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An Analysis of the Major Antecedent Factors of Retention in the Indian Software Industry

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ABSTRACT

Among the various sectors of the Indian economy, the software industry has been long regarded as the fastest growing and most innovative segment. Today the software industry in India has grown in a spectacular fashion but retaining this growth and performance has put forward a lot of challenges particularly for the HR professionals. Even though the software employees are paid salaries which are much higher than the Indian standards, retaining them is a serious issue for most of the companies. Thus to tide over this issue all organizations have various retention strategies in place. This paper aims to empirically study the major antecedent factors of retention in the Indian software industry. The various antecedent factors were obtained based on an effective review of literature. The respondents opinion about the various antecedent factors such as pay, benefits, work aspects are obtained and analysed.

Keywords: Software Industry, Retention, Antecedent factors, Retention.

1. INTRODUCTION

The IT industry in India particularly the software segment is one of the fastest growing industries'. It has become a valuable brand in itself at the global market. Today India is regarded as the biggest IT capital in the world and all the major IT companies from around the world have their operations in India. In India IT comprises of software and ITES. Software industry is the main component of IT in India. India is considered as a pioneer in software development. The software industry in India has made a remarkable growth in a number of respects. This industry has made phenomenal progress in the last two decades and is expected to sustain in this momentum in the foreseeable future.

However this unrivalled growth of this industry has also brought about several HRM challenges. One of the major problems that the IT industry in general and the software segment in particular encounters is the high employee turnover rates and today most of the organisations work out effective retention strategies to retain their talented work force. Since the software professionals have good career opportunities in other companies their turnover intentions are very high. Thus the IT companies are in need to analyse the turnover intentions of the employees to improve the retention and increase productivity. Software professionals have exclusive skills and thus their turnover would negatively affect the competitive position of the company and ultimately have an influence over the company's success. Since the software industry is a knowledge centric industry, retention of employees and thereby the retention of knowledge directly influences the progress of the company. Thus it becomes very important to identify the various antecedent factors of retention of employees. This paper aims to empirically study the antecedent factors of retention in the Indian software industry. The respondents opinion about the various antecedent factors such as pay, benefits, work aspects are obtained and analysed.

2. REVIEW OF LITERATURE

Voluminous studies have been done on employee retention. The rapid growth of the IT sector in India during the last few years have made the companies realise that good employee relationship holds the key to retaining talent. A good amount of literature has been published on retention so far. A good review of literature has helped to understand the subject matter and study the existing gap for undertaking future research on the subject.

Leslie Mckeown(2008)[1] in his book *Retaining top employee*, Tata McGraw Hill -companies Inc, New York.had expressed his view that an organisation should take action to create an atmosphere where the employees are encouraged to remain for a longer period of time. He also stated that employees feel that the company values them only if they have policies that pay attention to their various requirements. **Maertz & Campion(2008)[2]** in their article *25 years of voluntary turnover research: A review and critique*. *International Review of Industrial and Organizational Psychology*, 13, 49- 81. has opined that very little research has been done on how and why an employee chooses to stay with an organisation and what determines his stay intention.

Denton.M (2007)[3] in his study titled "Satisfied workers, Retained Workers: Effects of work and work environment on Homecare workers" mentioned that employees who are psychologically happy with their work are found to be more dedicated as well as take extra efforts to achieve organisational goals. He also stated that turnover happens when employees are not happy to continue with the work they perform. The degree of satisfaction that a job provides an employee determines his stay intentions. **Mobley & William H (2007)[4]** in their journal article "Intermediate linkages in the relationship between job satisfaction and employee turnover". *Journal of Applied Psychology*, had suggested that people develop intentions to quit a company when they stop deriving any kind of satisfaction from it. The employees who develop a voluntary intention to quit a company first weigh the level of resentment in continuing and research options that are available to them in terms of costs involved in finding a new job opportunity.

Fitz-enz (2005[5]) stated that there are innumerable reasons that can be attributed to an employee's stay intention. The job security he experiences, rewards and recognition, salary, work environment supervisor

support are some of the retention aspects he stresses. This study aims to identify the major antecedent factors of retention such as pay.

Pay and Retention

Literature has identified that pay or monetary compensation distinctively stands out as one of the most important factors for holding an employee in his present job. Pay factor becomes even more significant especially when an employee possesses skill sets which are niche as well as critical for the organisation. **Lawler&Edward(2002)[6]** in his book *Compensation management; Strategic planning; Pay-for-knowledge systems*, Jossey-Bass Publishers (San Francisco) stated that any organisation to thrive in the competitive market should give prime importance to the salary that it pays its employees. He observed that an organisation should be well aware of the salary packages offered by the rival firms too. **Davies, Taylor, & Savery (2002) [7]** observed that salaries to the top level employees if given in a critical manner would definitely improve the outlook of the employees and reduce turnover. They also opined that monetary compensation serves as an effective motivational tool and promotes employee commitment towards an organisation.

Benefits and Retention

Various studies have reflected the critical role that benefits play in retaining a valuable talent. **Gillespie(2012) [8]** in his article 'Benefits play critical role in retention' [Online]. Employee Benefit News stated that since benefit programs are decided by the employer it does not satisfy the employees to the level of retaining them. **Lovewell(2010)[9]** observed that employers should introduce the idea of voluntary benefits where the employees are given the options of benefit plans which suits them best. **Kwon(2013)[10]** mentioned that monetary as well as non monetary benefits should be offered to the employees. These include health and wellness routine check ups, schemes for retirement etc.

Career Development and Retention

Job market conditions in the IT industry have always been on the brighter side providing opportunities to the highly skilled employees. This trend has manifolded the degree of retention critically. **Kochanski & Ledford(2010)[11]** stated that career development opportunities is the best predictor of an employee's stay or voluntary exit intentions. **Baruch (2008)[12]** observed that an organisation should cater to career development opportunities for its employees such as providing promotions, career progressions etc. He also stated that employees who receive such career development opportunities will remain committed for a longer period of time with the same company.

Work Aspects and Retention

Software employees prefer to do challenging jobs, roles and responsibilities that enable them to utilize their skills in the maximum possible manner. **Glynn(2005)[13]** stated that if the employees are given jobs that uses very little of their abilities they are likely to develop quit intentions. It was also mentioned that employees prefer to have a certain degree of autonomy over their jobs. **Meyer & Allen(2005)[14]** observed that employees look forward to utilizing their skill sets in a variety of ways. This in turn relieves them of the monotony that is involved in working in the same job profile. Skill set variety thus enables an employee to develop a sense of belongingness and commitment and motivates him to stay in the present company for a considerably longer period of time.

Objectives of the Study

1. To empirically analyse the major antecedent factors of retention in the software Industry in Chennai City.
2. To understand the opinion of the employees with regard to pay, benefits, career development and work aspects.

3. RESEARCH METHODOLOGY

An empirical study was conducted to analyse the opinion of the respondents with regard to the antecedent factors of retention. The software professionals working in Chennai city were the respondents for this study. Convenience sampling was used for the study. Well structured questionnaire was circulated to 947 respondents. The opinion of the employees regarding pay, benefits, career development and work aspects were recorded and their mean responses were obtained along with Radar diagrams.

4. ANALYSIS AND INTERPRETATION

Opinion about Pay in Software Industry

Respondents working as Software professionals in Software Industry have recorded their opinion about the Pay in their Organizations. Pay was measured through eight variables. Their agreements, disagreements and their respective mean are displayed in the Table 1.

Table 1
Descriptive statistics for Pay in Software Industry

<i>Particulars</i>		<i>SA</i>	<i>A</i>	<i>N</i>	<i>DA</i>	<i>SDA</i>	<i>Mean</i>
I am paid fairly by the company.	N	467	444	37	–	–	4.45
	%	49	47	04	–	–	
I have a regular raise in pay	N	137	648	147	10	–	3.97
	%	14	69	16	01	–	
The criteria for having a regular raise in pay are fair	N	148	506	268	20	–	3.82
	%	16	53	28	03	–	
I am aware of the company's pay philosophy	N	120	519	247	56	–	3.74
	%	13	55	26	06	–	
Variable pay is perceived as an attractive compensation structuring policy	No	159	511	215	30	27	3.79
	%	17	54	23	03	03	
Retention bonus plans are available in my company	No	147	409	297	76	13	3.64
	%	15	43	32	08	02	
Company provides performance bonus without discrimination	No	158	370	321	54	39	3.59
	%	17	39	34	06	04	
Cash incentives with or without stock options are available to employees	No	247	460	218	17	-	3.99
	%	26	49	23	02	-	

Source: Primary Data

SA – Strongly Agree, A – Agree, N – Neutral, DA – Disagree, SDA – Strongly Disagree

From the Table 1 it is observed that, 49% of the respondents strongly agree with the company pays fairly for the work, 69% of the respondents agree with the regular raise in pay, 53% of the respondents agree that the criteria for having regular raise in pay are fair, 55% of the respondents were agree that they aware of the company’s pay philosophy, 54% of the respondents were accepted that variable pay is perceived as an attractive compensation structuring policy, 76% of the respondents were not in a position to agree with availability of retention bonus plans in their company, 39% of the respondents agree with the company provides performance without discrimination and 49% of respondents agreed cash incentives or stock options are available to employees. Totally Eight statements in the variables have insist on the various aspects of pay, among which “Company pays me fairly for the work I do” has highest mean score of 4.45 this shows that most of the respondents agree that they are paid fairly.

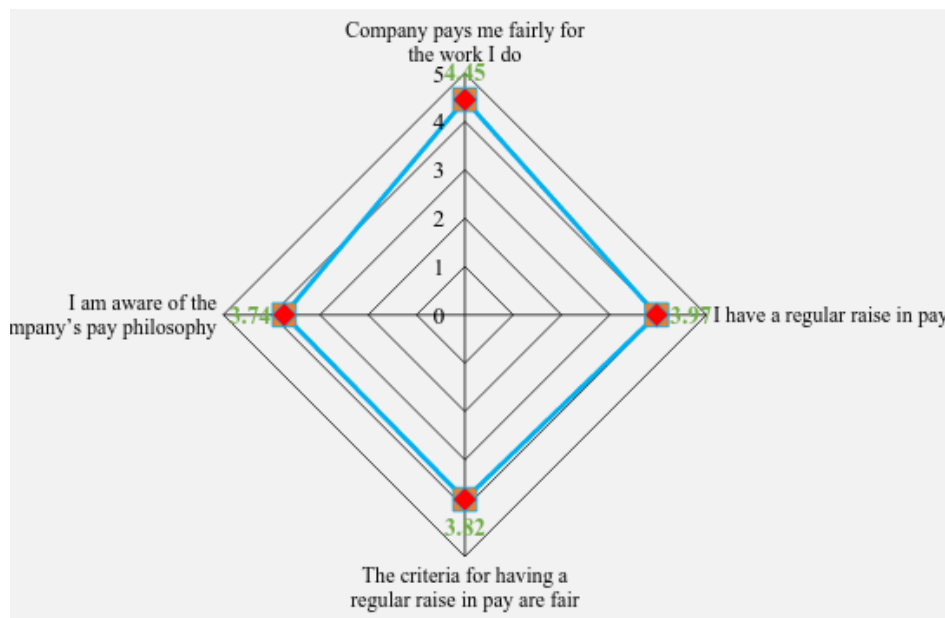


Figure 1: Radar diagram for mean responses towards Pay

Opinion about Benefits in Software Industry

Respondents working as Software professionals in Software Industry have recorded their opinion about the Benefits in their Organizations. Benefits were measured through six variables. Their agreements, disagreements and their respective mean are displayed in the Table 2.

Table 2
Descriptive statistics for Benefits in Software Industry

Particulars		SA	A	N	DA	SDA	Mean
Company follows a superior benefits package	N	102	526	286	28	-	3.74
	%	11	56	30	03	-	
I have health insurance coverage in my company	N	150	490	236	50	16	3.75
	%	16	52	25	05	02	

Particulars		SA	A	N	DA	SDA	Mean
Company provides special benefits such as retirement plan wellness initiative etc.	N	178	514	175	75	-	3.84
	%	19	55	18	8	-	
My company offers access to sports facilities such as gymnasium, swimming pools etc.	N	199	400	256	64	23	3.73
	%	21	43	27	06	03	
I am entitled to special leave benefits such as paid family leaves.	N	270	397	238	25	12	3.94
	%	29	42	25	03	01	
My company arranges for social events for employee	N	164	465	213	76	24	3.71
	%	17	49	23	08	03	

Source: Primary Data

SA – Strongly Agree, A – Agree, N – Neutral, DA – Disagree, SDA – Strongly Disagree

From the Table 3 it is observed that, 56% of the respondents agree with the company follows a superior benefits package, 52% of the respondents agree with the company provides health insurance coverage to them, 55% of the respondents agree that the company provides special benefits such as retirement plan wellness initiative, etc., 43% of the respondents were agreed that the company offers access to sports facilities such as gymnasium, swimming pools, etc., 42% of the respondents were accepted that they were entitled to special leave benefits such as paid family leaves, 49% of the respondents agreed their company arranges for social events for them. Totally Six statements in this factor have emphasis on the various aspects of benefits, among which “I am entitled to special leave benefits such as paid family leaves” has highest mean score of 3.94 this shows that most of the respondents agree that they are given special family leaves.

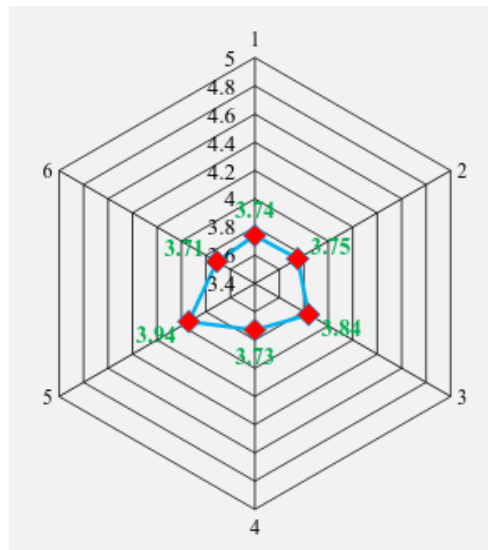


Figure 2: Radar diagram for mean responses towards benefits

Opinion about Career development in Software Industry

Respondents working as Software professionals in Software Industry have recorded their opinion about the Career development in their Organizations. Career development was measured through five variables. Their agreements, disagreements and their respective mean are displayed in the Table 3

Table 3
Descriptive statistics for Career development in Software Industry

Particulars		SA	A	N	DA	SDA	Mean
I am satisfied with my current career development in this company.	N	109	417	283	90	43	3.49
	%	11	44	30	10	05	
I am satisfied with my future career prospects in this company	N	118	402	261	123	38	3.47
	%	12	43	28	13	04	
My personal career development is aligned with the company's goals.	N	193	357	221	113	58	3.55
	%	20	38	23	12	07	
As a part of personal career development I expect to be promoted at regular intervals.	N	146	383	271	109	33	3.53
	%	15	41	29	12	03	
My employer takes career development seriously.	N	119	423	241	93	66	3.46
	%	12	45	25	10	08	

Source: Primary Data

SA – Strongly Agree, A – Agree, N – Neutral, DA – Disagree, SDA – Strongly Disagree

From the Table 3 it is observed that, 44% of the respondents satisfied with the company current career development, 43% of the respondents satisfied with the company future career development, 38% of the respondents agree that the company personal career development is aligned with its goals., 41% of the respondents were agreed that the company personal career development is promoted at regular intervals, 45% of the respondents were agreed that the employer takes career development of its employees seriously. Totally Five statements in this variable have emphasis on the various aspects of career development, of which “My personal career development is aligned with the company’s goals” has highest mean score of 3.55 this shows company’s growth is depending on the employee career development.

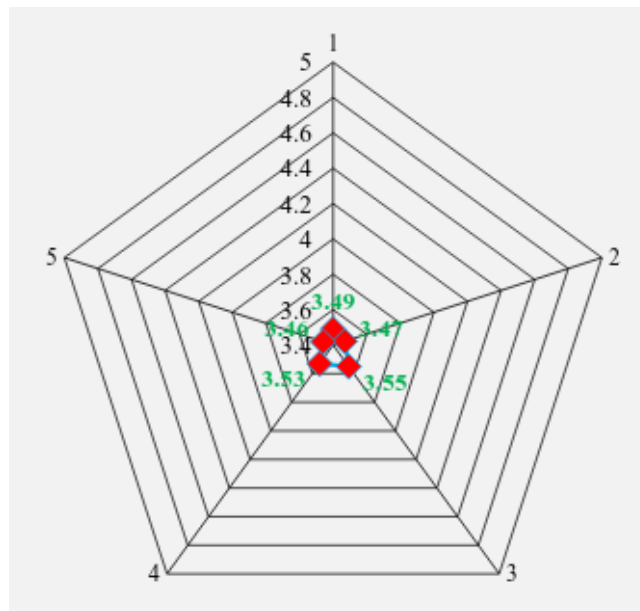


Figure 3: Radar diagram for mean responses towards career development

Opinion about Leadership in Software Industry

Respondents working as Software professionals in Software Industry have recorded their opinion about the Leadership in their Organizations. Leadership was measured through four variables. Their agreements, disagreements and their respective mean are displayed in the Table 4.

Table 4
Descriptive statistics for Leadership in Software Industry

Particulars		SA	A	N	DA	SDA	Mean
My manager puts focus on the tasks, pushing the employees to meet the set goals on time.	N	160	369	238	114	61	3.48
	%	17	39	25	12	07	
My manager encourages employees to attain their goals.	N	152	386	248	110	46	3.52
	%	16	41	26	12	05	
My manager focuses on development, encourages employees to see new opportunities and act upon them.	N	148	362	274	104	54	3.47
	%	16	38	29	11	06	
My manager puts focus on creating a good working atmosphere.	N	133	389	261	102	57	3.47
	%	14	41	28	11	06	

Source: Primary Data

SA – Strongly Agree, A – Agree, N – Neutral, DA – Disagree, SDA – Strongly Disagree

From the Table 4 it is observed that, 39% of the respondents agree with the manager focuses on the activities motivating the employees to meet the set goals on time, 41% of the respondents agree with the manager focus on relations and striving to support them in their efforts to reach goals, 38% of the respondents agree that the manager focuses on development and encourages employees to see new opportunities and act upon them, 41% of the respondents were agreed that the manager focus on creating a good working atmosphere. Totally Four statements in this variable have emphasis on the various aspects of leadership, of which “My manager puts focus on relations, striving to support the employees in their effort to reach goals” has highest mean score of 3.52 this shows managers focus on relations and striving to support their efforts to reach its goals.

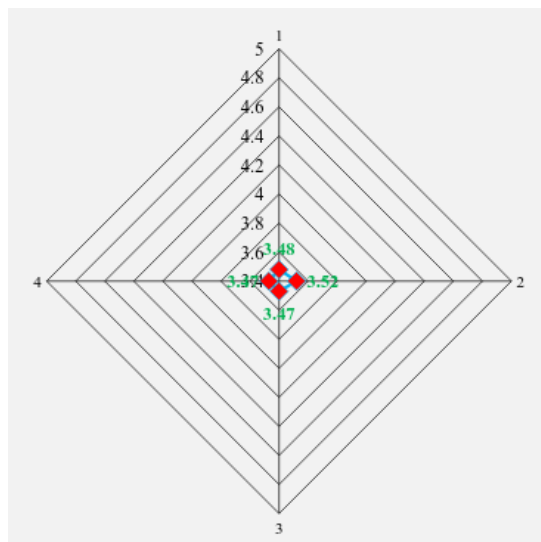


Figure 4: Radar diagram for mean responses towards leadership

Opinion about Work aspects in Software Industry

Respondents working as Software professionals in Software Industry have recorded their opinion about the Work aspects in their Organizations. Work aspects were measured through seven variables. Their agreements, disagreements and their respective mean are displayed in the Table 5.

Table 5
Descriptive statistics for Work aspects in Software Industry

Particulars		SA	A	N	DA	SDA	Mean
The work I perform is challenging interesting and meaningful.	N	268	398	141	122	13	3.96
	%	28	42	15	13	02	
Good work is identified and recognized.	N	150	397	343	52	–	3.64
	%	16	42	36	06	–	
I have complete autonomy over the work I do.	N	148	388	327	67	12	3.67
	%	16	41	34	08	01	
The job I do is mentally and emotionally rewarding	N	102	414	206	203	17	3.54
	%	10	44	22	22	02	
My employer gives emphasis on quality of work than quantity.	N	131	347	274	153	37	3.56
	%	14	37	29	16	04	
My company offers work from home option (Flexible work arrangement).	N	380	318	86	122	36	3.79
	%	40	34	09	13	04	
Employees are given onsite opportunities	N	128	509	164	130	11	3.71
	%	14	54	17	14	01	

Source: Primary Data

SA – Strongly Agree, A – Agree, N – Neutral, DA – Disagree, SDA – Strongly Disagree

From the Table 5 it is observed that, 42% of the respondents agree with the work they perform is challenging, interesting and meaningful, 42% of the respondents agree with good work is identified and

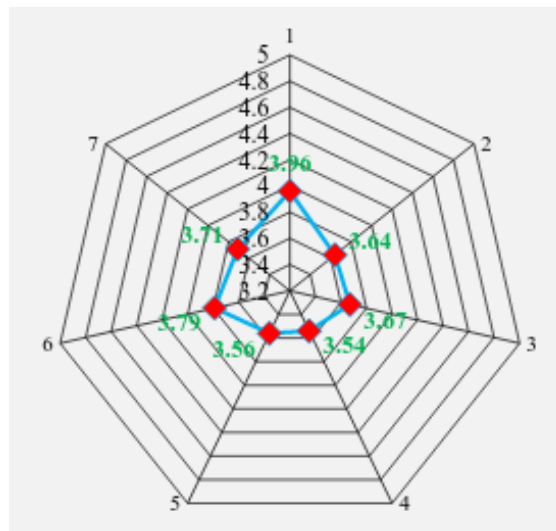


Figure 5: Radar diagram for mean responses towards work aspects

recognized by their company, 41% of the respondents agree that they have complete autonomy over the work they do, 44% of the respondents were agreed that the job is mentally and emotionally rewarding, 37% of the respondents agreed their employer emphasis on quality of work than quantity, 40% of the respondents agreed that the company offers work from home option and 54% of them agreed that the company give on site opportunities. Totally Seven statements in this variable have emphasis on the various statements of work aspects, of which “The work I perform is challenging interesting and meaningful.” has highest mean score of 3.96 this shows the job they do is interesting and meaningful.

5. FINDINGS

It was found by the study that compensation or pay factor was given good weightage by the employees. Pay is considered as a critical component that was essential in retaining an employee in his present job. Followed by pay was benefits which all the employees attach lot of importance and regard as an important factor for retention. Employees attach significant importance to the training and development that they receive in the company. At the same time many opined that they should be given freedom for innovative thinking and self development. Most of the employees believed that their career development was aligned with the company's goals. With regard to leadership the employees firmly reiterated the fact that good leadership holds key to their retention within the same company. The relation an employee hold with his superior gained weightage for determining his stay with the present company.

Every employee required interesting as well as challenging roles and responsibilities to create self interest in remaining with the same company. Clear knowledge about the vision and strategy of the company was a critical factor in making an employee committed towards his employer. Employees who had an idea about the goals and objectives of the company were found to be more engaged to their work also.

6. CONCLUSION

Every organisation should attach critical importance to the voluntary turnover rates within the company. The company should have a good feedback system where they can voice their opinion as well as come out with new ideas for self development as well as organisational growth. This would in turn help the HR personnel to formulate proper retention strategies. Companies should also make efforts to conduct exit interviews as well as give importance to stay interviews for obtaining a holistic view of the factors that would lead to the retention of employees. For instance employees would develop an affinity towards their employer if they are given an option of choosing a benefits package which suits their needs rather than keeping an uniform benefits scheme for all employees. Thus every software company should take effective measures to strengthen the Human Resources workforce so that effectively work towards taking retention measures to improve the stay aspect of the company's critical talent.

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