CHAPTER ONE
INTRODUCTION

“Human Resource isn’t a thing we do. It’s the thing that runs our business.”

Steve Wynn

Human resource is considered as an asset of the organization which acts as an additive advantage in this competitive world, and Indian IT industry is no exception to this rule. Indian IT industry is currently valued at US$ 143 billion and consists of 3.7 million direct and over ten million indirect employees (IBEF report, 2017). It is expected to rapidly grow at the rate of 12-14 percent for the financial year 2016-17 and requires the support of human resource to maintain this growth rate. Attrition of employees is one of the prime challenges Indian IT industry is facing which has a significant impact on the growth and stability of the industry (Kadam & Thakar, 2014). Thus, attrition in Indian information technology sector has become one of the prominent topics in research.

Employee turnover is a key indicator of an organization’s efficiency and effectiveness (Park, Ofari-Dankwa & Bishop, 1994). Employee turnover has adverse effects not only on the administrative costs, but also on the remaining employees’ quality of work, and morale as they have to take up additional responsibilities which increase their workload causing bitterness among them (Simons, 2005). The turnover, i.e. the termination of ties between employer and employee, can be comprehended better by classifying it as voluntary and involuntary turnover, out of which voluntary turnover has been studied most often (Bluedorn, 1978). Voluntary turnover happens when an employee begins the cessation of the employee-organization relationship. There are many reasons why the focus has been on voluntary turnover. Firstly, voluntary turnover constitutes the bulk of turnovers. Also, the opportunities for managerial
intervention are very limited in the case of involuntary turnovers. Lastly, the different antecedents of voluntary and involuntary turnover cannot be addressed by a single theory (Price & Mueller, 1981).

In the field of employee turnover research, consideration of behavioral intentions has been the trend (Steel & Ovalle, 1984). Several studies (Armitage & Connor, 2001; Benson, 2006; Kelty, 2005) have used turnover intentions as an indicator of actual turnover behavior based on the fact that intentions are the most direct determinants of actual turnover behavior. As per the theory of planned behavior, the behavioral intentions of an individual are considered as most reliable determinants of the actual behavioral which is perfectly applicable to the turnover intention of an employee and actual turnover (Ajzen, 2001). The turnover intention of employees could be due to various factors like lack of job satisfaction, low organizational commitment, alternative employment options, work culture, and personality of the employee (Lambert, 2001). Supervisor’s role is vital to an employee's experience of the job and turnover decision for various reasons. Firstly supervisors are in charge of the level of structure, uncertainty, and conflict in work itself. Secondly, employees receive both informal and formal feedback on their work behavior from the supervisor. Lastly, supervisor controls the factors such as remuneration, incentive and job security of the employees (Krackhardt, McKenna, Porter & Steers, 1981).

Compared to experienced employees, the factors mentioned above are more important to new recruits in an organization (Nifadkar, Tsui & Ashforth, 2012). After joining the organization, new recruits are expected to contribute and perform as soon as possible. This creates an immense work pressure on new recruits. In such a situation, the new recruits need more support than veteran employees without which it could become difficult to retain them (Buchanan, 1974). The newly joined employees are likely to adjust in the organization and start
their assigned work within three months (Nifadkar et al., 2012). Previous research has also suggested that it takes three to twelve months for an employee to adjust in the organization (Morrison, 1993; Wanous, 1980). Also, when it comes to transition, the new recruits joining the organization just after completion of education face more challenges as compared to ones who switch the job from one organization to another (Ashford & Black, 1996). Thus, the present study defines new recruits as newly joined employees in the organization who have completed three to twelve months in the organization, who do not have any previous work experience and did a transition from education institute to the corporate world.

It is not surprising that understanding the factors influencing the process of new recruit retention is of interest to both practitioners and scholars. Hence, the focus of the present study is to develop and empirically test a structural model that elucidates the nature of the influence of supervisor behavior on turnover intentions among new employees in organizations while considering the impact of other factors like psychological empowerment, feedback seeking behavior of the new employees and new recruit adjustment.

1.1. Research Motivation

In the year 2017, India is accounting for 67% of US$ 124-130 billion market of information technology (IT) industry and thus referred to as world’s largest sourcing destination. The current value of IT-BPM sector in India is US$ 143 billion and is expected to achieve a growth of 8.3% per year (IBEF report, 2017).

IT industry has a tremendous contribution to employment generation in India and currently 3.7 million people directly, and over ten million indirectly are working in Indian IT industry (IBEF report, 2017). As per HR Annual Survey by National Association of Software
Services Companies (NASSCOM) conducted in 2015, almost 34% of the entire human resources requirement of the software industry is recruited at entry level. Thus, Indian IT industry is characterized by a higher intake of freshers, as the industry hires around 2 lakh students from campuses (Aon Hewitt, 2013). As large numbers of employees in IT companies are new recruits, it becomes important to study their turnover intentions.

According to annual compensation and benefits trends survey in India conducted by Deloitte in 2015, the voluntary employee turnover rate in Indian IT industry was 19.9%. The survey provided that the employee turnover at junior management level which includes the entry level employees was 21% whereas the voluntary turnover at middle management, senior management, and top management was 10.6%, 5.8%, and 4.8% respectively (Annual Compensation & Benefits Trends Survey India FY 2015-16, 2015). Thus, the voluntary turnover rate is higher at entry level as compared to the experienced employees. Also, a recent survey revealed that in Indian companies the turnover rates were expected to be up to 25 percent in near future (Wisdom Jobs, 2015). The survey predicted that "The sectors that are projected to get severely impacted are IT, software and ITES as these segments are expected to witness turnover of 25 percent or more at entry-level positions" (Wisdom Jobs, 2015).

The consequences of employees’ voluntary turnover consist of a few significant challenges. Some of them are the absence of employee continuity and organizational stability, and the huge costs related to recruitment, induction, and training of new staff (replacements). The turnover of a new recruit at entry level costs more as the employees depart right after the organization invests in recruitment, selection, and training but before providing returns in terms of performance (Griffeth & Hom, 2001). Besides, the lost intellectual capital by the organizations can be gained by competitors existing in the market (Ongori, 2007).
Most employee turnover research has paid attention mainly to the global attitudes toward the organization or job as antecedents (Price & Mueller, 1981), instead of the employee relationships with supervisor and others in the organization (Michaels & Spector, 1982). But evidence from practitioners and researchers suggests that immediate supervisors play a significant role in employee turnover decisions (Payne & Huffman, 2005). Therefore, as there is a high intake of freshers in Indian IT industry with a higher turnover rate, it is important to investigate the linkage between supervisor’s support behavior and new recruit’s intention to quit.

1.2 Dissertation Layout

This thesis consists of seven chapters. Following the first chapter, the background of the study has been presented in the second chapter. The thorough literature review and gaps in the literature are covered in the third chapter. The hypotheses have been formulated, and research model is explained in the fourth chapter. The fifth chapter covers the research methodology used in the present study followed by the sixth chapter which provides analysis of sample and results of analysis have been presented. The seventh chapter thereafter discusses the results in detail and elaborates the findings of research. Finally, the last chapter of this thesis talks about the academic and managerial implication of the findings of research. It also explains the limitations of the research and provides future direction of research.