ANALYSIS OF FACTORS INFLUENCING EMPLOYEE ATTRITION IN SOFTWARE COMPANIES

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ABSTRACT

Employee attrition management is a highly topical subject and an important dilemma that many organizations might face in the future, if not facing it already. Every organization invests time and money to make the new employee as a corporate ready material and bring him at par with the existing employees. Knowledgeable employees are important assets of companies, as knowledge is a source of profit, skill, and sustainable competitive advantage. So, retaining these knowledgeable employees is the means for a sustainable competitive advantage for companies in today's fast-changing environment. It is more censorious in software industry, because there's a robust demand for economic transformation with a shift from quantity to quality in today's knowledge-based economy. It is a well-known fact that the success of the organization depends on efficient management of internal environment and external environment factors. The internal environment factors are controllable factors and one such important components is employee attrition management. This research paper is an attempt to study the various influencing factors which leads to employee attrition in software companies.

KEYWORDS: Employee attrition management, knowledgeable employees, changing environment, censorious in software industry, influencing factors.

INTRODUCTION

An organization is totally at loss when the workers leave their job once they're fully trained. Employee attrition management takes under consideration the varied measures taken in order to provide an opportunity to employees to stay with the organization for the utmost longer period of time. Employees are the lifeline of anorganization and contribute effectively to its successful running and profit making. If an organization takes care of its employees then employees will take care of such organization. If organization ignores them, then it might face a higher labour turnover problem. In a corporate world theaim of the organizations is to decrease turnover rate, thereby decreasing training costs, recruitment costs and loss of talent and organizational knowledge. By implementing the effective employee retention strategies organizations can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case. Employers can seek "positive turnover" whereby they aim to take care of only those employees who they concede to be high performers. In order to retain employees and reduce turnover, organizations must meet the goals of

employees without losing sight of the organizational goals, thereby creating a "win-win" situation.

CONCEPTUAL IDEA OF THE STUDY

The conceptual idea of this research activity was derived from the popular terms "Employee First, Customer Next". It is a well known fact that the success of the organization is depended on efficient management of internal environment and external environment factors. The internal environment factors are controllable factors and one of the important components of which is employee attrition management. Therefore, it is a great challenge for organizations to keep employees engaged, motivated and focused to the right goals by creating a suitable environment of innovation through mentoring. Focused and satisfied employees are always an asset to the company. A successful employee attrition management system will enable the organization to meet the organizational competitiveness of an ever changing external environment.

SIGNIFICANCE OF THE STUDY

The purpose of this study is to study and analyze the various factors that significantly influence employees' decisions to stay employed at a specific organization and possible reasons for selecting to go away. In addition, the study sought to explain the importance of retaining critical employees and developing strategies to reduce employeeattrition. The top organizations are on the top because they value their employees and they know how to retain them in the organization. Employees stay and leave organizations for some reasons. The reason may be personal or professional. These reasons should be understood by the organization and should be taken care of. The organizations are getting conscious of these reasons and adopting many strategies for employee retention. The results of this study are often employed by organizations to develop policies, practices and methods that might enable to lower the percentage of employee attrition and make greater efficiencies in meeting strategic business objectives.

RESEARCH METHODOLOGY

SAMPLE SIZE

The sample size is 480 employees who are working in junior, middle and senior level management.

METHOD OF COLLETING THE DATA

As stated earlier, the goal of the study is to conduct research on various factors and reasons which influences the employee attrition in software companies. The data was collected by using questionnaires. The questionnaires were delivered by hand/email/web link to the respondents. The population of the study is employees and officials who are currently working in software companies located in the State of Karnataka. The response was collected by serving a structured questionnaire on five-point Likert scale. The data processing was done through SPSS package.

RELIABILITY TEST

Before analyzing the data responses it was decided to check the reliability of the collected data. Therefore, the collected data has been entered into the computer software for analysis. The below mentioned details indicates the Cronbach's Alpha test for the various reasons and factors of employee attrition in software companies.

TABLE 1

Number of Statements	Reliability Test of statements relating to : Reasons for employee attrition	Cronbach's ALPHA
1	Lack of effective workplace conditions and environment	0.701 N = 8
2	Working hours and shifts are not convenient	
3	Organization does not comes forward to provide incentives and rewards for excellent performance	
4	Organization does not provide any growth opportunities	
5	Organization does not give any opportunity to learn new things or creativity	
6	Employees are not recognized and valued when producing high quality work	
7	Organization does not treat us fairly	
8	Employees are not able to cope with the work life balance	

Table-1 indicates the Cronbach's Alpha reliability or internal consistency test for various reasons for employee attrition in software companies (Number of statements are 8). The coefficient of reliability is 0.701 which provides substantial evidence in support of strong internal consistency among the selected items to explore the reasons for employee attrition. None of the reasons or mentioned statements was dropped from the list and therefore all the 8 statements were found to be highly acceptable for further statistical analysis.

The first objective was fulfilled with the help of statistical analyses that included factor analysis and correlation coefficients. In order to identify and evaluate the reasons behind employee attrition based on primary data, factor analysis was done. Principal component analysis was the method of extraction. The Kaiser rule for number of factors to extract was applied. 8 factors were extracted viz. lack of effective workplace conditions and environment, working hours and shifts are not convenient, organization does not provide growth opportunities; organization does not give opportunity to learn new things or creativity, employees are not recognized and valued, organization does not treat its employees fairly, employees are not able to cope with the work life balance and organization does not come forward to provide incentives and rewards.

THE RESULTS

The factors or reasons for employee attrition in software companies are

analyzed with the help of SPSS tool by using Factor Analysis technique. The results are as follows:

TABLE 2

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.719
Bartlett's Test of Sphericity	Approx. Chi-Square	756.220
	df	28
	Sig.	.000

TABLE 3

COMMUNALITIES

Reasons for employee attrition	Initial	Extraction
Lack of effective workplace conditions and environment	1.000	.543
Employees are not recognized and valued when producing high quality work	1.000	.642
Employees are not able to cope with the work life balance	1.000	.606
Organization does not come forward to provide incentives and rewards for excellent performance	1.000	.214
Organization does not provide any growth opportunities	1.000	.570
Organization does not treat us fairly	1.000	.303
Organization does not give any opportunity to learn new things or creativity	1.000	.544
Working hours and shifts are not convenient	1.000	.622
Extraction Method: Principal Component Analysis.		

(Source: Primary Data)

TABLE 4

TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.761	34.509	34.509	2.761	34.509	34.509
2	1.284	16.049	50.558	1.284	16.049	50.558
3	.968	12.106	62.664			
4	.865	10.806	73.470			
5	.764	9.546	83.016			
6	.540	6.756	89.772			
7	.440	5.499	95.271			
8	.378	4.729	100.000			
Extraction Method: Principal Component Analysis.						

(Source: Primary Data)

TABLE 5
COMPONENT MATRIX

Reasons for employee attrition	Component	
	1	2
Lack of effective workplace conditions and environment	.708	-
Working hours and shifts are not convenient	.611	-
Organization does not provide any growth opportunities	.630	.416
Organization does not give any opportunity to learn new things or creativity	.239	.698
Employees are not recognized and valued when producing high quality work	.786	.155
Organization does not treat us fairly	.531	.145
Employees are not able to cope with the work life balance	.636	-
Organization does not comes forward to provide incentives and rewards for excellent performance	.355	.297
Factor Loadings	**2.76**	**1.28**
Total Variance	**34.51**	**16.05**
KMO	Alpha	**0.719**
	Sig. value	**0.000****

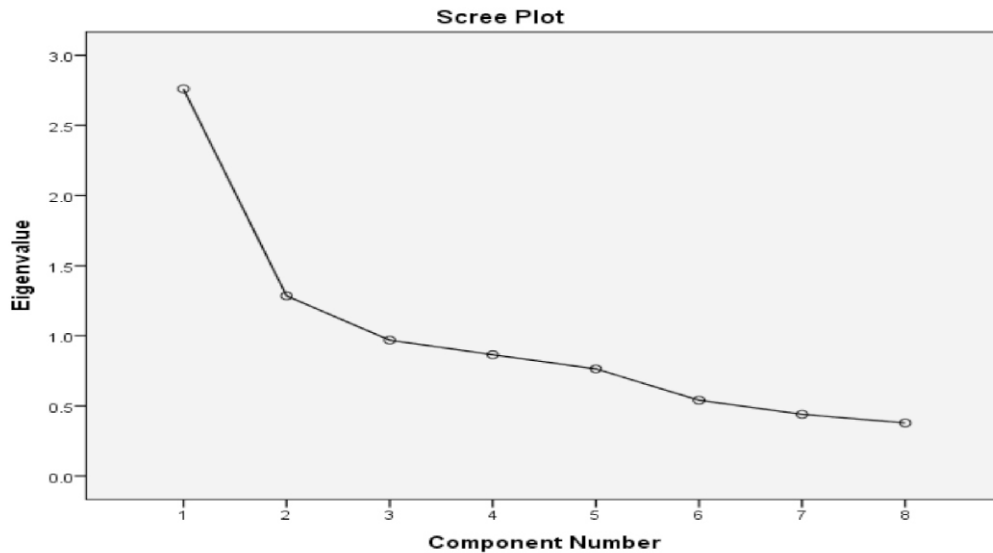**(Source: Primary Data)**

FIGURE 1

Scree Plot

Table 2, 3, 4 and 5 exhibits the factor analysis results to explore the reasons for employee attrition in software companies.

The reasons such as lack of effective workplace conditions and environment, non convenient working hours and shifts, lack of career growth opportunities, less scope for creativity and to learn new things, lack of recognition, lack of fair treatment, difficulty in work life balance and lack of incentives and rewards are measured on a five point likert scale. The factor analysis results are found to be extremely significant at 99 percentage level of significance with the KMO Coefficient (0.719) and the significant value(0.000**). Therefore, the subsequent findings of factor analysis are found to be highly reliable. The 2 components – component 1 and component 2 were extracted with respective factor loadings of 2.76 and 1.28 with the cumulative variance of 50.56 percentage. The component 1 lists the first prioritized reasons responsible for employee attrition in software companies. It can be said with statistical significance that the reasons such as employees not recognized and valued, lack of effective workplace conditions, difficulty in maintaining work life balance, lack of growth opportunities, lack of flexibility in working hours and inequality treatment by the organization are respectively play an dominating role in determining the reasons for employee attrition in software companies. The component 2 set to be the second prioritized reasons which include lack of motivational aspects, less growth opportunities and lack of incentives and rewards are the deciding aspects while determining the reasons for employee attrition in software companies.

The scree plot (figure 1) provides the concrete explanation in support of the significant factor loadings for component 1 and 2.

CONCLUSION

As the rate of attrition in software companies is increasing along with incurring high costs for

the organization, the companies have started devising innovative models of business for effective retention of talent. Thus, in order to overcome the impacts of employee attrition in the organizations, the human resource managers and the organizational leaders are coming up with a number of strategies and management chiefly concerns about fostering a culture in the organizational environment so as to make the employees feel satisfied. Convenience in timings, scheduled working hours, choice of lifestyles are also provided to its employees. Further it is also emphasized that, relevant training is being provided to the employees in the areas of interest and depending up on the job nature. This promotes their career development and in turn increases their level of job satisfaction. The employees are also being provided with rewards and promotions, ensuring a job enlargement and the managers are trained to manage the issues of the people and are most often solely rewarded on their financial and technical skills. According to the study, it is always better to create an atmosphere of sense of belongingness among employees and making them realize that the employees are the most significant asset of the organization by recognizing and appreciating their achievements. Thus, enhancing the level of engagement of the employee at the work place can reduce the rate of employee attrition and contribute to the benefits like enhanced profitability and better productivity of the organization. In fact, at the end of the day it's always better to institute certain proactive measures to fight attrition than to rush for a reactive panic button.

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