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**A Study on the Effect of Organizational Commitment and Job Satisfaction on
the Retention of IT Employees in Chennai.**

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Abstract

From a managerial perspective, the attraction and retention of high-quality employees is more important today than ever before. In response, managers have implemented human resources policies and practices to actively reduce avoidable and undesirable turnover (Fulmer et al.). While strategic human resource researchers are still investigating the causal mechanisms between HR practices and firm performance (Collins & Clark, 2003; Hatch & Dyer, 2004), most include voluntary turnover as a critical component of the equation (Shaw, Gupta, & Delery, 2005; Ulrich & Smallwood, 2005). The present research paper aims at finding out the impact of Organizational Commitment and Job Satisfaction on Employee Turnover which in turn affects the Retention of Talent. Also, the paper tries to find out the impact of Turnover Intention which acts as a mediator. The Study was conducted in IT companies in Chennai covering a sample of 50 respondents who work in various roles in the company. Hypothesis was formed and tested. Statistical tools like chi – square and percentage method are used. The results reveal that there is a positive impact of Organizational Commitment and Job Satisfaction on Employee Turnover.

Key words

Organizational Commitment, Job Satisfaction, Employee Turnover, Talent Retention

Introduction

In the era of knowledge economy, human capital has gained prime importance (Malhotra, 2003). According to OECD (Organization for Economic Co – operation and Development), (2008) several individual factors play a significant role in individual performance, like commitment, motivation, loyalty to organization, nurturing and development of individual capabilities. Analysing the need for human capital and the planning to fulfil that need is through talent management (Cappelli, 2008). Human capital consists of intangible knowledge, skills and creative capabilities of human element of the organization (Stewart, 1997; Bontis et al., 2002). In today's economic environment hiring and retaining talent has become the key factor for decision makers (Beechler & Woodward, 2009). Organizations are facing challenges of employee retention and more importantly talent drains due to competition in the industry. In the era of talent war, the opportunities are meant for proficient and efficient individuals (Bovis et al, 2009). Stockley (2007) defines talent management as the conscious, deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organizational needs. Talent management is concerned with the recruitment, selection, identification, retention and

development of personnel considered having the potential for high performance.

Need For Research

The need for the present study stems from the fact that retention of the Talented Employees in IT Industry is gaining more importance in the recent times. The attrition rate of employees in organization is alarming. Talent refers to those people who have high potential, scarce knowledge and skill or who can successfully lead transformation and change in the organization. Hence, the present research helps to identify various factors that impact Turnover and helps to minimize Talent Loss.

Objectives of the Study

The Objectives of the study are

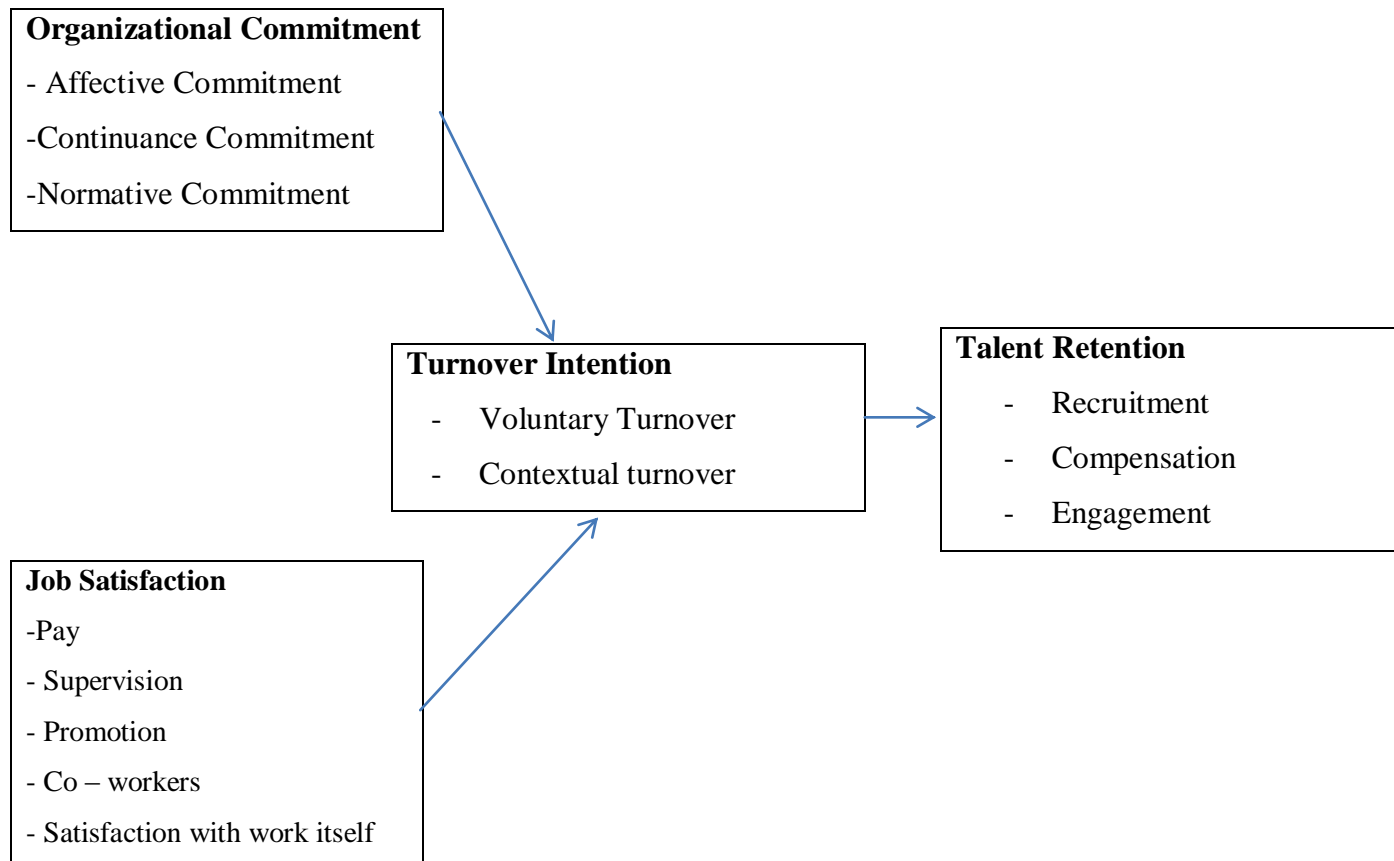
- 1) To find out the importance of Talent management in IT Industry
- 2) To find out how Organizational Commitment influences Talent retention
- 3) To understand the influence of Job Satisfaction on Employee Turnover
- 4) To give a theoretical model on Employee Retention

Review of Literature

Numerous authors including Glen (2006); Bhatnagar (2007); Wilson (2008), have published scholarly articles on the subject of how to manage talent. In keeping with this focus, Stockley (2007) defines talent management as the conscious, deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organizational needs. Talent management is concerned with the recruitment, selection, identification, retention, management, and development of personnel considered having the potential for high performance (Bnet Business Dictionary, 2007; Cappelli, 2009). In the TM context, talent refers to those people who have high potential, scarce knowledge and skill or who can successfully lead transformation and change in the organization (De Kock, 2005). A company's talent is embodied in the people whose talent and experience create the products and services that are the reason customers come to it and not to a competitor (Stewart, 1998). Such individuals are usually sought after in the market and their contributions to the business add direct value to its strategic or competitive positioning. The purpose of TM thus, is to ensure that the supply of talent is available to align the right people with the right jobs at the right time based on strategic business objectives (Duttagupta, 2007). This is a view supported by other authorities such as Stockley (2007) who presents a number

of pre-conditions for an effective TM approach. These include strategies and processes that ensure effective recruitment, retention, employee development, leadership development, performance management, workforce planning and organizational culture.

The Research Model



Methodology

The Questions used in the study are taken from the existing instruments with some alterations made. The Study was conducted in IT companies covering a sample of 50 Employees all working in middle level Management. Descriptive Research Design is used in the study. The Questionnaire was given to 75 employees of which only 50 questionnaires were received back and so the response rate is 67%. The collected results were analysed using various statistical tools like chi – square, percentage analysis and Correlation.

Measurement Scale used in the study

The Organizational Commitment was measured using the scale developed by Meyer & Allen, which again consists of Affective Commitment, Continuance Commitment and Normative Commitment. Job Satisfaction is measured by 19 items adapted from Job Description Index and Minnesota Satisfaction Questionnaire. And Turnover Intention is measured using the scale developed by Hom & Griffeth.

Hypothesis framed

- (a) Organizational Commitment is positively related to Turnover Intention
- (b) Organizational Commitment is positively related to Talent Retention
- (c) Job Satisfaction is positively related to Turnover Intention
- (d) Job Satisfaction is positively related to Talent Retention

Chi – Square Test

H₀: There is no significant relationship between experience and thought of quitting.

H₁: There is a significant relationship between experience and thought of quitting.

Organizational Commitment

Organizational commitment as the “process by which the goals of the organizations and those of the individual become increasingly integrated and congruent”. Sheldon (1971) defines organizational commitment as an attitude or an orientation towards the organizations, which links or attracts the identity of the person to the organizations. Salancik (1977) defines organizational commitment as “a state of being in which an individual becomes bound by actions to beliefs that sustains activities and involvement”. Porter, Steers, Mowday and Boulian (1974), define organizational commitment as “the strength of an individual’s identification with and involvement in a particular organization”.

Meyer and Allen (1991) hold that organizational commitment is a multidimensional construct comprising three components: affective, continuance and normative. Affective commitment has been defined as an employee’s emotional attachment to identification with and involvement in the organization. Employees with a strong affective commitment will remain in the organization because they want to. Continuance commitment on the other hand has to do with one’s awareness of the costs associated with leaving the present organization. Employees whose commitment is in the nature of continuance will remain in the organization because they have to. The third component, normative commitment has to do with feeling of obligations to the organization based on one’s personal norms and values.

Job Satisfaction

Employee Job satisfaction is the feelings and thoughts of employees about their work and place of work. In result, job satisfaction is all about to satisfy one's needs in working place (Togie et al., 2004. Bodur (2002) stated that there are some factors, which are related to job satisfaction that is work substances, age, sex, education level, work place environment, location, colleagues, income and timing of work. For the purpose of employee satisfaction, many theories have been developed. The most important theory is Maslow's need theory. It is based on human hierarchial needs. On the other hand, job satisfaction relates to significant conventional views, which are formulated via Mausner and Herzberg (1959). Maslow's theory is based on fundamental and external element such as accomplishment, duty, plan, interpersonal interaction, Management and Operational atmosphere.

Employee Turnover

Sources of Employee Turnover

The experience of job related stress (job stress), the range factors that lead to job related stress (stressors), lack of commitment in the organisation; and job dissatisfaction make employees to quit Firth et al. (2004). Firth et al. (2004). Manu et al. (2004) argue that employees quit from organization due economic reasons. They are other factors like personal agency refers to concepts such as a sense of powerlessness, locus of control and personal control. Role stressors also lead to employees' turnover. Role ambiguity refers to the difference between what people expect of us on the job and what we feel we should do. This causes uncertainty about what our role should be.

Insufficient information on how to perform the job adequately, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures, and lack of consensus on job functions or duties may cause employees to feel less involved and less satisfied with their jobs and careers, less committed to their organizations, and eventually display a propensity to leave the organisation (Tor et al., 1997).

Talent Retention

Talent retention is critical to talent management. The challenge of TM is more aggravated with the increasingly high attrition. All global industries including Indian corporates are struggling hard to retain the talent. The CII report on employee attrition suggests about 20- 30 percent attrition in Indian industries. The average attrition rate in BPO sector is hovering around 35% in FY 2007, average attrition rate in BFSI sector rose from 32% in FY 2006 to

44% in FY 2007 and the manufacturing sector is also facing an attrition rate of 20%. The true impact of loss talent is often unclear to management. When talent walks out the door there are 4 broad categories of costs that the organization has to bear, separation costs (e.g. costs of exit interviews, separation pay) vacancy costs (e.g. costs of additional overtime, part-time staff) replacement costs (e.g. testing, recruitment, interviewing, travel and moving, training) and performance differential costs (e.g. customer dissatisfaction, loss business). With this background in view, talent retention is of vital importance. People have needs and these needs vary with changing times and situations. The organization needs to make specific plans to create a total retention package that is valued by their identified talent pool. The following exhibit gives us a glimpse of the identified employee categories and the ways to retain them -

Results

Hypothesis:

- There is a relation between Organizational Commitment and Turnover Intention. The correlation coefficient between Commitment and Turnover Intention is said to be positive and there exists a direct relationship.
- There is a relation between Job Satisfaction and Turnover Intention. The correlation coefficient between Satisfaction and Turnover Intention is said to be positive and there exists a direct relationship.
- There exists a positive relationship between Organizational Commitment and Talent Retention. Also, a positive relationship exists between Job Satisfaction and Talent Retention.
- Chi – square result: Calculated value is greater than table value and so Null hypothesis is rejected and alternate hypothesis is accepted. Hence, there is significant relationship between experience and thought of quitting.

Interpretation

From the analysis, It is interpreted that 27% of the respondents are female and 73% of the respondents are male. 32% of the respondents are earning a monthly salary of upto 20,000 while 29% of the respondents are earning in between 20,001 and 40,000. 21% of the respondents are earning in between 40,001 and 60,000 while 18% of the respondents are earning above 60,000. It is interpreted that 37% of the respondents are having an experience

up to 5 years while 39% of the respondents are having an experience of 5 to 10 years. 11% of the respondents are having an experience of 11 to 15 years, 8% of the respondents are having 16 to 20 years of experience and 5% of the respondents are having an experience of above 20 years.

From the analysis, it is interpreted that 74% of the respondents are UG graduates while 26% of them are PG graduates. Also, 42% of the respondents are Trainees, 20% of them are Software Engineers, 16% of them are Sr. Software Engineers, 12% of them are Team Heads and 10% of them are Project Managers. Of the Respondents, 64% are married while 36% are unmarried.

Chart 1

Respondents regularly thinking of quitting the job

In chart 1, 22% of the respondents have highly agreed , 40% of the respondents have agreed,16% of the respondents have disagreed with the fact that they regularly think of quitting their job.

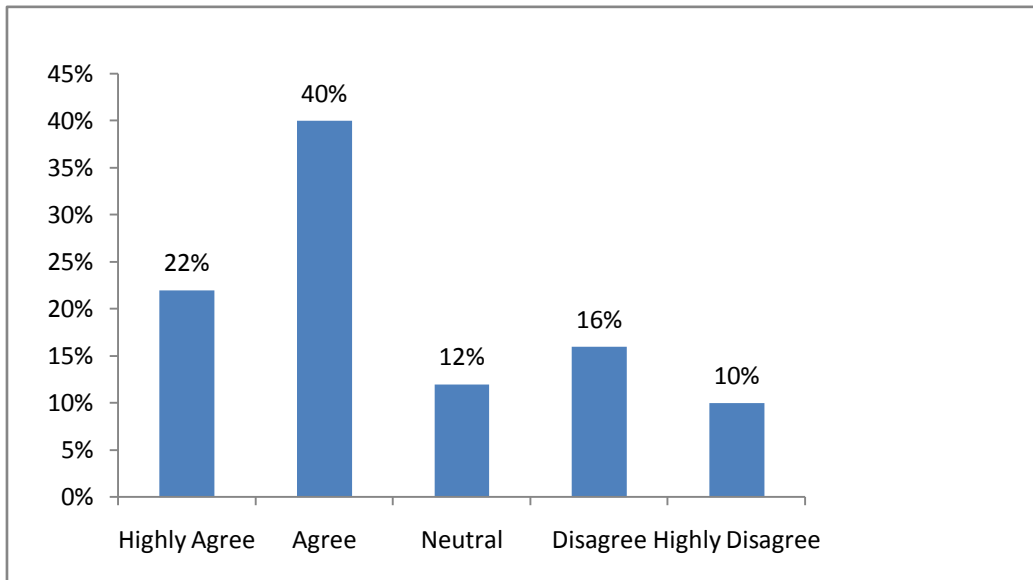
Chart 2

Respondents' thoughts of quitting seldom crossing their mind

In chart 2, 18% of the respondents have highly agreed, 50% of the respondents have agreed and 12 % of the respondents have disagreed with the fact that thoughts of quitting seldom cross their minds.

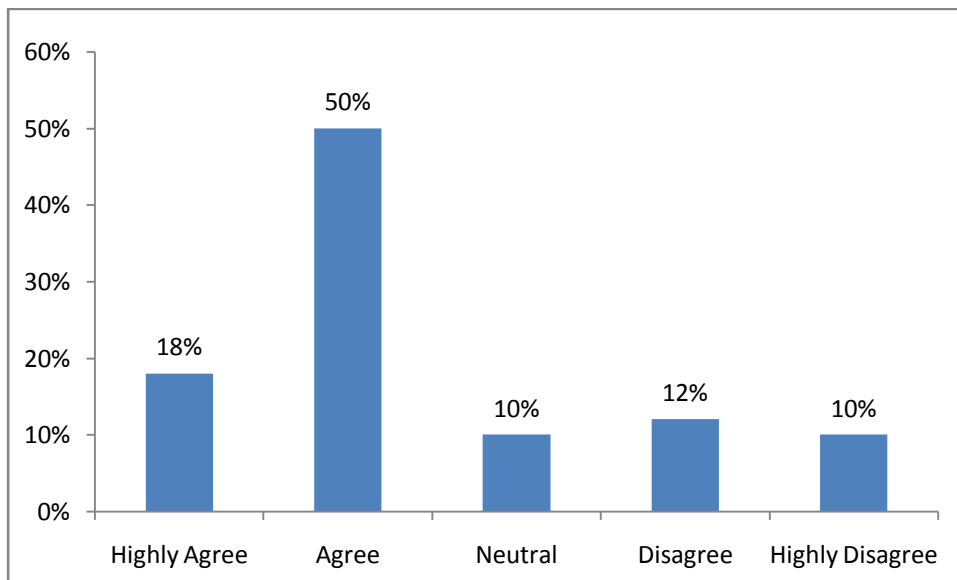
The chart shown below describes about the Turnover intention of the respondents of regularly thinking of quitting the job.

Chart 1



The chart shown below describes about the Turnover intention of the respondents of thoughts of quitting seldom cross my mind.

Chart 2



The Model

Analysis of the model indicated that the theoretical model was a good fit of the empirical data. Organizational Commitment and Job Satisfaction significantly affect Turnover Intention. Organizational Commitment (Continuance Commitment, Normative Commitment and Affective Commitment) and Job Satisfaction directly and significantly

affect Turnover Intention. The Proposed Theoretical model fits good for the Study. The Findings of the Study helps in a further understanding of factors influencing Turnover Intention. Also, if the intention to leave is less, Retention of Talent is highly possible.

Conclusion

The environment is very volatile and attrition is increasing day-by-day. It poses a challenge before organizations; they need to be very innovative so that new retention tools could be adopted. Today when organization recruit faculty they often focus attracting precisely those who will be the most difficult to retain. Though attrition can't be completely eradicated but it can be reduced to drastic level by being innovative. Colleges these days are emphasizing on physical & emotional benefits. They have to develop new ideas to touch the emotions of their employees make them loyal towards their organizations. Companies involved in designing strategies such napping, internal job posting, flexi-time are being more successful.

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