



Reasons For Employee Attrition in Software Companies – An Analytical Study

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ABSTRACT

The biggest challenge facing the software corporate houses these days is not attracting the prospective employee but retaining the talent. Liberalization, gradual decontrol, opening up of various sectors to the multiplayer regime and enormous technological intervention has shifted the dynamics of employee market. The employee, the 'internal customer' has now an all time expectation because of alternative jobs availability. Despite offering competitive remuneration across the board, the software companies have been overwhelmed with the growing list of left-out employees. A reduction in the number of employees through retirement, resignation or death is the simplest interpretation of attrition. But in the practical sense the issue is not so straight. With attrition becoming the bane of software companies across the world, it is strange that many organisations neither measure costs associated with attrition nor have specific targets or plans to reduce them. In this context employee attrition needs to be recognized as a mounting problem which requires a careful analysis in the area of human resource management.

KEYWORDS : Software companies, retaining talent, employee attrition, careful analysis

Introduction

The biggest challenge facing the software corporate houses these days is not attracting the prospective employee but retaining the talent. Liberalization, gradual decontrol, opening up of various sectors to the multiplayer regime and enormous technological intervention has shifted the dynamics of employee market. The employee, the 'internal customer' has now an all time expectation because of alternative jobs availability. Despite offering competitive remuneration across the board, the software companies have been overwhelmed with the growing list of left-out employees. A reduction in the number of employees through retirement, resignation or death is the simplest interpretation of attrition. But in the practical sense the issue is not so straight. Rather a meticulous analysis of the available information of the ex-employee in the correlation with the demography, age, experience and above all the level of employability can help a firm to design its own unique retention strategy. Imagine a place where employees love their jobs, their co-employees, work hard for their employers, get paid well for their work, have ample opportunities for advancement, take advantage of flexible work hours to enable them to attend to personal needs when required and never quit the organization. Unfortunately, this is a highly optimistic and unrealistic situation in contrast to the real world where employees do leave, either because they yearn for more money, dislike the working conditions or detest their co-employees. Even though people add value to the organisations, employees often leave an organisation for one or more of the reasons cited above. This form of attrition can often potentially lead to knowledge transfer, which is a considerable threat that may adversely affect business.

With attrition becoming the bane of software companies across the world, it is strange that many organisations neither measure costs associated with attrition nor have specific targets or plans to reduce them. Far from accepting attrition as part of the cost of doing business, it needs to be recognized as a mounting problem that needs careful scrutiny and an area where human resource department can play a dominating role by taking initiatives to measure attrition, looks for its causes, come out with solutions and thereby target improved performance through reduced attrition.

Formulation of the problem

As on date, majority of the software companies are facing employee attrition management problem. Having this in background and also so gain more knowledge about the employee attrition management aspects, its utility and importance for organization

development, the present topic "Reasons for Employee Attrition in selected Software Companies in Karnataka State" has been formulated.

Research Methodology

Sample size:

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

Method of Collecting the data:

As stated earlier, the goal of the study is to conduct research on reasons for employee attrition in selected software companies in Karnataka State; the data was collected by using questionnaires. The questionnaires were delivered by hand/email/web link to the respondents. A letter of approval to conduct the study and a covering letter explaining the research were attached to the questionnaires. The population of the study is employees and officials who are currently working in software companies located in the State of Karnataka. At present there are more than 2,500 software companies in Karnataka, and out of that 2,100 companies are located in Bangalore alone and the remaining companies are located in Mysore, Hubli and Mangalore. In that, there are nearly 400 major software companies. For the purpose of the study, 10 percent of the major software companies have been selected on random basis. From each selected software company in the range of 15 to 20 respondents were chosen for eliciting responses. The response towards employee attrition management was collected by serving a structured questionnaire on five-point Likert scale. For analysis and interpretation of data, Kaiser-Meyer-Olkin Measure of Sampling Adequacy, Bartlett's Test and factor analysis techniques were used. 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 dimensions of employee attrition management.

Table No 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 No 1 indicates the Cronbach 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.

Reasons for employee attrition in software companies - factor analysis study

TABLE NO 2

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.719	
Bartlett's Test of Sphericity	Approx. Chi-Square	756.220
	df	28
	Sig.	.000

TABLE NO 3

Communalities		
	Initial	Extraction
Lack of effective workplace conditions and environment	1.000	0.543
Employees are not recognized and valued when producing high quality work	1.000	0.642
Employees are not able to cope with the work life balance	1.000	0.606
Organization does not comes forward to provide incentives and rewards for excellent performance	1.000	0.214
Organization does not provide any growth opportunities	1.000	0.570
Organization does not treat us fairly	1.000	0.303
Organization does not give any opportunity to learn new things or creativity	1.000	0.544
Working hours and shifts are not convenient	1.000	0.622

Extraction Method: Principal Component Analysis.

TABLE NO 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	0.968	12.106	62.664			

4	0.865	10.806	73.470			
5	0.764	9.546	83.016			
6	0.540	6.756	89.772			
7	0.440	5.499	95.271			
8	0.378	4.729	100.000			

Extraction Method: Principal Component Analysis.

TABLE NO 5

Component Matrix ^a		
Reasons of employee attrition	Component	
	1	2
Lack of effective workplace conditions and environment	0.708	-
Working hours and shifts are not convenient	0.611	-
Organization does not provide any growth opportunities	0.630	0.416
Organization does not give any opportunity to learn new things or creativity	0.239	0.698
Employees are not recognized and valued when producing high quality work	0.786	0.155
Organization does not treat us fairly	0.531	0.145
Employees are not able to cope with the work life balance	0.636	-
Organization does not comes forward to provide incentives and rewards for excellent performance	0.355	0.297
Factor Loadings	2.76	1.28
Total Variance	34.51	16.05
KMO	Alpha	0.719
	Sig. value	0.000**

FIGURE 1

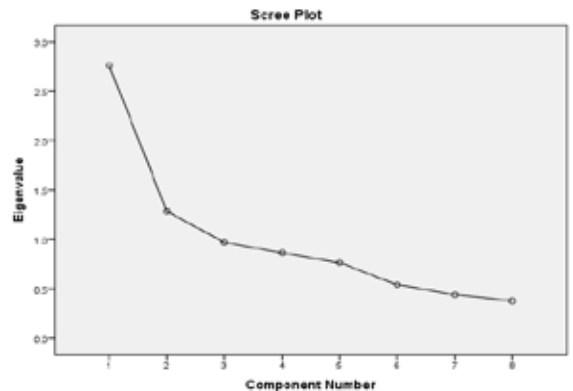


Table No 2, 3, 4 and 5 exhibits the factor analysis results to explore the reasons of employee attrition and the factors to be taken into account while addressing the issue of employee attrition in software companies.

The reasons such as lack of effective workplace conditions and environment, non convenient working hours and shifts, scope for career growth opportunities, 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 percent 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 percentages. The component 1 lists the first prioritized factors to be taken in to account while dealing with the problem of employee attrition in software companies. The factors such as employees not recognized and valued for their quality work, effective workplace

conditions, difficulty in maintaining work life balance, lack of growth opportunities, lack of flexibility in work hours and inequality treatment by the organization are play an pivotal role in determining the reasons for employee attrition in software companies. The component 2 set to be the second prioritized factors which include lack of positive motivational aspects, less growth opportunities and lack of incentives and rewards are the deciding factors while dealing with the issue of employee attrition in software companies.

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

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