



EFFECT OF INTERNAL AND EXTERNAL FACTORS CAUSING ATTRITION ON EMPLOYEES INTENTION OF LEAVING THE ORGANIZATION IN IT INDUSTRY

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Abstract

The Diaspora of Indian with abundant, high quality and cost effective services has played a significant role in the growth of IT industry all over the world. Moreover, the vast resource of skilled manpower, India has become as a major destination for IT companies. At the same time, such skilled manpower has been suffering a lot and become stress prone due to work pressure and irregular working hours, in turn leading employee attrition. Despite formulation of various strategies and adopted innovative HRM practices to attract and retain the professionals as well as to create congenial environment to counter the challenges faced by employee attrition, the IT companies have succeeded in mitigating the employee attrition only at little extent. So is the situation of employee attrition, many researchers have been conducted across a range of industries but there is no serious research to ascertain the various elements of employee attrition in IT sector. Hence, in this article, an attempt is made to analyze the intention of leaving the organization and factors (both internal and external to the organizations) causing employee attrition along with analyzing the relationship between two aspects using the sample 500 selected randomly from population of IT employees working two prominent organizations, viz. Infosys and TCS. The status of employees' intention of leaving the organization and the internal / external factors that are important in causing attrition is explored by descriptive analysis. The effect of attrition causing internal / external factors on employees' intention of leaving the organization is evaluated by a canonical correlation analysis.

Key Words: Attrition, Internal Factors, External Factors and Canonical Correlation Analysis.

Introduction

The Information Technology (IT) as a driving factor in the process of globalization has been catalyst for global integration and India is the centre of global IT industry. The globalization in IT industry has started due to lack of manpower in the developed western countries. The Diaspora of Indian with abundant, high quality and cost effective services has played a significant role in the growth of IT industry all over the world. Moreover, the vast resource of skilled manpower, India has become as a major destination for IT companies. At the same time, such skilled manpower has been suffering a lot and become stress prone due to work pressure and irregular working hours, in turn leading employee attrition. So, the present research work is undertaken to empirically evaluate attrition level along with causes of attrition (factors influencing the attrition) Information Technology companies.

Employee Attrition

The word 'Attrition' is very often come across various employee groups in various organizations. This word is being used in place of earlier used phrase of employee turnover. As in New Oxford English Dictionary, attrition means wearing down, wearing away, weakening, debilitation, enfeebling, sapping, attenuation or harassment. Merriam-Webster online Dictionary gives the fourth meaning of attrition as "a reduction in numbers usually as a result of resignation, retirement, or death".

Attrition occurs when an employee ends his membership in an organization where he / she received monetary compensation for the work done so far. Attrition focuses on the cessation, separation or leave from an organization, not the related issues of accession, transfer, or other company intern movements. Attrition is only concerned with the employees who receive monetary compensation and not with non-employee relationships such as, students, volunteers, etc. Therefore Attrition is an important issue that needs to be examined closely.

Literature Review

According to Manu *et al.* (2004), employees quit from organization due economic reasons. Using economic model they showed that people quit from organization due to economic reasons and these can be used to predict the labour turnover in the market [1]. Kim (2005) observed work exhaustion, an emphasis on participatory management, and opportunities for advancement were statistically significant variables affecting state government IT employee turnover intentions, and that salary satisfaction was not a statistically significant factor [2].

Jessica and Alan (2010) explored the push (internal) and pull (external) factors influencing turnover intention in a sample of Malaysian service professionals. Although quantitative results indicated that pull factors were more important drivers in moving an employee to join another organization, the importance of push factors became more apparent during focus group



sessions. Four primary push factors that identified in this study are: (1) work-family lifestyle, (2) coworker relationship, (3) work stress, and (4) supervisory relationships [3].

Ann (2010) wrote that Infosys Technologies Ltd., India's second-largest software exporter by sales, has seen a rise in employee resignations in the last three months as the sector witnesses a recovery [4]. Geeta and Naresh (2011) have stated that employee turnover is far more expensive than most people realize. They have made an attempt to study the relationship between various dimensions of work motivation and turnover intentions. The findings revealed that the dimensions of work motivation were not significant predictors of turnover intentions [5].

Khadija *et al.* (2011) explored some determinants of turnover intention. They proposed a model hypothesizing the existence of relationships between fairness and recognition and job satisfaction. The latter along with commitment are perceived in this model as negatively related to the intent to quit. Not only these two factors lead to turnover intentions however there are many other factors that can lead to turnover intentions [6]. Nair (2011) have reported that companies located in the southern cities of Bangalore, Hyderabad and Chennai are finding it difficult to hold on to their young employees as attrition levels in these cities stood at 15 per cent [7]. Deepa (2012) The objective of this article is to find the level of job satisfaction, safety measures, retaining the employees, working conditions & work load and its reason for Employees Turnover in IT Industries [8].

Thirulogasundaram and Senthil Kumar (2012) divided all factors into two main factors: individual and propel factors. Individual factors, such as such as health problems and work stress, children's education, unrealistic expectation for organisation and fun, are most significant which contributes 17.5 per cent in attrition whereas propel factors contribute only 1.3 per cent in attrition [9]. Mathi and Malathi (2013) have undertaken a study on problem of high attrition faced by IT companies in Chennai. The research methodology was descriptive research and proportionate sample is taken for analyzing. The sample size for this study was 500 employees and 50 employers. The samples were collected through questionnaire with open ended questions [10].

Statement of the Problem

The word 'Attrition' is very dangerous for those who are working in any organizations under IT and ITES sector as in organizations of other sectors because employee attrition leads to significant business loss both in terms of money as well as in terms of human resource to most organizations. Despite treating software professionals like associates and partners rather than employees, paying them lucrative salaries, offering stock options to the employees and a host of other benefits, problems of high turnover continue in IT companies due to unrealistic employee expectations, stress generated by work pressure and deadline bound assignments.

Though IT companies have formulated various strategies and adopted innovative HRM practices to attract and retain the professionals as well as to create congenial environment to counter the challenges faced by employee attrition, they have succeeded in mitigating the employee attrition only at little extent. So is the situation of employee attrition, many researchers have been conducted across a range of industries but there is no serious research to ascertain the various elements of employee attrition in IT sector. Hence, in this article, an attempt is made to encounter few research problems of determining predominant factors leading to employee turnover (employee attrition) in IT sector.

Objectives of the Study

The following are the objectives for the present research work:

1. To explore the status of employees' intention of leaving the organization in IT industry
2. To ascertain the factors that cause the employee attrition in IT industry
3. To analyze the effect of factors that cause the attrition on intention of leaving the organization among employees in IT industry.

Methodology

The present work is mainly based on primary data, which are the opinion of the employees of select IT companies in Chennai. The respondents for the sample are selected using simple random sampling technique. The data were collected from 500 randomly selected employees spread across two IT companies, viz., Infosys and TCS located in Chennai by face to face interviews using a well structured questionnaire.

The respondents' opinion about their intention of leaving from the organization is measured using three items scale, viz., "I often think of quitting the organization", "I may look for a new job in the next year" and "I intend to work at my current firm for as long as possible" with 5 opinion levels from "strongly disagree" to "strongly agree" (disagree, neutral – neither



disagree nor agree and agree in between). These five opinion levels are coded as 1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strongly agree for analysis purpose.

To measure internal factors in IT industry, five different a priori constructs, viz., work and family life, general health, leadership issues, working environments within organizations and performance evaluation are considered. Similarly, the external factors causing attrition in IT industry is measured using three a priori constructs viz., compensation & other benefits, working environment outside organization and career opportunities. The internal factor measurement scale consisted of 24 items (statements) with 5 items each measuring work and family life, general health, leadership issues, working environments within organizations and the 4 items measuring performance evaluation.

The external factor measurement scale comprised of 15 items and out of 15 items, 5 items measuring compensation & other benefits, 6 items measuring working environment (outside organization) and 4 items measuring career opportunities. The respondents' opinion scores on each measurement item is based on 5 point scale from 1 for strongly disagree, 2 for disagree, 3 for neutral (neither disagree nor agree – moderate opinion), 4 for agree to 5 for strongly agree. The scores for each construct of internal and external factor are obtained by averaging the scores of items measuring that factor.

As the responses of respondents in the sample is obtained using 5-point scale ranging from 1 to 5 for 'strongly disagree' to 'strongly agree', the level of opinion of a group of respondents or entire respondents in the sample is considered to be 'strongly disagree', 'disagree', 'neither disagree nor agree (neutral)', 'agree' and 'strongly agree', if group mean perception score is "< 1.50", ">= 1.50 and < 2.50", "> 2.50 and < 3.50". ">= 3.50 and < 4.50" and ">= 4.50" respectively. The status of employees' intention of leaving the organizations as well as the status of internal and external causing attrition is explored by descriptive analysis of the data. The effect of internal and external factors causing attrition on employees' intention of leaving the organization is evaluated by canonical correlation analysis, a multi-variate statistical technique.

Results and Discussion

Table I presents the results of descriptive analysis of data on employees' intention of leaving the organization in IT industry.

Table I: Intention of Attrition – Perception of Entire Sample of Respondents

Measurement Items	Mean	SD	95% CI	
			Lower Bound	Upper Bound
I often think of quitting the organization	3.30	1.04	3.20	3.39
I may look for a new job in the next year	3.41	1.07	3.31	3.50
I intend to work at my current firm for as long as possible.	3.43	1.34	3.31	3.55

Source: Primary Data

A glimpse at the tables shows that there has been a moderate level of agreement among the respondents about "often think of quitting the organization" (Mean = 3.30), "looking for a new job in the next year" (Mean = 3.41) and intention of working at their current firm for as long as possible (Mean 3.43). This envisages that the respondents (IT employees in the sample) could not take any firm decision about either leaving the organization (attrition) or staying at the present job. But from upper bound 95 per cent confidence level, 3.50 and 3.55, which are in agree range for second and third items respectively, it is evident that it is likely for the IT employees of the selected companies to look for a new job in the next year and at the same time working at their current firm for as long as possible. On the whole, it is found that intention of attrition has been at moderate level but it is likely for IT employees to look for new job in the next years and continue at current work as long as possible.

Table II shows the results of descriptive analysis such as mean, standard deviation along with 95 per cent confidence intervals eliciting the status of internal and external factors causing attrition.

Table II: Status of Internal and External Factors in Causing Attrition

Factors Causing Attrition	Mean	SD	95% CI	
			Lower Bound	Upper Bound
Internal Factors				
Work and Family Life	3.42	1.00	3.33	3.50
General Health	3.37	0.77	3.30	3.43



Leadership Issues	3.13	0.89	3.06	3.21
Working Environments	2.84	0.90	2.76	2.92
Performance Evaluation	2.67	1.01	2.58	2.76
Overall Internal Factors	3.10	0.62	3.05	3.16
External Factors				
Compensation & Other Benefits	4.42	0.46	4.38	4.46
External Work Environment	3.04	0.93	2.96	3.13
Career Opportunities	4.31	0.48	4.27	4.35
Overall External Factors	3.84	0.41	3.81	3.88

Source: Primary Data

It can be seen from the table that the mean values are in neutral range (neither disagree nor agree also said as moderate) for entire five internal factors as well as for overall internal factors. This indicates that work and family life, general health, leadership issues, internal working environments and performance evaluation tend to moderately cause the attrition in the IT industry.

At the same time from the comparison of mean values across all five internal factors, it is understood that work and family life followed by general health tend to play more roles in causing attrition compared to other three remaining factors. From 95 per cent confidence intervals, it is found that the respondents are likely to agree that work and family life is major internal factor in causing attrition. Regarding other remaining four internal factors, the present outcome will not change 95 per cent of the time if any further survey of similar kind is undertaken in the present population of IT employees.

On the other hand, the mean values for all three internal factors except for working environment (external) as well as for overall internal factors are in 'agree' range, in turn indicating that career opportunities is the major external factor prior to compensation & other benefits in causing employee attrition. At the same time, external working environment tend to play only a moderate role in causing attrition in IT industry. However, overall, the external factors are the major factors compared to internal factors in causing attrition in IT industry.

The effect of both internal and external factors (causing attrition) together on IT employees' intention of leaving their organization is evaluated by canonical correlation analysis. Table III shows the canonical correlations between three pairs of dependent and independent latent variables and their statistical significance.

Table III: Significance of the Canonical Correlation between Perceived Status of INTERNAL / EXTERNAL Factors Causing Attrition and Intention of Leaving the Organization

Canonical Function	Canonical R	Canonical R ² (Eigenvalue)	Chi-Square	df	p-Value	Wilks Lambda
0	0.5476	0.2999	240.23	24	0.0000	0.6143
1	0.3087	0.0953	64.49	14	0.0000	0.8774
2	0.1737	0.0302	15.11	6	0.0195	0.9698

Source: Primary Data

According to the table, there is a strong association between first and second pairs of canonical variates of criterion variables (items measuring intention of leaving organization) and predictor variables (internal and external factors causing attrition) as canonical correlation of 0.5476 and 0.3087; and shared variance of 29.99 per cent and 9.53 per cent for first and second functions respectively. Third correlation between third pairs of canonical variates, though significant, is weak and much less than required norm of 0.03, hence, dropped from the further inference.

Table IV is reported with canonical loadings of the variables in the dependent and independent sets with first and second canonical correlation functions.



Table IV: Loadings of Items Measuring INTERNAL / EXTERNAL Factors Causing Attrition and Items Measuring Intention of Leaving the Organization with Significant Canonical Functions

Variables	Canonical Function	
	First	Second
Criterion		
Items Measuring Intention of Leaving Organization		
I often think of quitting the organization	-0.9049	-0.1301
I may look for a new job in the next year	-0.8375	-0.0222
I intend to work at my current firm for as long as possible	-0.3856	0.9227
Variance Extracted	0.5563	0.2896
Redundancy	0.1668	0.0276
Predictors		
Items Measuring Internal / External Factors Causing Attrition		
Work and Family Life	-0.7829	-0.1794
General Health	-0.8964	-0.0123
Leadership Issues	-0.5759	0.2966
Working Environments	-0.3627	0.9009
Performance Evaluation	-0.2585	0.4467
Compensation & Other Benefits	-0.0739	0.0894
External Work Environment	-0.3701	0.2101
Career Opportunities	0.0345	0.2454
Variance Extracted	0.2613	0.1555
Redundancy Index	0.0783	0.0148

Source: Primary Data (Note: Canonical loadings of 0.40 & above are considered).

From the perusal of the table, it is apparent that the dependent canonical variate of the dependent is highly and negatively correlated with “I often think of quitting the organization” and “I may look for a new job in the next year” but correlation of the first items is stronger. With dependent canonical variate of the second function, “I intend to work at my current firm for as long as possible” has strong positive correlation (loading). Among the items measuring internal and external factors causing attrition, general health has strong negative association followed by work and family life and leadership issues with their canonical variate of the first function. The internal working environment has the strongest positive association with its canonical variate of the second function followed by moderate association of performance evaluation.

Overall, from entire above inferences, it is found that the employees in IT industry tend to often think of quitting the organization and look for an new job in the next years when attrition due to general health, work and family life and leadership issues is higher in the industry. It is further found that the IT employees have more intention of working at their current firm for as long as possible when attrition in the industry due to internal working environments is higher.

Conclusions

From the inferences of the results of analysis, it is ascertained that the employees in IT industry have moderate level of intention to leave the organization attrition but it is likely for them to look for new job in the next years and continue at current work as long as possible. Regarding the factors causing attrition, it is concluded that the external factor - career opportunities is the primary factor prior to compensation & other benefits in causing employee attrition but with moderate extent. As far as the effect of attrition causing factors on employees’ leaving intention is concerned, it is concluded that the employees tend to often think of quitting the organization and look for an new job in the next years when attrition due to general health, work and family life and leadership issues is higher. It is further concluded that the IT employees have more intention of working at their current firm for as long as possible when attrition in the industry due to internal working environments is higher.



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