service providers and clients (Vargo & Lusch, 2006, 2008); therefore, developing a functional relationship with clients is a key requirement in any KIS business firm. To the extent that services can carry a host of meanings that are individually perceived by clients and service firms (cf. Martin, 1998), an intimate and interactive engagement between the parties can provide opportunities to develop common ground for interpreting meanings and values and can thus lead to a trust-based relationship (Dyer & Singh, 1998).

The literature on service marketing (e.g.Crosby & Stephens, 1987; Solomon, Surprenant, Czepiel, & Gutman, 1985) often emphasizes the importance of person-to-person encounters between client-contact employees of the service firm and the employees of the client firm in the process of service development and delivery (Goodwin & Radford, 1993; Jayawardhena, Souchon, Farrell, & Glanville, 2007; Lehtinen & Lehtinen, 1991; Mattsson, 1994; Mills, Chase, & Margulies, 1983). Such proximal encounters between persons can be viewed as a dynamic interaction process (Mattsson, 1994: 46) that can foster interpersonal relationships between the involved persons and create a form of social capital between them (Kale, Singh, & Perlmutter, 2000). Based on this common understanding between providers and clients, research suggests that, in the event of a crisis that might threaten the relationship, the close provider-client relationship can act as a moderating factor and provide the service firm an opportunity to redress the failure (Priluck, 2003). Thus, the relational advatnage generated through an interpersonal relationship can discourage the customer from switching to competing service providers and thus can be a source of competitive advantage for the service firm (Srivastava, Shervani, & Fahey, 1998).

The close relationship perceived by clients in a service relationship can also manifest in interpersonal attachments that can lead to repeated orders from clients (Butz & Goodstein, 1996). Thus, service firms can benefit from knowledge acquired by contact employees because they can use such knowledge to develop new capabilities useful for expanding their operations (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). Additionally, efforts by contact employees and relationships with prominent clients can provide service firms a type of legitimacy in the market, which can be useful in obtaining new clients (cf. Hitt et al., 2006: 1142).

Hence, value-creation in KIS firms is dependent upon the development and deployment of skilled contact employees (Hitt, Bierman, Shimizu, & Kochhar, 2001; Hitt et al., 2006; Lepak & Snell, 1999) who can deliver quality services to their customers, a capability that can constitute a competitive advantage for the firm (Løwendahl, 2000). When these important members leave the organization, a significant amount of relational and knowledge capital vital for serving the client and thus maintaining a sustainable relationship is lost (Bendapudi & Leone, 2002; Kumar, 2012; Parker & Skitmore, 2005). Replacement might not be easy because newly recruited employees would require going through a long training and socialization process before they are able to make any significant contributions to a client project. Thus, it can be inferred that employee attrition presents a serious threat to the survival and growth of KIS firms, an issue that requires further research attention (Bendapudi & Leone, 2002; Kumar, 2012). For instance, Bendapudi and Leone's (2002) work is very insightful concerning measures to mitigate the effects of personnel departure. Therefore, the present study contributes to this scholarship by invoking the concept of transparency as a means of reducing the issue of asymmetry of information that can ensue from client uncertainty.

Although a very important issue for the competitive sustenance of these firms and their clients' businesses, extant research in this area is scarce. In this study, we integrate ideas from the customer relationship management and knowledge management literature to suggest a transparency-based framework for understanding the strategies that Indian KIS firms have adopted as they struggle with personnel attrition.

2.2. Theoretical framework for managing relationships through transparency

Following Uzzi (1997), we assume that relationships can involve three key elements: "trust", "information sharing", and "joint problem solving" (p. 42). These elements affect one another. Trust can lead to significant information sharing between partners, which can enable the parties to solve problems jointly (Uzzi, 1997). By 'trust', we mean a "belief or confidence in the other party's goodwill or benevolence", a situation in which both parties show an intention to look after one another's interests, demonstrating that their actions are not purely guided by their own profit motives (e.g., Barney & Hansen, 1994; Mayer, Davis, & Schoorman, 1995; Hosmer, 1995; Doney & Cannon, 1997; Viitaharju & Lähdesmäki, 2012: 569). The level of trust and information sharing between partners is affected by the intensity and

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frequency of the exchange of information and by the duration of the relationship (Dyer & Singh, 1998). We thus assume that the endurance of a relationship can be a reflection of trust and deep understanding between the partners (Saparito, Chen, & Sapienza, 2004). The longer that relationship lasts, the more they know and trust each other. Trust is thus considered an important moderating factor for a successful business-to-business relationship (e.g.Dwyer et al., 1987; Dyer & Singh, 1998; Grönroos, 1994; Håkansson & Snehota, 2000; Lee & Trim, 2006; Morgan & Hunt, 1994; Viitaharju & Lähdesmäki, 2012).

However, trust is not something that is inherent in all business-to-business relationships (Hingley, 2005a, 2005b), largely due to the asymmetric nature of the relationship in which there is an information inequity between the partners in the relationship (Gundlach, Achrol, & Mentzer, 1995; Johnsen & Ford, 2008; Kumar, 1996; Viitaharju & Lähdesmäki, 2012). In a trust-based client-provider relationship (cf. Dyer & Singh, 1998), frequent and dense exchanges of information can reduce the risk of information asymmetry between the parties, a contingency that can negatively affect the degree of trust and hence the relationship (Viitaharju & Lähdesmäki, 2012). Although trust is important for the success of any relationship, it is not static in nature; it evolves as the partners gain new experiences in the relationship, which can cause it to improve or decay as time goes by (Ganesan, 1994; Lewicki & Bunker, 1996; Ring & Van de Ven, 1992; Viitaharju & Lähdesmäki, 2012). Thus, at any one time, changes in circumstances (such as a high attrition rate) can create a situation of information asymmetry. Faced with the issue of information asymmetry, there is a need to increase information sharing to contain the risk of information asymmetry between partners for fear that such asymmetry will be understood by the client as a source of concern and possibly an instance of negative opportunism (Williamson, 1994). When circumstances change adversely, creating a sense of crisis, the provider willingly undertakes a relationship transparency strategy through, among other things, information and knowledge sharing (Eggert & Helm, 2003).

From a sociological and psychological perspective, the concept of transparency refers to honesty and openness (Hofstede, Spaans, Schepers, Trienekens, & Beulens, 2004; Jensen, 2001; Theuvsen, 2004). Within the literature related to 'netchains', researchers commonly associate the concept of 'transparency' with tracking and tracing systems that allow them to see what is produced and how it is produced (Hofstede, 2003a). This type of transparency is referred to by Hofstede (2003a, 2003b) as 'history transparency' because it is oriented toward past events and is primarily defensive, enabling reactive responsiveness in cases of accidents. This transparency is often imposed from outside the chain, for example, by government regulation (Theuvsen, 2004). However, transparency can also be future-oriented and voluntary. It is about revealing information and knowledge about an uncertain environment on a voluntary basis, which helps partners to be better prepared for future actions (Hofstede, 2003a, 2003b; Theuvsen, 2004). Hofstede defines 'transparency' as "the extent to which stakeholders have a shared understanding of, and access to information that they request, without loss, noise, delay and distortion" (Hofstede, 2003a, p.18; quoted in Theuvsen, 2004: 125). He thus distinguishes between two types of transparency: 'operation transparency' and 'strategic transparency'. Whereas the former refers to the voluntary transfer of information pertaining to the coordination of current business operations (planning of daily activities, such as logistics), the latter revolves around reciprocal information flows that concern future-oriented, strategic courses of action (Hofstede, 2003a; Theuvsen, 2004). Researchers have suggested that there is a reciprocal influence on the relationship between transparency and trust (Anderson & Narus, 1990; Dion, Easterling, & Miller, 1995; Theuvsen, 2004). Because transparency is based on a willingness to share strategic information and knowledge that reveals the partner's vulnerability, it is closely related to the notion of 'trust'. The intention to share information and to reveal confidential data is a gesture of trust vis-à-vis a partner. By contrast, not being transparent might be understood as lacking trust. The relationship between trust and transparency is a circular one; each co-configures the other.

In the marketing literature, 'relationship transparency' is defined as "the subjective perception, by the parties involved in a given relationship, of being informed about the relevant actions and properties of each other" (Eggert & Helm, 2003:103; Hultman & Axelsson, 2007: 628). Adopting a transparency strategy involves an open exchange of information and an enhanced level of knowledge sharing between the parties (Cox, 1967; Eggert & Helm, 2003), whose aim is to minimize the "level of perceived uncertainty" that is triggered by an adverse event in the relationship. However, due to individuals' limited cognitive abilities to process and store information (Simon, 1979), the focus of open and transparent communication is on "information quality" rather than "information quantity" (Eggert & Helm, 2003).

Adopting transparency in a B2B relationship can potentially yield increased customer-perceived value and satisfaction. Furthermore, it can strengthen the bonds of trust between the parties, thereby reducing the degree of uncertainty (Eggert & Helm, 2003: 101). The need for transparency can be more important in the event of a crisis. It can also lead to joint problem solving because parties can understand one another's limitations. Thus, in cases in which they feel the need for support, they can extend support. Hence, in the event an employee departs the project, both parties would feel that they are somehow jointly affected by the problem and, in the best of cases, find themselves prepared for it. The problem can be perceived as a joint problem by both parties.

To summarize the discussion thus far, relationships between providers and clients change because of events that can increase information asymmetry between them, e.g., adverse events that create a sense of crisis (such as personnel attrition). To preserve their strong relationships with their clients, providers can voluntarily adopt a strategy of relationship transparency to redress the situation caused by information asymmetry and re-establish and fortify their trust-based relationships with their clients.

2.3. Increasing transparency through knowledge retention and succession planning

As noted above, relationship transparency involves the sharing of sensitive knowledge and information and the revealing of what strategic courses of actions are being taken in an effort to resolve the adversity. Within the area of knowledge management, researchers have recognized the significance of knowledge codification as a means of retaining, transferring and trading knowledge (Nonaka, 1994; Prencipe & Tell, 2001; Zander & Kogut, 1995). However, our focus here is on the extent to which knowledge codification increases transparency between partners and on re-interpreting it from a transparency point of view. The parties can increase transparency through astutely managing knowledge flows between them and in this process a key requirement is knowledge codification.

Knowledge codification refers to "the process whereby knowledge is transformed into information, in which information is understood in terms of messages or sets of identifiable rules, recommendations, templates, etc., which can be the basis of decision-making" (Prencipe & Tell, 2001: 1375; Cowan & Foray, 1997; Kogut & Zander, 1992; Ancori, Bureth, & Cohendet, 2000). According to Zollo and Winter (2002), knowledge codification is a critical mechanism in the organization's process of capability building; however, this aspect has been under-emphasized. Some of the benefits of knowledge codification are to increase efficiency (Prencipe & Tell, 2001; Zack, 1999), to facilitate its retention and diffusion (Nonaka, 1994; Zander & Kogut, 1995), and to facilitate the co-ordination and performing of complex activities (Grant, 1996). In knowledge-services, experts codify clients' requirements and their process models into software codes and develop solutions. Knowledge codification can be a time- and resource-consuming process, but it can be useful in reducing the complexities associated with the description and analysis of domain knowledge by articulating such knowledge into reusable written forms (Boisot, 1995; Prencipe & Tell, 2001: 1376).

Knowledge codification lends itself to portability to partners by enabling the parties to exchange it in written form (Prencipe & Tell, 2001), which reduces information asymmetry. To facilitate the codification of knowledge and its proper management, several technological solutions have been suggested (Davenport & Prusak, 1998) that can alleviate over-reliance on people in certain situations and make organizations less vulnerable to a loss of knowledge resulting from the untimely loss of individuals. However, too much emphasis on codification can lead to rigidity in organizational processes, making them less flexible in responding to the unfamiliar situations that organizations face in the changing environment (Nightingale, 2003). Moreover, codified knowledge can also create new forms of tacit knowledge because knowledge can be contextually bounded; thus, the value of codified knowledge can remain underexplored (Prencipe & Tell, 2001: 1376). However, codification remains a potentially important mechanism for preserving and sharing explicit knowledge with others within and across the firm (Nonaka, 1994).

As for succession planning, Bendapudi and Leone (2002) stress the significance of personnel rotation and planned transition of employees as a means of spreading the level of contact and of reducing organizational vulnerability to a limited number of people. However, we consider a general rotation of personnel and short transition period less effective because it does not focus on the specific contextual characteristics of the ties between the key client-facing project leaders and the specific needs of the client. We suggest employee replacement that is based on succession planning as a more suitable strategy for our present purposes (Hall, 1986). Such planning invokes a sense of being prepared for a situation that can occur at any time and in which the prepared employees can succeed a specific colleague should that situation occur. Succession planning involves the process of preparing and developing employees to fill key positions that suddenly can become vacant due to untimely departures of employees (Rothwell, 2001:6; Ip & Jacobs, 2006: 327); and which can be applied to jobs at any level (Kim, 2003). Whereas personnel rotation aims to extend the stock of knowledge of personnel, the purpose of succession planning is to provide information and skills to employees who are called on to replace departing colleagues when the latter leave the organization. Communicating such succession plans to the client will make the client more informed and confident. Taking such actions and informing the client of them can be seen as proof that the provider is being sincere and open in its relationship, ultimately strengthening relationships and trust and reducing uncertainty and the risk of seeing projects hindered in terms of deadlines. Such preparation can also indicate that the provider is seriously committed to and intent on preventing knowledge from 'walking out the door' with departing client-facing employees.

In these terms, we assume that relationship transparency involves sharing information with clients about measures the partner is undertaking to prevent the loss of client-specific knowledge in the event an employee leaves the organization. When the partner chooses to reveal what strategies are actually being employed, the client partner feels informed, less insecure, and more comfortable, thereby increasing the level of trust between them and ensuring the continuity of the relationship. Taking the concept of transparency and the two accompanying concepts – 1) the sharing of information with clients and 2) the preservation of client-specific knowledge through codification, and succession plans – as our preliminary conceptual framework, we will examine how four Indian KIS firms have addressed the challenge of personnel attrition that they encountered in serving their clients.

3. Research method

3.1. Research design

Consistent with the exploratory and interpretive nature of this study, a multiple case study approach was deemed suitable (Yin, 1994). Initially, two Indian KIS firms, henceforth pseudonymously referred to as Tech-A and Tech-B, were selected from the Indian IT service industry. Theoretically, these cases were believed to be suitable for illustrating the relationship between employee attrition and client relationship management. The case firms constitute examples of a wider set of Indian KIS firms that also suffer from the problem of attrition (see Table 2). However, Tech-A and Tech-B differed in terms of size (number of employees and revenue), geographical reach, and client-relationship durations, as shown in Table 1. In an effort to achieve a richer, more diverse, and solid body of material (Eisenhardt, 1989), we have also included two relatively new and small firms, Tech-C and Tech-D. The three case firms, Tech-A, Tech-B and Tech-C, were part of a larger project on competitive sustenance of Indian IT firms.

3.2. Indian knowledge-intensive service industry as the empirical context

In case study research, context is important (Patton & Appelbaum, 2003). Indian KIS firms have reported high growth in recent decades and have gained significant attention from business researchers and practitioners. This growth has come with challenges such as high employee attrition, at a rate of 24% to 35% in the service sector (Jaggi, 2010), which has negatively affected Indian firms' and their long-term planning (Nasscom, 2010). The seriousness of the problem being faced by the Indian IT service industry served as the main reason for choosing Indian IT sector as the context for this study. Furthermore, the selection of case firms was also guided by the period the firms have sustained their customer relationships (because longer and stable relationships can also imply that the firm has somewhat managed to control the effect of the attrition), the level of attrition they are facing, and the availability of required information for this study. An overview of the case firms is presented below.

Case: Tech-A. is a KIS firm based in Bengaluru that employs more than 125,000 skilled engineers from India and abroad and operates in 28 countries. Tech-A has reported a very high level of attrition over several years; however, it has been able to sustain long-term relationships with its clients.

Case: Tech-B. is a Bengaluru-based international KIS firm that employs more than 10,000 skilled people, with business operations across Asia, Europe, and the USA. The firm has reported attrition over several years. Despite a significantly large number of people leaving the organization, Tech-B has been able to sustain its relationship with clients. The average duration of client relationships ranges between 8 and 10 years.

Case: Tech-C. is a relatively new KIS firm that was launched in 2011. It is located in Bengaluru, India and has operations in Asia, Europe, and the USA. The firm employs more than 500 skilled employees. Despite a high attrition rate across the Indian IT industry, this firm has managed to attract and retain employees at junior and senior management levels. The company was ranked among the top 5 emerging organizations in IT sector in India and also received NASSCOM 2015 award for one of India's best IT Company to work for. High attrition was reported at entry-level positions, but no significant attrition was reported at higher levels.

Case: Tech-D. was founded in 2006 in Bengaluru, India. The firm provides tools, solutions, and services for product and semiconductor companies in the multimedia space, such as in-home and automotive entertainment, and surveillance. Its strategy is to increase the productivity of embedded system designers and programmers. The company operates in five countries across Asia, Europe, and America. It was featured in the league of 'Top 10 Startups in India' by NASSCOM and received the 'Technology Innovation award' from NASSCOM. The firm is actively engaged in intellectual property (IP) development and has received a patent for its technology product.

3.3. Data collection and analysis

Data collection and analysis focused on the case firms' approaches toward managing their relationships with clients under the threat of high attrition. Case firms Tech-A and Tech B had regularly reported their attrition data in their annual reports. Thus, it was possible to collect yearly data on attrition for these two firms. Tech-A and Tech-B in particular had discussed the causes of attrition and the countermeasures that the firm had adopted in controlling its negative effects. The availability of such rich material on attrition allowed us to become familiarized with the gravity of the problem and to understand its larger effect on the service firm. Data on attrition rates were collated for financial years 2009 to 2013, and later updated with figure from year 2014. Because Tech-C is a new firm, only one year of data on attrition was available, and Tech-D did not report any attrition data; thus, we had to rely upon interview and secondary data only.

In addition to consulting material, such as the annual reports for the attrition data, several interviews were conducted at these firms between January 2010 and February 2014. Follow-up interviews were conducted in July 2015. Senior level managers at Tech-A, Tech-B, Tech-C, and Tech-D were interviewed to obtain an overview of their business activities and the attrition situation in these firms. The interviewees were given fictive names to ensure confidentiality. The interviews were conducted both at the interviewees' main offices in Bengaluru (Tech-A, Tech-B, Tech-C, and Tech-D) and at their offices in Stockholm (Tech A and Tech B). During the interviews, a set of semi-structured questions (Kvale, 1996), as part of a larger set of questions, was asked and responses were noted down. The interviews were aimed at understanding, over and above issues pertaining to competitive sustenance of these firms, the firms' strategies for warding off the negative effects of personnel attrition and for maintaining continued trust-based relationships with their clients. At this follow-up stage, several themes began to emerge (Flick, 2009). The themes were assigned different headings based on the theoretical understanding of the data.

In an effort to reduce cognitive biases (Miller, Cardinal, & Glick, 1997), we adopted several strategies to improve the validity of the findings. We triangulated the data, applying two data sources, interviews and documents (Eisenhardt, 1989); asked informants to reflect on problems and concrete steps their firms have taken to address the risk resulting from attrition; and asked similar questions to more than one informant in Tech-A, Tech-B, and Tech-C across organizational levels. The available documents were re-examined to verify facts and figures and to check the consistency of the data and the actions taken by the firms.

The mode of analysis proceeded in multiple stages, beginning with the preparation of case reports based on the interviews and with information collected from company websites, such as firms' press releases, news updates on wage increases, recruitment, attrition control mechanisms, and client communication. Data were collected and coded following management's reasoning as understood in the interviews and reports. These reports largely confirmed the seriousness of the problem and of how firms perceived it.

The data were analyzed both inductively, relying on qualitative techniques (Glaser & Strauss, 1967), and deductively, informed by our preliminary framework (Meyer, 2001). The process is thus an abductive one, moving between the empirical evidence and theoretical concepts (Alvesson & Sköldberg, 2000). Based on documents and informants' statements regarding their efforts to ward off the negative effects of personnel attrition with an aim to preserve their trust-based relationship with their clients, we began by identifying key concepts such as

Table 1
Overview of firms and interviews.

Case firms	Business	Founded	Approx. no. of employees (2013)	Revenue million US$ (2013)	Sales from international market	No. of interviews	Function of interviewees	Major documents
Tech A	IT services	1981	125,000	7000	90	8	Country Business Head, Associate Vice President IP Development & Commercialization, Principal Researcher, Project Manager, Software Engineer	Source: Website yearly data on revenue and employee attrition, customer feedback, customer referrals, project success stories
Tech B	IT services	1999	10,000	436	85	8	Director Nordic Business. COO, COO-Global Delivery, Technology Head, Project Manager, Software Engineer	Source: Website yearly data on revenue and employee attrition, customer feedback, customer referrals, project success stories
Tech C	IT services	2011	500	12.6	50	7	Sr. Vice President and Chief Operating Officer Sr. Manager, Project Manager, Software Engineer	Source: Website customer feedback, customer referrals, project success stories
Tech D	IT product & services	2006	200	N.A	90	2	Vice President Marketing, Contacted the co-founder	Source: Website project success stories, customer referrals, customer website

Table 2
Loss of key contact employees and its effect on the service firm.

Ventures	Effects on the service firm						
	Annual rate of attrition[a]	Type of attrition	Project cost	Market resources	Client knowledge	Reputation of the firm	Client-relationship
Tech-A	2014: 18.7% 2013: 16.3% 2012: 14.7%, 2011: 17%, 2010: 13.4%, 2009: 11.1%	Associate, Middle Management, Senior Management, Top Management	Increased pressure on teams to avoid cost escalation	Loss of customer information, discontinuation of sales efforts,	Loss of client specific knowledge, but most client relations are old and it moderates the effect	Wide coverage of attrition in media negatively affects the reputation, yet, the firm mange to attract highly talented workforce	Negative effects on client relationship reported, but no discontinuation of relationship reported
Tech-B	2014: 12.70% 2013: 13.39% 2012: 18.2%, 2011: 25.1%, 2010: 13.6% 2009: 11.8%	Associate, Middle Management, Senior Management, Top Management	Increased pressure on teams to avoid cost escalation	Loss of customer information, discontinuation of sales efforts,	Loss of client specific knowledge, but most client relations are old and it moderates the effect	Initially it was a problem in image building, recently minimum impact felt	Client dissatisfaction and loss of business opportunity reported, but no discontinuation of relationship
Tech-C	2013:7%	Associates Software Engineers	No cost pressure linked to attrition	No client defection or loss of information	No loss of client-specific knowledge reported	The firm does not face any serious problem due to employee attrition. Attrition at junior level positions was on rise, and it has shown some effects on firm's attractiveness among potential employees.	No discontinuation in relationship with client was observed
Tech-D	Low attrition[b]	Associates Software Engineers	No cost pressure linked to attrition	No client defection or loss of information	No loss of client-specific knowledge reported	The firm does not face any serious problem due to employee attrition, but in one case client's trust suffered	No discontinuation in relationship with client was observed due to the successful measures they adopted

[a] *Rate of attrition*: reflecting the degree of personnel losses due to various causes within a specified period of time (Verma, 2013).
[b] No verifiable attrition data were available, but the company reported a low level of attrition.

'transparency', 'information sharing', 'knowledge codification and retention', 'succession plans', and 'top management intervention'. The concept of 'trust' emerged as significant in respondents' statements. In the second stage of the analysis, patterns became discernable, the contours of which became clearer as we revisited our theoretical framework linking the concepts identified above. The outcome of this iterative process was a set of conceptual propositions involving the causes of transparency (personnel attrition), its components, and its outcomes (trust-based relationship) in terms of the partner relationship.

4. Findings

The data presented below suggest that personnel attrition has been a cause for alarm in the firms under consideration. Personnel attrition can lead to loss of expertise, increased costs, and uncertainty and risk to the client. Such uncertainty, being a source of concern for both provider and client, can negatively affect the business relationship. Although the causal link between personnel attrition and deterioration in the relationship between the parties cannot be clearly established, the firms under consideration have sensed these negative effects on the relationship. For instance, in the case of Tech-A, the respondents associated personnel attrition with client dissatisfaction — a situation they have themselves experienced.

> "When few people leave the organization, it doesn't impact clients because clients may not be essentially interested in executive exits. However, when you see a trail of exits, then surely there is a concern that clients have. When clients see high attrition, they start questioning and doubting our abilities to serve them. Their trust in us has to be maintained. We have to address the issue pretty immediately, focusing on consolidating the relationships." (Tech-A Head — secondary data).

Tech-A and Tech-B have experienced client dissatisfaction and loss of business opportunities. Tech-C and Tech-D also have similar concerns about attrition. Based on these fears regarding employee attrition, firms have adopted different approaches to redress the situation, as discussed in the following. The findings are summarized and presented in Table 2.

4.1. Trust-based supplier-client relationship: a transparency approach

In the context of Indian KIS firms, project engineers, client managers, requirement analysts, and other experts are directly or indirectly involved in handling client projects. Their clients are mostly based in other countries (USA, Europe, and Asia-Pacific). Thus, these firms are required to deploy some members to project sites at client locations. Other employees are directly in touch with their clients from their distant development center. Regardless of the location of employees, firms viewed all the members who are involved in the project as playing a significant role in sustaining relationships with clients.

As seen in Table 2, both firms, Tech-A and Tech-B, have regularly experienced high attrition rates, which has been a cause for concern. They found that such losses in human resources have affected the timely delivery of projects, undermining the service. They also realized that personnel attrition is a reality and a challenge they cannot eliminate. However, what they could do was minimize its negative effect on their clients and ensure that clients need not suffer. The findings from the case studies suggest the importance of building trust in client relationships. Thus, the focus is on achieving high satisfaction among clients by delivering projects timely and cost-efficiently (cf. Bejour, Wray, & Ingram, 1996; Lahiri & Kedia, 2011). Therefore, the respondents emphasized the role played by client-contact employees (particularly those who are deployed at the project site and in regular contact with the customers). As a retail company in Denmark explained its relationship with Tech-A:

> "Our relationship with Tech-A is a co-creation model; it is more a partnership than a customer-supplier relationship. We experienced impressive skilled resource availability from Tech-A. Their contact employees got us involved in understanding problems and assessing requirements and often convinced us to adopt different paths to provide mature retail experience to our end customers" (Tech-A client speak).

Although the well-established case firms (Tech-A and Tech-B) have sustained long-term relationships with their clients, as illustrated in the above statements, Tech-D has also strived to build long-term relationships with its clients, and the new firm (Tech-C) is in the process of building such relationships. One indicator of the solidity of relationships is repetition of projects with the same clients; another is the relationship duration (cf. Dyer & Singh, 1998; Saparito et al., 2004).

Building and sustaining long-term relationships is important for the success of KIS firms, but such a relationship is not based simply on the firms' capabilities to deliver quality service; it also requires creating clients' confidence in their systems through transparency.

> "You need to have capabilities to serve your customers, you cannot work without it, but what customers are looking for over and above capabilities are credibility and transparency. We believe transparency is one of the core things in relationships; anything you do should be open for your customer's verification. Transparency in everything is required, be it a quality metric process, commercial process, HR process…all these things are put together to show to the customer and the outside world. Actually, for a customer, when he is looking at your processes, he is looking for the transparency part of it, and these processes are designed to address the transparency part. You write what you do and do what you write" (Tech-D Vice-President Marketing).

Transparency requires that the firms must be sincere with their clients about the problem and engage in a dialog with their clients, assuring them of the continued level of timeliness and quality of the service.

> "Recently, the company (Tech-A) faced attrition because under competitive pressure, the company had to cut down its profit margin to keep its price of software services competitive and win large deals. In these efforts, the company had to relocate 500 people from the USA, most of whom held customer-facing roles such as account manager and solution architect. However, not all of them came back; approximately 20% of them chose to stay in the USA, joining other companies. They had 10–20 years of experience. Post-attrition, what we see is clearly, there have been some queries by clients on various aspects, whether it is attrition at operational level or management departure. We need to reinstall client confidence; client conversations need to go up" (Tech-A — AFC).

From the above findings it is apparent that preserving clients' confidence under conditions of attrition is important for the success of the relationship, and therefore the case firms have adopted a number of strategies.

4.2. Open and transparent communication

In the Indian IT services industry, IT professionals do not have a very long tenure with their organizations. Their reasons are not necessarily linked to financial concerns; there could be other professional reasons, such as the desire to work on new technologies or to gain work experience in a particular geography. Short employment periods are also a reflection of the rapidly changing social and economic environment that promises and encourages greater mobility and flexibility for skilled professionals (Demirbag et al., 2012; Kumar, 2012).

The case firms recognized that their clients, mostly located in the United States, Europe, and Asia-Pacific, perceived high risks when employees left the project or the company reported high attrition rates, but they had limited understanding of the situation because they were not in direct touch with the business environment in India. This lack in the understanding of the situation was experienced as harmful to the relationships, and thus Indian firms considered it important to develop mechanisms through which timely information can be shared with the clients. To avoid misunderstanding and information asymmetry, the firms made concerted efforts to make their clients aware and informed of the developments on the human resources front. Case firms Tech A and Tech B had developed information sharing practices with their clients.

Open communication with customers was considered to be very important for developing a shared understanding of the problem and sustaining their long-term relationship (cf. Athanassopoulou, 2006; Moorman, Deshpande, & Zaltman, 1993; Morgan & Hunt, 1994; Park, Lee, Lee, & Truex, 2012; Sharma & Patterson, 1999). Such communication emphasizes the importance of timeliness and meaningfulness of communication because it enables clients to appreciate the latest changes in the market, helps them resolve disputes, and clarifies misunderstandings that can arise (Sharma & Patterson, 1999: 159; Anderson & Narus, 1990). By regularly communicating with clients, attending to their enquiries and needs, and providing them follow-up, firms can foster trust (Moorman et al., 1993) and help improve clients' perception of service quality (Franke, 1988), all of which constitute the characteristics of a strong business relationship (Morgan & Hunt, 1994).

Tech-D views transparency as open and continuous communication with its customers, as is evident from the following statement:

> "Transparency is ongoing communication with customers; customers have appreciated that and have given us feedback that they see us as responsive and proactive. We take pride in that, as in the last eight years, all our customers have been with us" (Tech-D Vice-president Marketing).

Tech-B states that it implements open and transparent communication in its relationship in the following manner:

> "We openly and clearly tell our clients that attrition is a problem that we cannot stop but it is not our fault and we would like to avoid it. We can take measures to minimize the impact. Sharing information is one such measure that gives customers a deeper sense of understanding of the problem and enables them to reduce the degree of information gap and uncertainties associated with attrition" (view expressed by Senior Marketing Manager at Tech-B and Vice President Marketing at Tech-D).

> "We try to convince our clients and explain to them how we are controlling personnel attrition; we can have some control when and how many persons are expected to depart in the near future. Sharing such information lessens uncertainty among customers" (Manager at Tech-B; view also expressed by Vice President Marketing at Tech-D).

Case firm Tech-C has a similar communication approach toward its clients:

> "It is our objective to be transparent regarding the issues concerning our clients, and one way to achieve transparency is open and frequent communication with clients, which spans 360 degrees" (Chief Operating Officer — Tech C).

Tech-C's emphasis on being open and transparent in communication with its clients was also evident in their official documentation:

> "When we engage with our customers, we make sure that our communication does not only consist of positive aspects of our business but also includes the challenges that we may face and how we plan to resolve them. We use different forums for discussing these issues and challenges. Examples of such forums are the leadership team, delivery managers, and practice-level managers. Such forums are meant to empower people and help them take ownership of these challenges, thereby motivating them to perform better" (Tech-C – Cover Story – Aug. 2013, p.34).

Clients of Tech-A and Tech-B were concerned about the attrition problem, as is apparent from the 'client-speak' data; however, they are appreciative of their provider's open communication approach.

However, firms must walk a thin line between sharing too much or too little information for fear their partners will experience a situation of information overload. Clients are always interested in obtaining information but not all types of information. Given these concerns, the firms have focused on providing information that they thought was more necessary than other information, for instance, information about the financial position of the firm, the recruitment and training process of the firm, information about the project team members, and project status.

Proposition 1. *KIS firms adopt an open and transparent communication approach vis-à-vis their clients to re-establish trust and ensure the sustenance of their relationship with their clients. A transparency approach is assumed to increase trust and minimize clients' sense of uncertainty with respect to employee attrition.*

4.3. Top management involvement with clients

Smooth, cordial, and ongoing communication is considered an important requirement for developing and sustaining the relationship between client and adviser (cf. Hatfeld, 1993). In some cases, such communication can be lacking or insufficient for resolving all the problems and concerns that clients have related to continuous high attrition. The findings suggest that in such cases, timely intervention of top management played a decisive role in harmonizing relationships with clients. Top management played an important role in sharing information with clients and securing the trust of the clients by intervening in the matter, often personally monitoring project developments. The literature acknowledges the importance of top management involvement as a critical success factor in B2B relationships (cf. Napolitano, 1997; Workman, Homburg, & Jensen, 2003; Ryals, 2012; Gounaris & Tzempelikos, 2013; Guesalaga, 2014). Top management can be included in meetings with clients, they can provide support to key account managers, and they can be involved in other activities related to the handling of clients (Guesalaga, 2014; Thoma, 2007). Such involvement can result in higher profitability for the firm (Homburg, Workman, & Jensen, 2002). Top management can play a key role in the implementation of relationship management processes (Millman & Wilson, 1999), can advise on customer knowledge utilization (Salojarvi, Sainio, & Tarkiainen, 2010), and can provide strategic orientation to client relationship management (Pardo, 1999). Guesalaga (2014) argues that top managements' involvement in strategic issues with clients signals its commitment to the client and thus generates customer satisfaction and trust in the relationship. However, it can be challenging to suggest when and how top management involvement is required (p.1146). The findings of this study suggest that crises resulting from long-enduring attrition demands top management involvement, and accessibility to top management can play a critical role in strengthening clients' confidence level.

> "Our customers have access to the CEO or chairman, so there is tremendous amount of attention on each and every client. They can see that on a regular basis, and if there is any problem (perception related to attrition), we do everything and whatever it takes to correct that perception. This is the level of trust and support our customers get from us. That trust helps us in retaining the client" (Tech-B Business Head).

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Firm Tech-B top management has adopted an open and transparent communication approach as its corporate policy to allow its customers to have access to the particular type of information they wish when they need it. Likewise, at Tech-C and Tech-D, top management plays an important role in solving such matters.

"When attrition happens, we give our clients enough assurance that we will solve the problem, without caring about the cost. Two or three such incidents happened, and our top management got involved early, personally on a daily basis, to assure our customer that we are with them, telling them how the problem is being solved. We do our best to remain transparent and do not hide anything" (Tech-D Vice President Marketing).

Proposition 2. *Timely intervention by top management in client relationships, particularly in the case of communication failure, is assumed to minimize clients' sense of uncertainty with respect to employee attrition and to increase trust in relationships.*

4.4. Restoring trust in the relationship through knowledge codification, retention, and sharing

The findings suggest that attrition is perceived as a major challenge in the knowledge development and retention process by both the clients and the service firms, and thus support the prior research (Bendapudi & Leone, 2002; Kumar, 2012).

"Attrition is a big challenge for us as it leads to loss of valuable knowledge and experience gained from projects" (Project Manager Tech-B).

The data in Table 2 also suggest that personnel departures affected the process of knowledge development in these firms. To control the knowledge loss, firms have established knowledge transfer processes, attempting to manage knowledge by retaining it largely within respective accounts. The findings also suggest that the effect of attrition varied between projects depending on whether a long or short development life cycle was involved:

"Short-duration developmental projects are typically large and involve a large number of people, designers, and developers. In contrast, the long-duration projects, primarily maintenance of existing applications, run for extended periods and require fewer people. In short-duration projects, the risk of losing project-related knowledge attendant upon attrition is minimal, while in maintenance-driven projects, the degree of tacit knowledge involved is high and so is the risk of knowledge loss" (Tech B Project Manager).

However, both types of projects involved a high level of tacit knowledge for successful execution. Consequently, Tech-A recognized the need for developing knowledge documentation, which they assumed would reduce dependency upon key professionals and make knowledge available across the organization.

"Knowledge is core to our business; hence, it is very much necessary for us to retain it and make it less dependent on the key people working for us" (Tech-A annual report 2012–2013).

To enhance the trust level and address the concerns of its clients, Tech-A followed the practice of sharing knowledge documentation with its clients and employees, allowing both to use this practice for effective knowledge transfer. Tech-B has also developed knowledge-retention mechanisms to store whatever explicit knowledge is generated within the organization and share it with clients. The knowledge-retention mechanisms were enabled by web technologies with much wider scope and features. However, such knowledge transfer documentation has its own limitations and does not cover all types of knowledge:

"Not everything can be documented, sometimes documentation by customer is sufficient due to proprietary and confidentiality reasons, also it is hard to review documents put by new employees, in which case, we try to document at least part of it" (Tech-D Vice-President Marketing; view also shared by Project Manager at Tech-B).

Managers at case firm Tech-B recognized that the experience that project members gain when working for different clients or the same client provides them leverage to handle the situation professionally; this can enable them to regain the trust of those clients who might have begun to doubt the abilities of the firm to deliver the service timely and to maintain quality.

Likewise, Tech-C and Tech-D also have processes in place to document client- or project-related knowledge, and the firms made serious efforts to minimize such losses, as is evident from the following statement:

"We are cautious; from the time a person joins the project, he is monitored by a senior person (champion), who tries to monitor what the person is doing, what problems he is facing, etc. If attrition happens, then the champion makes sure that the person leaving the company comes and documents the work he had done — information such as what was the software component he was handling and issues and problems he was handling, is documented. In one case, the person left the project without informing us. He was holding lots of knowledge and the customer was equally upset; the customer trusted us, and the work was only known to him. In that particular case, we tracked him down, we got him back after 10 months and made him explain everything over two days. We try as much as possible to get the job done but ensure that at the very least, knowledge is retained either through the champion or is put on paper by the employee leaving" (Vice-President Marketing at Tech-D).

Proposition 3. *KIS firms build knowledge codification, retention and sharing mechanisms that reassure clients that the firms, despite personnel attrition, still possess in-house abilities, retain client-specific knowledge, and can deliver on their commitments. Revealing to the clients such knowledge management strategies increases clients' trust in the firms' ability to maintain high-level and timely service delivery.*

4.5. Setting up succession plans for retaining tacit knowledge and reducing uncertainties

The respondents stressed the importance of developing well-formulated succession plans to prove to the clients that they are intent on maintaining client-specific knowledge, thereby instilling more confidence in the relationship. The need for a succession plan is an appropriate strategy because employees are leaving on a continuous basis and firms cannot take the risk of losing such valuable knowledge (Bendapudi & Leone, 2002; Hall, 1986; Kim, 2003; Kumar, 2012). Planning for the replacement of those who leave is necessary to avoid any delay in a project or to retain tacit knowledge. In the case of Tech-A, such planning has linked personnel attrition management with knowledge management.

"Succession plans are useful in reducing dependency on key people and ensuring that most of the knowledge that is developed during the project and recognized as invaluable by team members would be retained in case the team members leave the project" (Senior Manager, Tech A).

In a succession plan, project managers are responsible for identifying and selecting their successors on the project. The successor is trained on various aspects of the project, being fully informed about the project and the client's business. Thus, successors are prepared to take over responsibilities in the event their colleague leaves the organization or the project (Ip & Jacobs, 2006; Kumar, 2012). A succession plan is in place for every project. Such an arrangement gives the client confidence

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that the project will not be affected by the untimely loss of the project leader.

Tech-C is a relatively new firm and faces attrition in entry-level positions. Tech-C emphasized the importance of succession planning as necessary measures to counter the challenges posed by employee attrition. In Tech-D there is a three months' notice period that every employee leaving the organization has to comply with. During this time period the employee is asked to pass client and project specific knowledge to the next person replacing him. This is done under the supervision of the project head (champion) who is monitoring the leaving employee on a daily basis.

Although these succession plans are useful for the timely accomplishment of projects and continuation of relationships, these are long-term plans; on specific projects, other opportunities exist in which employees can share knowledge. For instance, at Tech-B, new people joined a project before others left it, thereby creating some overlap of competencies. This overlap facilitated knowledge transfer between people because newly recruited members received extensive briefings from the outgoing people on the various issues of the project. New members were introduced to their counterparts in the client organization to become familiarized with one another.

> "The overlap period could be anything between two and eight weeks, this period is different when a project manager or a software developer is going to leave. Besides overlap, there is back-up plan for every project. If anybody is spending more time on project we make sure there is back-up for that person at equal level" (Vice President Marketing Tech-D; View also shared by Senior Manager Tech-B).

Furthermore, at all the case firms, employees were asked to share project- or customer-specific tacit knowledge with their team members – knowledge that could not otherwise be codified.

A succession plan is supported by the continuous recruitment and training of employees. When project employees leave the organization, firms face serious challenges in replacing them with internal employees or by hiring from outside. In both cases, newly inducted persons lack an understanding of the client's work environment and project progress. To overcome this challenge, Tech-A and Tech-B are continuously hiring fresh engineering graduates and training them in different technologies. This approach gives the firm leverage to replace project team members without creating much strain for the customer and helps maintain the quality of service delivery, leading to customer satisfaction.

Proposition 4. *KIS firms build succession plans for their key contact employees to prepare new members in anticipation of personnel attrition. This strategy is aimed at reducing clients' worry about possible project delay or disruption. Sharing information concerning these plans transparently reduces uncertainty and strengthens the relationship between the partners.*

5. Discussion and conclusions

The findings suggest that key contact employee attrition in KIS businesses adversely affects the service capabilities and performance of the firm, as well as its relationships with clients by increasing the risk perception related to service quality, project delivery, and knowledge loss. From a dynamic capability view, research has shown that addressing these concerns that result from high employee attrition can reaffirm a customer's trust in the service firm's capabilities (Kumar, 2012). Although personnel attrition can take its toll on any firm, the problem can be more acute in international KIS firms. Technically skilled employees are in high demand worldwide; thus, retaining them is a serious challenge for any firm type and size (Beechler & Woodward, 2009). In KIS firms, knowledge largely resides in skilled employees; the untimely loss of employees can seriously damage customer relationships (Bendapudi & Leone, 2002; Kumar, 2012). The customer might be unwilling or unable to resort to a competitor in the short term due to switching costs and contractual obligations. However, in the long term, the loss of a favored key contact employee can trigger a customer's interest in re-evaluating the ongoing business relationship (Anderson & Robertson, 1995; Duboff & Heaton, 1999; Wang & Davis, 2008: 534) and in considering alternative competitors for the service.

The aim of this study was to examine how KIS firms faced with a continuous threat of employee attrition manage the adverse effects of attrition in their efforts to sustain trust-based long-term relationships with clients. Previous studies, such as Subramony and Holtom (2012) and Williams, Khan, and Naumann (2011), have shown the performance-related negative consequences of voluntary turnover and downsizing on business firms. However, the studies were not specifically concerned with the effects of attrition on the firms' client relationships or with how to manage those relationships. Bendapudi and Leone (2002) investigate the effect of attrition on client relationships and suggest different approaches to handle it, such as knowledge retention through better employee rotation and sharing of information by the employees. This study contributes to the work of Bendapudi and Leone (2002) and other related works by presenting a transparency-based approach to reducing information asymmetry and clients' uncertainty and worry and assuring them that the provider still possesses the means to meet client expectations (see Fig. 1).

This research suggests that to sustain a trust-based relationship with clients under the threat of employee attrition, firms should adopt transparency with respect to how the service capability of the firm

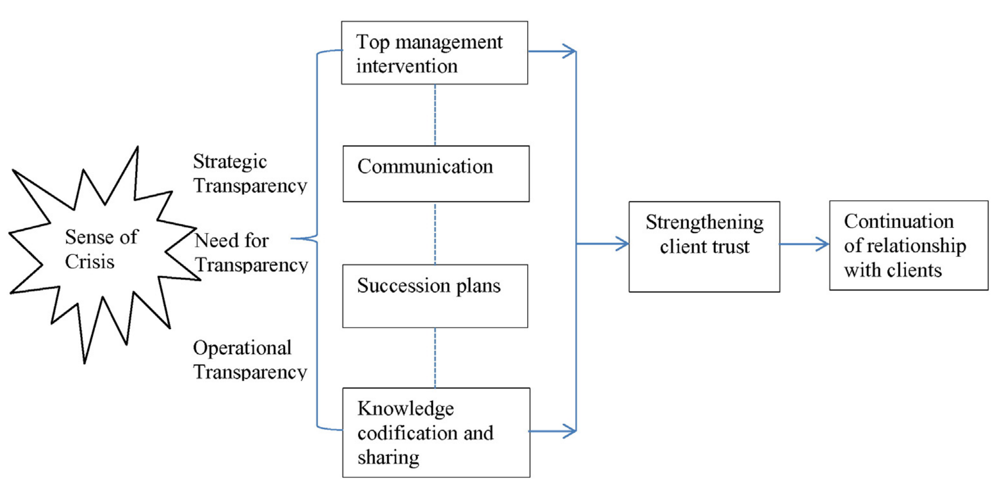

Fig. 1. A transparency-based relationship framework to sustain client relationships.

will be maintained, demonstrating that the service provider is in control of the situation. Transparency can be achieved at both strategic and operational levels through open and transparent communication, the development of succession plans and sharing such plans with the client, knowledge codification and knowledge sharing, and the timely intervention of top management. Knowledge sharing and employee rotation are important measures that are also recommended by Bendapudi and Leone (2002), however, to alleviate clients' uncertainty and concern, the transparency approach reveals the sincerity of the provider in addressing adversity, which re-instills trust in clients and helps fortify relationships. To this end, our study emphasizes openness and transparency, which makes clients eyewitnesses to the problem and the measures taken to solve it and thereby gains their sympathetic understanding and trust. Thus, our focus is on developing trust through transparency in relationships.

As the findings suggest, service firms adopt information and knowledge sharing with clients to keep the clients abreast of developments. Firms also take concrete measures such as knowledge codification, succession plans, and top management intervention to reduce clients' level of uncertainty concerning the firms' ability to meet expectations, to ensure a continued high level of service, and to retain their trust. One of the significant factors in retaining clients is the assurance from the top management that service firms' stock of knowledge does not erode due to personnel attrition. In consistency with Bendapudi and Leone (2002), the firms under consideration are very intent on retaining client-specific knowledge because it is difficult for competitors to acquire without long-term financial and time investments.

Moreover, the interpersonal relationships and mutual trust that employees have developed over time are very difficult to replace. Therefore, the firms under consideration try to preserve their relational advantage by, among other techniques, the use of succession plans, which enable a potential successor to become acquainted with the client and learn about the client's processes, thereby avoiding the loss of valuable employee knowledge and of the social capital partners have achieved. Having a succession plan in place moderates attrition pressure and helps a project to run smoothly without much suffering from any temporary slowdown. Succession plans are based on the continuous recruitment and training of employees, providing backup systems for critical events.

In summary, this study has sought to develop a theoretical framework for understanding how to handle client-provider relationships under conditions of personnel attrition. The framework suggested is centered on the concept of transparency, which is considered a means to reduce information asymmetry between partners. A transparent climate affords a trust-based context that is favorable for joint problem solving.

This paper also provides unique and insightful data from two established and two newly founded Indian IT firms, with a focus on the problem of attrition in these firms and their efforts at minimizing its negative effects on their client relationships. These firms have overcome (or remain in the process of overcoming) the challenge of employee attrition by adopting a transparency approach to their customers and by deploying open communication, human resource practices, and various knowledge retention practices.

This study has generated several implications for the theory and practice of human relations management, knowledge management, and customer relationship management.

Future research efforts might examine the effects of employee attrition in non-knowledge-intensive industries and context. KIS require human-specific assets that are difficult and costly to replace (Williamson, 1981). Apart from the degree of stickiness of knowledge (Szulanski, 1996), personnel attrition also raises the issue of the social capital that can be built between two partners (a provider and a client) by way of repeated, long-term interaction. At what point might client-provider relationships be irrelevant? Then, personnel attrition could be an opportunity for introducing new sets of competencies and new ideas.

6. Implications for managers

The managerial implications of this study include the following. First, it is important to develop open and transparent communication mechanisms with clients in a B2B relationship, particularly when the service-providing firm is facing the challenge of attrition. Transparency-based communication with clients creates better awareness of problems and indicates how service providers are addressing these problems to maintain the ability to serve the clients as expected but without sharing too much information and causing information overload. Complex codifications and difficulty in retrieving such knowledge can harm transparency and trust in relationships. Therefore, it is necessary to share the right type of information when it is needed. Note that a transparency approach is not without cost. Rather, it implies extra (transaction) costs due to frequent and intensive information exchange with clients (Williamson, 1981); firms must weigh the benefits and costs of a transparency approach.

The advantage of transparency is that a focus on codifying client-specific knowledge can enable firms not only to retain that knowledge but also to reuse it cost-effectively (Argote, McEvily, & Reagans, 2003; Hansen, Nohria, & Tierney, 1999). However, to maintain a good relationship with their clients, it is necessary for providers to develop knowledge-retention policies, routines, and capabilities that are based on knowledge codification and human relations practices such as employee succession plans.

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