Employee Retention Management – Analyzing Factors Influencing Possible Employee Turnover in The Information and Technology Sector

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ABSTRACT

Talent retention is a huge challenge the Information Technology Enabled Service sector faces, and it is a debatable issue. The attrition rate in the IT sector in India is 40-45 per cent. Observing the rate at which multinational companies are setting up subsidiaries in India, there is a possibility of greater and heavier demand for talent in multinational and domestic companies. This positive situation has suddenly increased the demand for skilled and talented employees. Employee job mobility was frequent in the Information Technology sector. Now, this trend is gradually spreading to other industries. Experts liken this to a virus because it signals that employers should focus on retaining talented and skilled staff, considering the costs of recruitment, selection, onboarding, training, and development. This shift has moved attention from simple personnel management to strategic human resources management, especially in IT, where the workforce is the key resource. Today, the main concern for human resources managers is keeping talented employees within the organization. This paper offers a comprehensive overview of employee retention and examines the main factors that influence an employee's likelihood of leaving the IT sector.

Keywords – IT sector, Talent retention, Frequent change of jobs, Major concern.

INTRODUCTION

Attrition refers to the shrinkage of employees due to factors other than torching and other staff-accomplished crises. In recent years, both employers and staff have drifted apart. The employer conveys that staff can leave the company at any time, and staff understand they can be evacuated at any time by the employer. Whoever is liable, the ruin of the workforce is inexorable. This loss of workforce due to logical reasons is called attrition. Irrespective of the nature of the organization or the industry, attrition is the most common issue in today's business world. Especially, software companies in India are facing the challenge of retaining talented employees. Software companies are investing heavily in recruitment, training, and developing young, talented employees. Despite providing numerous facilities and offering competitive pay packages, software companies are struggling to retain talented employees. Thus, this situation has provided an opportunity to explore the various issues related to the management of talented employees in software companies and to deliver practical results.

Formulation of the Problem

Software companies today are increasingly challenged by employee retention issues, with frequent job shifts disrupting organizational stability and growth. Although various retention strategies are adopted, high attrition persists, indicating a gap in understanding the factors that drive employees to leave. To strengthen knowledge of retention management and its significance for organizational development, the present research paper focuses on identifying and examining the factors responsible for the probable shift of employees in the software industry.

RESEARCH METHODOLOGY

Sample size

The sample comprises 480 employees working at junior, middle, and senior levels of management.

Method Of Collecting The Data

As stated earlier, the goal of the study is to examine factors responsible for a probable shift in employees in the Software Industry. The data were collected using questionnaires. The questionnaires were delivered by hand/email/web link to the respondents. A letter of approval to conduct the present study and a covering letter describing the research were attached to the questionnaires. The study population comprises employees and officials currently working in software companies in the State of Karnataka. At present, there are more than 2,500 software companies in Karnataka, of which 2,300 are in Bangalore alone, and the remaining are in Mysore, Hubli, and Mangalore. In that, there are nearly 400 major software companies. For the study, 10 percent of the major software companies were selected at random. From each selected software company, 15 to 20 respondents were chosen to elicit responses. The response to employee retention management was collected through a structured questionnaire on a five-point Likert scale. For data analysis and interpretation, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy, Bartlett's Test, and factor analysis techniques were used. Data processing was done using the SPSS package.

RESULT ANALYSIS

To identify the factors responsible for the probable shift of an existing employee, based on collected primary data, a factor analysis was conducted. Principal component analysis was used as the extraction method. The Kaiser rule for the number of factors to extract was applied. Eight factors were extracted, viz., working environment, working hours, motivation, recognition, equal treatment, work-life integration, and incentives and rewards. The results of factor analysis are as follows.

Table 1 - KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.623
Bartlett's Test of Sphericity	Approx. Chi-Square	265.908
	df	28
	Sig.	.000

Table 2 - Communalities

Factors responsible for the probable shift of an employee	Initial	Extraction
Working conditions	1.000	.544
Working hours	1.000	.235
Scope for career growth	1.000	.536
Motivation	1.000	.491
Recognition	1.000	.526
Equality treatment	1.000	.635
Work / Life Integration	1.000	.677
Incentives and Rewards	1.000	.651
Extraction Method: Principal Component Analysis.		

Table 3 - Total Variance Explained

| Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.878	23.469	23.469	1.878	23.469	23.469
2	1.331	16.643	40.112	1.331	16.643	40.112
3	1.086	13.577	53.689	1.086	13.577	53.689
4	.934	11.679	65.368			
5	.789	9.860	75.228			
6	.725	9.061	84.289			
7	.657	8.216	92.505			
8	.600	7.495	100.000			
Extraction Method: Principal Component Analysis.						

Table 4 - Component Matrix

Factors responsible for the probable shift of an existing employee	Component		
	1	2	3
Working Environment	.503	-	-
Working hours	.470	-	.119
Scope for career growth	.490	-	.402
Motivation	.604	.005	.355
Recognition	.724	.025	-
Equality treatment	.373	.700	-
Work / Life Integration	.363	.429	-
Incentives and Rewards	-	.571	.566
Factor Loadings	1.878	1.331	1.086
Total Variance	23.469	16.643	13.577
KMO	Alpha	0.623	
	Sig. value	.000**	

Extraction Method: Principal Component Analysis.
a. 3 components extracted.
Source: Primary data

Figure 1 – Scree Plot
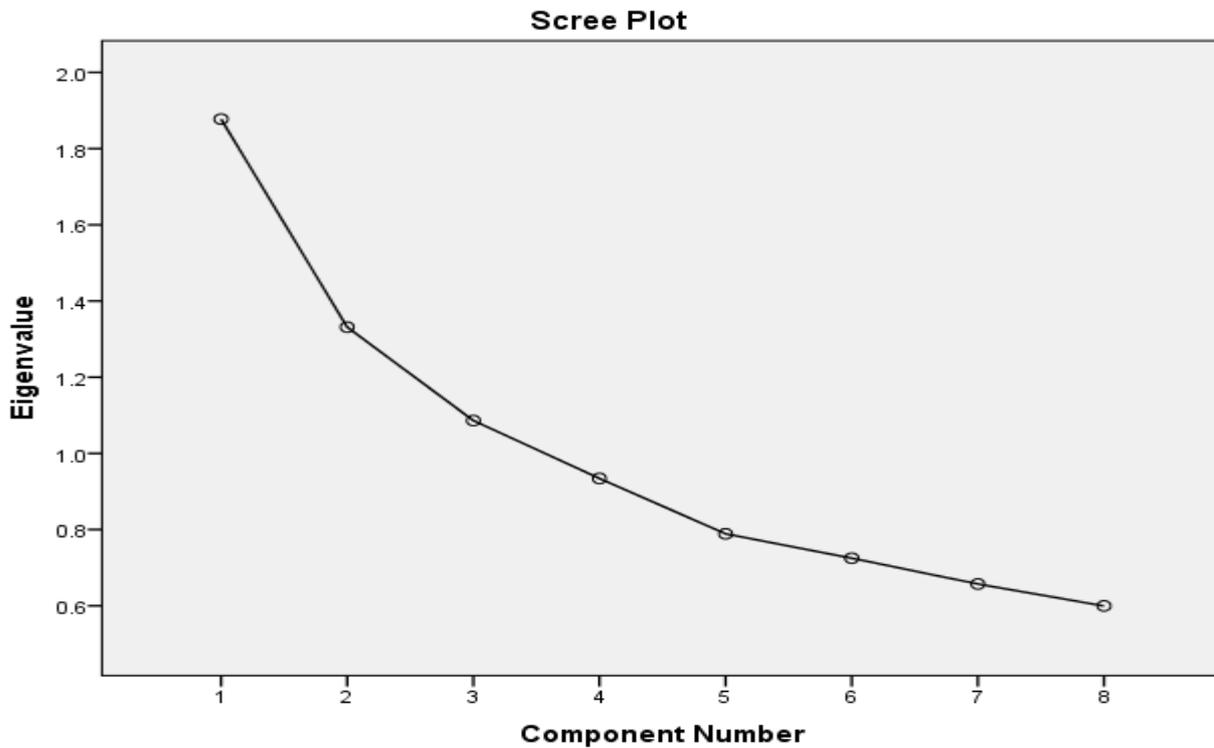
Tables 1, 2, 3, and 4 present the factor analysis results for the factors responsible for the probable shift of an existing employee in software companies.

The KMO Coefficient (0.623) and the significant value (.000**) are highly important at the 99% confidence level. Therefore, the subsequent factor analysis findings are highly reliable. The three components – component 1, component 2, and component 3 - were extracted with respective factor loadings of 1.878, 1.331, and 1.086, with a cumulative variance of 53.689 percent. Component 1 lists the first prioritized factors that are responsible for the probable shift of an existing employee. Factors such as recognition, motivation, working environment, scope for career growth, working hours, work-life integration, and equal treatment play a pivotal role in determining an existing employee's decision to stay in the current company. Component 2 is set to be the second-prioritized factor, which includes equality of treatment, incentives and rewards, and work/life integration. Component 3 indicates that incentives and rewards, scope for career growth, motivation, and working hours are the least prioritized factors in determining the stay of an existing employee with the current company. The scree plot provides a concrete explanation for the significant factor loadings for components 1, 2, and 3.

CONCLUSION

From the above analysis, it is true that the work environment includes various factors such as hierarchies, company culture, management styles, and human resources policies. Employees' feelings of fulfillment and satisfaction can boost their overall happiness at work. Therefore, software companies should focus on improving the work environment to increase employee satisfaction. Additionally, effectively leveraging a positive work environment to enhance satisfaction and reduce turnover is considered crucial for building a high-performance workforce.

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