ARE THEY LEAVING OR STAYING: EMPLOYEE TURNOVER AN IT INDUSTRY ANALYSIS

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ABSTRACT

Purpose – Research questions that this paper attempts to answer are – has it ever happened in your organization that people seemed absolutely satisfied with the Performance Appraisal, but they left the organization. The research work focused on significance impact of performance appraisal on IT industry employee and after PA impact on employee turnover.

Design/methodology/approach –290 employees were associated with an IT company from last 3 years' data set that was used for the research. Based on the results of a pilot study, two groups were distinguished, i.e. PBA and satisfied employee and PBA and dissatisfied employees in IT Industry,Chi square tool was applied to identified the impact of performance based analysis and its impact on Employees Turnover in IT industry in India.

Findings – The findings provide evidence for meaningful differences (e.g. satisfied employees and dissatisfied employees) result found significant association between performance-based increment and left the organization after employee satisfaction dissatisfaction both from organization.

Originality/value –There was no link between performance and pay, lack of learning opportunities, organization doesn't have a brand recognition, lack of challenging role and you don't like the city in which the

organization is based, can be the reason to leave an IT Organization and it should be improved by Companies.

INTRODUCTION:

The fastest growing industry is the Information Technology Industry. The Indian IT industry is growing, although faster and has gained a lot of equity in the global market. IT industry in India comprises of the software industry and the information technology enabled services industry. Both of them have added a lot of revenue and advantage to the Indian economy. Technology has proven to be quite beneficial for the citizens of the country. With the development of technology in the world, it has become easy and efficient to be connected every time with others. Works or jobs that used to take days to time to be done by the employees of any organization are being done in just a few hours today all because of technology development.

An employee is the most important asset for any organization. So, whether it is a Private or Public organization, every organization needs employees to survive in the marketplace. No organization can survive at any cost without its committed and loyal employees.

Employees are considered as the backbone of the organization. AtanuAdhikari in his Factors Affecting Employee Attrition has addressed only specific problems related to the environmental analysis of challenges, growth and opportunities, the problem of attrition, the HRM system, issues of job stress, employee satisfaction, individual performance etc. This research is undertaken to identify some of major the dissatisfaction factors they face in the organization and for what reason they prefer to change their jobs. At the same time, the employees should also be satisfied with what the employer has invested or is going to invest in him/her for his/her career development. And this could not happen with the same strategies. Even the strategies need to be changed. Thus, this study can be helpful in knowing the attitude and behavior of the employees working with the

organization. This would help to know why an employee wants to leave the organization and which factors become the reasons of his/her leaving the organization. Strategies should be such that it builds and sustain a long relationship with the employees. The employer should offer a challenging, interesting and meaningful work.

LITERATURE REVIEW

Performance Appraisals quantifies the adequacy of the workforce. Edwin B Flippo characterizes performance appraisal as an efficient, intermittent and to the extent humanly conceivable an unbiased rating of representative's greatness in issues relating to his current occupation and possibilities for a vocation (**Gurpinder Kaur and Jaslin Kaur, 2001**).

Adhikari (2009), retaining employees in a developing country like India is difficult. There are a lot of opportunities for growth, and the exports of work have been increasing rapidly. Retaining skilled employees is getting really difficult in IT companies. The main thing the organization focuses on is, reduction in cost and focus on the core activities. Cost incurred in the hiring process is huge, therefore it's a wise option to retain the current employees in the organization.

According to **Das and Baruah (2013)**, organizations are facing challenges like shortage of competent managers in the middle and senior level, and so there is a high rate of attrition observed. A very skilled and experienced manager is required to retain the employees in an organization. The manager should really know the reason behind leaving and should be able to convince the employees to stay. He should possess a good convincing power. Employees spend their most of the time with the managers, therefore managers only know how to influence an employee's decision.

Anjali and Anand (2015), said, generally entry level employees leave the organization soon, since they are not loyal. The fresher's are young and less patient. They get easily influenced by other people or other opportunities present in the market. They are less committed towards the goals of an organization. So it is more likely that entry level employees will leave the company as soon as they find an alternative or get influenced. Some of the

factors like infrastructure, cultural difference, languages, become a strong reason for them to leave.

Allen and Meyer (1990), said the level of stress is increasing and the opportunities for growth are decreasing in the organizations. In today's competitive world, where everyone wants to come first, and impress one's superior, stress and restlessness is taking place in an employee's life, instead of a peaceful life. Everyone is running in a race and wants to become successful in a very short period of time. Employees work really hard to get promotions and recognition, but they forget this is harming their mental peace and disturbing their daily routine.

Stauss et al. (2001), studied the issue of employee turnover and suggested that management needs to frame the retention strategies in order to retain the employees. The management should be changed completely. Functional turnover can be of help wherein the bad performers leave the organization and good performers stay! Formation of right retention strategies is needed in order to sustain in the competitive world today. With employees leaving the organization, there is a loss of customer relationship and loss of business.

According to Deery(2008), the relationship between the employer and the employees are changing. There is a need to increase flexibility on the part of the organization, in order to increase productivity. Flexibility towards the employees helps the organizations to retain their best or highly skilled employees. When the attrition rate becomes high in the organization, employees feel insecure. Job security is one thing that employees look for, in any organization. If they feel that many employees are leaving, they tend to develop this feeling that there is something bad in the organization itself. They start finding mistakes or reasons to leave.

Liu and Wang (2006),it is found that the number of female employees leaving the organization is more as compared to male ones. Female employee turnover is high as seen in the companies. Females have the responsibility towards their family and children, they can't afford to leave them. It's a serious issue and should be dealt with urgently.

Ma et al. (2003), believed that the level of satisfaction and commitment towards any organization is low in young, highly educated and inexperienced people. And their negative attitude leads them towards leaving the organization. This results in employee turnover. It has been seen that young minds wander in search of a better place always. And when they are highly educated, and know that they are capable of getting a decent job, they are more likely to leave their current organization.

According to **Pearce and Mawson (2009),** there is a low rate of training in the organizations which lead to poor performance and eventually employee turnover takes place. When employees feel they are performing poorly and not getting the level of satisfaction they need to work harder, they tend to leave the job. Organizations need to train their employees well, so that they can perform to their fullest. It's obvious that when they perform well, they will get increments on the basis of their performance. This motivates them to work longer in an organization and stay loyal. According to expert's opinion- employee turnover also depends on the work culture within an organization. If the management is friendly and approachable, employees will never feel the need to leave the organization. Instead, they will develop a feeling of togetherness, a sense of commitment towards the organization and work harder.

Huselid (1995), Employees often appreciate a work environment in which communication is more transparent, management is accessible and clear direction is given. There should not be any ambiguity in the directions to achieve the task.

Martin (2003), detected that there is a relationship between employee turnover and training. He found that organizations providing training to improve the skills of existing employees do not suffer employee turnover. However, if employees are trained to possess multiple skills, or they have taught multiple skills, employee turnover rates increase. It is because they feel they can get a better job opportunity with the acquired skills.

Caruth& Humphreys (2008), add to this perspective by recommending it is a business basic that the performance appraisal framework incorporates qualities to meet the authoritative needs and the entirety of its partners

(counting the executives and staff). The most widely recognized to practically all motivations behind performance appraisal is the idea of improving performance and creating individuals.

OBJECTIVES:

1. To evaluate the various techniques used by the IT Industries for performance increment.
2. To study the effect of performance based incremental system on employee turnover in IT industry.

RESEARCH METHODOLOGY

RESEARCH DESIGN

Research is exploratory as well as empirical in nature.

Area of Sampling- This study is conducted in India. To serve the purpose of this study, a total of major 10 IT companies from various states of India are considered. Companies selection was based on overall employee size, which was based on three categories (Employees more than 2 lakhs, less than 2 lakh and employees less than 50000 in Indian strength) used to approach employees. The companies are Capgemini, Infosys, Infobeans, CSC, Persistent, Eternus solutions Indore, Impetus Indore, Info Crats solution, HCL and Oracle. Employees overs 2 lakh companies are Infosys and HCL, less than 2 lakh companies are Capegemini, Oracle and CSC, less than 50 thousand employee's companies are InfoBeans, Persistent, Eternus solutions, Impetus, and Info Crats Solution.

Sample Size- Total 350 IT Professionals were approached to get their response out of which 2906 gave required and useful information. The respondents are from different positions such as Programmers, Executives (Junior, Middle and Senior), Associate Consultants, and Team Leaders etc. The same is used in this study and rest 60 responses were discarded.

Sampling Technique: Purposive convenience sampling technique.

DATA COLLECTION

A self- designed questionnaire was used for the purpose of data collection, which could meet the objectives of the study. Questionnaire consisted of 51 statements based on Likert type 5-point scale which were designed to check performance based increment system and employee turnover in IT

Industry.Reliability of data was necessary to purify before any supplementary analysis could be conducted. Scale decontamination process was conducted for testing reliability of the scale, internal consistency of the scale and validity of the data. For the scale purification process, we have conducted Cronbach alpha reliability test by using SPSS.24. Internal reliability was estimated by using Cronbach alpha (Nunnally, 1978). For a measure to be acceptable, Cronbach alpha coefficient should be above 0.7. A low coefficient alpha indicate the sample of items performs poorly in capturing the construct (Nunnally, 1978). The measurement scale items of attributes of employee data as Cronbach alpha coefficient is 0.775 for 51 items. It shows that the scale items are consistent with each other and these could be used for the evaluation of performance based increment and employee turnover in India. 51 Questions was from seven criteria-satisfaction, work environment, management leadership, organizational policies, increment & employee welfare, reliability and physical infrastructure.

RESULT AND FINDINGS

Demographic Analysis:

Table 1: Demographic Description

Profile	Characteristics	Respondents	
		Frequency	**Percent**
Gender	Male	110	38%
	Female	180	62%
Age (in years)	Below 30 Years	130	45%
	30-39 Years	100	34%
	40-49 Years	60	21%
	50-60 Years	0	0%
	Above 60 Years	0	0%
Monthly Income	Less than 25000	70	24%
	25001-40000	90	31%
	40001-54999	30	10%
	55000-74999	66	23%
	Above 75000	34	12%
Designation	Consultant	110	38%
	Senior Consultant	50	17%
	Junior Programmer	25	9%
	Middle Programmer	45	15%
	Senior Programmer	22	8%

	Team Leader	38	13%
Association with present organization	Less than 3 years	30	10%
	3 - 5 years	100	35%
	6 - 8 years	80	28%
	9 - 12 years	50	17%
	13 - 15 years	30	10%
	More than 15 Years	0	0
Marital Status	Married	130	45%
	Unmarried	160	55%
Education Qualification	Professional Diploma / Certificate	30	10%
	Professional Graduate	120	42%
	Post Graduate	140	48%

Analysis 1: To evaluate the various techniques used by the IT Industries for performance increment.

Performance appraisal via increment is a viable organizational tool that may be used to motivate, direct and develop employees. Performance appraisal and increment is one element of performance management which involves different measurements throughout the organization. Performance increment is the most important if the organizations are to take the advantage of their most important asset, employees, and gain human capital advantage. Effective performance appraisal via increment impressions relate to strong and weak points of the employee's behavior. In current study four major technique were used to evaluate performance increment which are 360 degree, Forced Method, MBO and Ranking Method. Chi square was applied to evaluated the performance increment.

H_{01}: There is no association between performance based increment system and most important reason to leave.

H_1: There is association between performance based increment system and most important reason to leave.

Table 2:

PBIS and Reason to leave

Performance Appraisal Technique		Reason to leave an organization					Row Total
		No link between performance and pay	Lack of learning opportunities	Organization doesn't have a brand recognition	Lack of challenging role	You don't like the city in which the organization is based	
	360 Degree	15	19	8	8	5	**55**
	Forced Rank	10	14	2	5	4	**35**
	MBO	4	50	16	15	27	**112**
	Ranking Method	25	14	25	15	9	**88**
	Column Total	**54**	**97**	**51**	**43**	**45**	**290**

Table 3:

Chi Square Test of PBIS and Reason to leave

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	53.841	12	.000
Likelihood Ratio	60.956	12	.000
Linear-by-Linear Association	2.408	1	.121
N of Valid Cases	290		

Table 4:
Symmetric Measures of PBIS and Reason to leave

		Value	Approx. Sig.
Nominal by Nominal	Phi	.431	.000
	Cramer's V	.249	.000

Chi square value was 53.841 at df 12 at 5% level of significant. The values of Phi and Carmer's V having significance at 0.05 level indicate a significant strength of association. Overall result prove that null hypothesis not accepted at 5% level of significance. That's why Chi square value resulted that there is a significant association between performance-based increment and employee turnover.

H_{02}: There is no association between performance based increment system and People leaving the organization as they are satisfied with Performance Based Increment System.

H_2: There is association between performance based increment system and People leaving the organization as they are satisfied with Performance Based Increment System.

Table 5:

PBIS and Satisfied Employees

		Employees seemed absolutely satisfied				
		It Always Happened	It Happened Often	It Happened Sometimes	It Never Happened	**Row Total**
Performance Appraisal Technique	360 Degree	12	23	8	12	**55**
	Forced Rank	6	25	4	0	**35**
	MBO	13	56	29	14	**112**
	Ranking Method	24	32	5	27	**88**
	Column Total	**55**	**136**	**46**	**53**	**290**

Table 6:

Chi Square Test of PBIS with Satisfied Employees

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.380	9	.000
Likelihood Ratio	49.223	9	.000
Linear-by-Linear Association	.801	1	.371
N of Valid Cases	290		

Table 7:
Symmetric Measures of PBIS with Satisfied Employees

		Value	Approx. Sig.
Nominal by Nominal	**Phi**	.387	.000
	Cramer's V	.223	.000
N of Valid Cases		290	

Chi square value was 43.380 at df 9 at 5% level of significant. The values of Phi and Carmer's V having significance at 0.05 level indicate a significant strength of association. Overall result prove that null hypothesis not accepted at 5% level of significance. that's why Chi square value resulted that there is a significant association between performance-based increment and Satisfied Employee.

H_{03}: There is no association between performance based increment system and People leaving the organization as they are dissatisfied with Performance Based Increment System.

H_3: There is association between performance based increment system and People leaving the organization as they are dissatisfied with Performance Based Increment System.

Table 8:

PBIS and Dissatisfied Employees

Performance Appraisal Technique	Employees seemed absolutely dissatisfied				
		It Always Happened	It Happened Often	It Happened Sometimes	It Never Happened	**Row Total**
	360 Degree	11	24	20	0	**55**
	Forced Rank	0	24	7	4	**35**
	MBO	15	49	29	19	**112**
	Ranking Method	11	32	30	15	**88**
	Column Total	**37**	**129**	**86**	**38**	**290**

Table 9:

Chi Square Test of PBIS with Dissatisfied Employees

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	25.311	9	.003
Likelihood Ratio	35.966	9	.000
Linear-by-Linear Association	6.483	1	.011
N of Valid Cases	290		

Table 10:

Symmetric Measures of PBIS with Dissatisfied

Employees

		Value	Approx. Sig.
Nominal by Nominal	Phi	.295	.003
	Cramer's V	.171	.003
N of Valid Cases		290	

Chi square value was 25.311 at df 9 at 5% level of significant. The values of Phi and Carmer's V having significance at 0.05 level indicate a significant strength of association. Overall result prove that null hypothesis

not accepted at 5% level of significance. that's why Chi square value resulted that there is a significant association between performance-based increment and dissatisfied employee.

Table 11:

Results of Hypothesis Testing (Chi Square)

S.No	Hypothesis	Statistical Tool	Result
H_{01}	There is no association between performance based increment system and most important reason to leave.	Chi Square	Not accepted
H_{02}	There is no association between performance based increment system and People leaving the organization as they are satisfied with PBIS.	Chi Square	Not accepted
H_{03}	There is no association between performance based increment system and People leaving the organization as they are dissatisfied with PBIS.	Chi Square	Not accepted

Evaluate the various techniques used by the IT Industries for performance increment for this four method techniques was used in 10 IT companies in India which was based on 360 degrees, forced rank, MBO and ranking method and it was found in analysis approx 19% employees feel that there is no link between performance and pay, one third employees has negative feedback related to lack of learning opportunities, 18% feedback is related with their organization brand name is small or does not recognition in industry, 15% employees has negative feedback related to their poor role or challenging role and 15% employees does not like office city due to cultural issue. Overall analysis prove that satisfaction and dissatisfaction are at equal level in employee's behavior and that's why null hypothesis has not accepted and for this improvement organization should apply improvements in their performance increment practices.

Analysis 2: To study the effect of performance based incremental system on employee turnover in IT industry.

51 statements were based on employee turnover due to effective performance based incremental system in IT Industry related to satisfaction, work environment, management leadership, organizational

policies, increment & employee welfare, reliability and physical infrastructure. Seven criteria were analyzed by independent sample t test.

H_{04}: There is no significant difference in employee turnover with respect of gender in IT Companies.

H_{14}: There is significant difference in employee turnover with respect of gender in IT Companies.

Table: 17

Levene's Test for Equality of Variances

	Levene's Test for Equality of Variances	
	F	**Sig.**
Satisfaction Equal variances assumed	.826	.364
Equal variances not assumed		
Work environment Equal variances assumed	.742	.390
Equal variances not assumed		
Management leadership Equal variances assumed	.214	.644
Equal variances not assumed		
Organizational policies Equal variances assumed	.014	.905
Equal variances not assumed		
Increment & employee welfare Equal variances assumed	.056	.812
Equal variances not assumed		
Reliability Equal variances assumed	.906	.342
Equal variances not assumed		
Physical infrastructure Equal variances assumed	8.821	.003
Equal variances not assumed		

Table No:18

Independent Samples Test

		Levene's Test for Equality of Variances	
		t	Sig.
Satisfaction Equal variances assumed		-2.144	.033
Equal variances not assumed		-2.108	.036
Work environment Equal variances assumed		.132	.895
Equal variances not assumed		.134	.893
Management leadership Equal variances assumed		-.626	.532
Equal variances not assumed		-.620	.536
Organizational policies Equal variances assumed		-.301	.764
Equal variances not assumed		-.302	.763
Increment & employee welfare Equal variances assumed		-.246	.806
Equal variances not assumed		-.247	.805
Reliability Equal variances assumed		-.472	.638
Equal variances not assumed		-.463	.644
Physical infrastructure Equal variances assumed		-1.277	.203
Equal variances not assumed		-1.232	.219

Findings: Null hypothesis, *there is no significant difference in employee turnover with respect of gender in IT Companies is not accepted at 5% level of significance.* To study the effect of performance based incremental system on employee turnover in IT industry with respect of gender, and it was found that there is no significant effect of performance based increment on employees turnover and it discuss that performance based increment give impact on both gender in IT companies. It was normally found that gender is in equal ratio in IT companies in India, it is clear that calculated value of levene's test was lesser in all the factors except physical infrastructure (satisfaction, work environment, management leadership, organizational policies, increment & employee welfare, reliability) than the tabulated value of F = 2.21, at $(p<0.05)$ level of significance. Hence, the hypothesis is not significant at 5% level.

CONCLUSION

HR managers should pay more attention to overall satisfaction of employees via performance based appraisal. Performance Appraisal is an important factor that contributes to increasing the productivity of an organization by 360-degree performance appraisal, forced rank, MBO and ranking. It is an essential process which helps to receive much feedback from people around them. The success of the performance appraisal depends on its transparency and clear objectives.

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