CHAPTER – I
INTRODUCTION

Interest in explaining the relationship between employee attitudes and work outcomes has long been of central concern in industrial, psychological and management research. Over the last two decades, considerable studies have been devoted to developing predictive models of voluntary turnover, with job satisfaction, Perceived Organization Support, organizational commitment and turnover intention among the most commonly proposed antecedents.

Business leaders often assert that skilled and committed employees are the only sustainable source of competitive advantage. Furthermore, valuable and skilled employees are regarded as essential to an organization’s performance and success, and therefore retention of these employees is extremely important to employers. In acknowledgement of this issue, organizational commitment is an employee attitude that is highly regarded by employers, as committed employees are less likely to leave, considered to build better relationships with customers, learn more effectively, are more adaptable to change and work more efficiently. As a result, strategic human resource approaches tend to focus on the recruitment and retention of skilled and committed employees. Management policies which support employees can also be expected to make an organization more attractive to employees, leading to lower turnover while also enhancing the organization’s competitiveness in hiring valuable and skilled employees.

Retention of employees with the right skills and attitudes became increasingly difficult in an era of extensive skill shortages in all industry sectors in Australia. The breadth of the skills shortage was of major national concern, with marked skills
shortages in mining and resource development; engineering; manufacturing and construction; health and allied medical services; and information and communication technology. This shortage highlighted many issues, as well as a need for improvement in organizational human resource management practices due to the significant costs and consequences of turnover. Businesses were motivated to more actively engage retention of current employees in their endeavor to remain competitive in retaining and attracting employees and avoid these consequences of turnover. Furthermore, while the era of extensive skills shortages in Australia has eased due to the worldwide economic downturn, there still remains a high level of competitiveness for attracting and, in particular, retaining skilled employees. The importance of this point is highlighted when it is noted that the turnover of an employee can cost the organization over one and a half times the employee’s annual salary when considering the overall costs, which include reassigning tasks, and recruiting and training a replacement.

Engaging and ensuring retention of current employees can be driven by many different approaches for example, remuneration and promotion, as well as providing a working environment that is positive and supportive. One aspect of a positive and supportive organizational environment is an employee’s perceived organizational support (POS), which is an employee attitude which many organizations deem valuable (for example the corporation Google), and are therefore investing in programs to develop their employee’s POS. This aspect of organizational environment can have a strong influence on an employee’s organizational commitment, which in turn has a strong influence on employee turnover.
CAUSES OF EMPLOYEE TURNOVER

a. Personal Factors and Employee Attitude

Of the possible predictor of employee turnover intention, work related attitudes of employee have received the most attention by researcher (Bhuian and Al-Jabri, 1996). The one work related attitudes receiving the greatest research attention as a predictor of employee turnover tendency is job satisfaction (Johnson, Parasuraman, Furell and Black, 1990). Researchers, such as Smith (1996), have generally found that the more satisfied the employees are the more committed they will be to their organizations, and the more they will be productive and effective in their organizations, whereas dissatisfied ones experience more turnover intentions and increase absenteeism.

A more recent report shows that one fourth of Saudi employees in the private sector do not regularly show up, causing a high turnover rate (Al-Kibis Benkert, and Schubert, 2007). At the same time there is a major task at hand to change traditional mindset toward manual labor, which is deeply reviled (Rice, 2004). “Most of Saudis subscribe to the Mudir (manager) syndrome, which means that nothing less than a position of authority, status, and respect is honorable” (Rice, 2004).

b. Performance Appraisal and Feedback

According to Beer, Spector, Lawrence, Mills and Walton (1985), supervisors in most organizations do not give honest and candid performance reviews because they might damage the self-esteem of the employees. Gopalakrishnan (2002) noted that a candid feedback on performance might be viewed by the employees as unfriendly and hostile in Saudi Arabia. In the Arab culture, it is customary to give feedback through an intermediary to avoid conflict and sending the wrong message. According to the survey conducted by Bayt.com, 52% respondents showed dissatisfaction on the feedback system (Anonymous, 2009b). This is aggravated when the performance of the Saudi
employees is compared with their expatriate counterparts, comparisons that are immediately understood as favoring the foreigners and not promoting Saudization, the term coined for nationalizing the jobs. Since Saudi Arabia's collective culture values group work, the pay-for-performance system that recognizes individuals is undermined when management tries to downplay it by writing comforting statements on the appraisal forms to compensate for low salary increases for poor performers (Hall, 2003).

c. **Lack of Recognition**

Gallup Organization conducted an extensive study (whereby 80,000 managers gave their responses) on the factors contributing to the quality of workplace. This study has found that recognition is a critical source of employee satisfaction and retention (Buckingham & Coffman, 1999).

One of the key causes of employee turnover in Saudi organizations is lack of recognition. Lack of job recognition in the KSA workplaces is the biggest barrier to employee productivity and huge turnover the results of a recent poll, conducted by Bayt.com, has found. “41% of the surveyed respondents cited that little/ or the lack of credit for their efforts causes their productivity levels to wane. The ambiguity of roles at 30% also stops people from giving their best at work; while 14% felt that having no say in the decision making process negatively affects their productivity” (Anonymous, 2009b). Data for the productivity in the workplace series of polls was collected online between the 4th January and 8th February 2009 with a total of 8,289 respondents from across the Middle East (Anonymous, 2009b).

d. **Lack of Personal and Professional Advancement**
This is one of the prime reasons why employees leave organizations. When they observe limited opportunities for professional or personal advancement in their current jobs, they prefer to join other companies which may provide good career growth and good pay packages. Al-Ahamdi (2002) conducted one research on hospital nurses in Riyadh region Saudi Arabia. She found that the opportunity for personal and professional growth and achievement is one of the best predictors of job satisfaction and organizational commitment. Unfair promotion policies perceived by employees may negatively impact their organizational commitment (Mosadeghrad, Ferliet and Rosenberg, 2008). According to study conducted by Bayt.com, showed that 51% respondents in Saudi organizations were dissatisfied with their personal and professional growth at their existing jobs (Anonymous, 2009b).

**e. Ineffective Communication**

Charles (1981) suggested that the communication is one of the factors of employees’ turnover. He described an on-site study of a large Midwestern trucking firm. The study was made by University of Iowa researchers. The study concluded that poor communication between management and blue-collar workers contributes to a high job turnover rate. The truck plant was chosen because it had a 123% annual job turnover rate. Through interviews, the researchers discovered that a large part of drivers' dissatisfaction with their jobs stemmed from their isolation from management, and management's view of drivers as 2nd-class people. The drivers' only contact with the company was via several short telephone conversations per week. Management had created a stereotype for the drivers and, with so little contact, found it impossible to recognize and deal with driver complaints.

Similarly, Leigh Branham (2005) in his book "The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act before its Too Late", he
puts down the poor communication between management and employees and between the departments as one of the reasons why employees leave their organization. From the above studies it can assume that poor communication from management leads to low employee morale and high turnover. Wang (2008) noted that the common problem with many organizations in the KSA is that they do not establish a long term plan and make firm commitment for their organizations. Most of them do not have a philosophy for quality, or a vision or a mission. They also lack the availability of documented procedures that show how the organization is operating.

CONSEQUENCE OF EMPLOYEE TURNOVER

The consequences of high turnover are both financial and non-financial. High turnover can be a serious hurdle to productivity, quality, and profitability at firms of all sizes. For the smallest of companies, a high turnover rate can mean that simply having enough staff to fulfill daily functions is a challenge, even beyond the issue of how well the work is done when staff is available (Johnson, 2009). According to Zed Ayesh, Managing Director, Flagship Consultancy :“Employee turnover has always been one of the invisible enemies of business in any growing economy; it is invisible because most costs associated with staff turnover cannot be directly itemized in the profit and loss statement or reported at the end of the fiscal year” (Anonymous, 2008).

Achoui and Mansour (2007) identified both positive and negative consequences of employee turnover. Negative consequences includes cost both tangible like recruitment, selection, training and production lost and intangible cost like moral impact, workload impact and tam performance disruption. Also other negative cost associated with employee turnover is separation, replacement and both financial and non-financial. The financial costs mainly involve the cost of people’s time, cost of materials and equipment, cash outlays, and productivity losses. The other costs are less
discernable and harder to estimate but may entail large negative impacts on organizational effectiveness such as lost of customer, business and damaged morale (Heneman and Judge (2009).

Turnover can, however, be beneficial for the organizations. It can allow the organization to hire new employees with more current training who are not locked into existing ways of doing things (Mello, 2011). Also, other positive consequences are higher quality, less expensive replacements (Heneman and Judge, 2009), displacement of poor performer, innovation, flexibility, adaptability (Achoui and Mansour, 2007), offer opportunities to promote talented, high performer (Mello, 2011).

Despite their many potential benefits, voluntary (being initiated by the employee) turnover, are typically costly proposition (Heneman and Judge, 2009). Therefore, both voluntary and involuntary turnover can be managed strategically to allow the organization to maximize the costs incurred with the process. Retention strategies must involve the assessment of both retention costs and benefits. Retention strategies must focus not only on how many employees are retained but exactly who is retained (Heneman and Judge, 2009). An ineffective employee retention strategy can disrupt the whole organizational productivity and employee morale.

For an organization to have a sustained competitive advantage in the product and labor market, it needs highly committed and engaged employees. Recently, many firms try to become an employer of choice, which refers to an organization that outperforms their competition in attracting, developing, and retaining people with business-required talent (Joo and McLean, 2006). Recently, managers and researchers in diverse fields have been interested in employees’ turnover intention (Lambert et al., 2001). The turnover issue has long been a critical organizational issue. Turnover intention has been emphasized as an important factor for the financial performance of organizations.
(Lambert et al., 2001) and has been influenced by diverse variables in organizations. For example, Mobley et al. (1979) proposed four core antecedents of employee turnover including demographic characteristics influencing a person’s decision, job satisfaction, work environment factors, and turnover intention.

With regards to turnover, what predicts organizational commitment and career satisfaction has been an important research agenda in the field of human resource development (HRD) and organization development (OD). Organizational commitment is one of the predictors of turnover intention (Arnold and Feldman, 1982; Hollenbeck and Williams, 1986). Organizational commitment refers to an individual’s feelings about the organization as a whole. It has become more important than ever in understanding employee behavior because it is identified as more stable and less subject to daily fluctuations than job satisfaction (Angle and Perry, 1983; Mowday et al., 1982). Career satisfaction is another major factor that determines turnover. Career satisfaction is commonly assessed as a subjective career success that is defined by the individual’s satisfaction with their career accomplishments (Judge et al., 1995). Significant predictors of career satisfaction include goal-specific environmental supports and resources, which provide social and material supports for employee’s personal goals.

In the field of HRD and OD, career satisfaction, organizational commitment, and turnover intention are frequently used variables for satisfaction, performance, change, and innovation. Although there are diverse studies exploring the relationships among career satisfaction, organizational commitment, and turnover intention (Lambert et al., 2001; Shields and Ward, 2001), little research has been conducted, focusing on the common antecedents of three variables simultaneously to reflect the dynamics in organizations. For example, while a few studies have examined relationships among organizational learning culture, job satisfaction, and organizational commitment, little
research examining goal orientation, organizational learning culture, and developmental feedback within one study as antecedents of career satisfaction, organizational commitment, and turnover intention has been found.

In addition, many studies on career satisfaction and organizational commitment have focused on leadership, rather than organizational climate and personal characteristics. Even if several studies have included organizational and personal factors influencing career satisfaction and organizational commitment, these factors are related to demographic information such as organizational size and socio demographic status.

STATEMENT OF THE PROBLEM

Turnover is becoming more in IT sector. In Tamilnadu as the Chennai is the Hub for IT sector, Chennai is facing high turnover rate in medium size IT sectors organization among its IT professionals. The employee’s leaves the organization if the get job in branded corporate. The next main reason the employees leave the organization is for higher salary, reduced job stress and for the higher designation level. Few employees start their own organization as there are many openings in IT sector.

Turnover has both positive and negative consequence on individuals, work group and organization. The most negative effects are increased administrative costs related to turnover. Turnover typically results in enhanced expenses for human resource management, namely for recruitment, selection, training and development. Hence, these negative consequences have accelerated a search for more information about factors influencing turnover, in the hope that better understanding would guide development of programs causing effective management of turnover in organizations.

To examine the problem of employee turnover, researcher has been interested in investigations into perceived organization support and organization commitment of
factors affecting such behaviour. Employee’s responses to their employment are substantially attitudinal and may or may not have behavioural demonstration in the work setting. As with many attitudes, work attitudes may have multiple origins, and variations in intensity and durability, and the task of understanding how and why employees respond to their job and organizations thus is increasing complex. If the organization can understand / predict variation in perceived organization support and organization commitment can alter as per the need and expectations of the employees to increase the perceived organization support and organization commitment.

The Development of an understanding of work attitudes related to perceived organization support and organization commitment in relation to turnover intention may give clear picture of what variables cause turnover intention. All jobs provide contexts within which employees perform their jobs. Those contexts and the nature of the work environment requirement influence the employee. Therefore the most clear possible factors of work responses are the nature of the job and the work environment.

Several factors directly affect employee’s decision to quit or stay with an organization. One determinant of decisions to quit the organization is the employment situation outside of the current organization. Another determinant is the perceived job security, prominent factor influencing employee’s decision to remain with the organization and a main role in IT Sector.

In considering the connection between perceived organization support and organization commitment, this study provide additional insight into the relationships between perceived organization support and organization commitment responses related to turnover intentions, since the research in this area is insufficient.
SIGNIFICANCE OF THE STUDY

Attracting and retaining employees remains one of the biggest challenges for IT sector. The IT sector nationally experience 10 to 15% employee resignations yearly. The cost occurred in loosing losing employees is 10 % to 20% in overall cost incurred by the industry. Employees play a significant role in the IT industry and in society, therefore, it is important to examine if a relationship exists between job satisfaction and employee turnover. With employees comprising such a large percentage of the employees in the IT sector, the industry has the potential to provide one of their best job opportunities. It is important for the IT sector.

Another area of research that warrants further examination is an employee’s perceived organizational support (POS). While much of the IT sector workforce research has focused on retaining IT sector employees through increasing job satisfaction and organizational commitment and reducing work exhaustion, relatively little research has focused on ways to enhance perceived organizational support. POS is employees perception of the level of support the organization provides in return for his or her effort in helping the organization reach it goals.

Due to the complexity and innovativeness of the work, IT professionals must perform and the need to span boundaries, POS may leave a particularly strong impression on these employees. It is a potentially important predictor of employee attitudes and thus their intentions to remain or turnover. Employee attitudes, such as job satisfaction and organizational commitment, have consistently been negatively related to turnover intention.

Thus, because of the impact POS can have on employee’s turnover-related attitudes, POS appears to be a fruitful concept for investigation in the IT sector.
OBJECTIVES OF THE STUDY

1. To study the personal profiles of employees working in IT sectors which may create impact towards turnover intentions.
2. To analyze the factors of perceived organization support and organization Commitment.
3. To identify the level of employees perceived organization support and organization Commitment.
4. To evaluate the impact of employees perceived organization support and organization Commitment towards turnover intention.
5. To create a model for turnover intention based on perceived organization support and organization Commitment

HYPOTHESIS OF THE STUDY

1. Perceived Organization support positively related to organization Commitment.
2. Perceived Organization support negatively related to Turnover Intention.
3. Organization Commitment negatively related to Turnover Intention

RESEARCH DESIGN

a. Population, Sample Technique and Sample Size

The population for the study consists of employees working in leading IT sectors in Chennai. The organization was selected based on size and years of establishment. The organization established after 2001 and has the employee strength of 100 to 150 was considered for the study. Based on the above criteria the researcher selected ten organizations in IT Sector, Chennai. Employees are invited to complete a structured questionnaire designed to understand and then provide data for turnover intentions. The invitation was made only to the middle level of employees who are working more than
24 months in the organization. A total of 576 usable responses were returned, yielding a response rate of 48 percent. Hence the population for the study is 1201 and the sample size is 576 by adopting stratified simple random sampling (Disproportionate). The stratification was made by years first, then size of the organization and finally employee working experiences (ie duration) in the particular organization. Hence stratified simple random sampling technique will be appropriate for the study.

b. Measures

The study consists of both primary and secondary data. Primary data are collected with the aid of structured questionnaire by survey method. Secondary data are gathered from the sources of company manuals, books, journals and URLs. The questionnaire consists of two parts. Part one is related to the study, which consists of three dimensions.

(i). Perceived organizational support

Eisenberger et al. (1986) operationalized POS in a 36-item instrument known as the survey of POS. The instrument was designed to assess the extent to which employees formed and held a global view of POS in their organizations. Full version of scale was not considered in the study. Few questions were deleted to get the higher Cronbach’s reliability is .900. During pilot study few questions were found to have similar responses. Those questions were dropped and concluded with 15 questions in this dimension perceived organization support. The study was used with structured survey questionnaire with a five – point Likert-type scaling range from 1 (strongly Agree) to 5 (Strongly Disagree)

(ii). Organizational commitment

Organizational commitment was measured using the scale developed by Allen and Meyer (1990). The internal consistency estimate (alpha coefficient) of the organizational commitment scale is .912 in the present study. During pilot study few
questions were found to have similar responses. Those questions were dropped and concluded with 15 questions in this dimension organization commitment. This dimension also used with five – point Likert-type scaling range from 1 (strongly Agree) to 5 (Strongly Disagree).

(iii). **Turnover intentions**

Turnover intention was measured with ten items adapted from the Michigan Organizational Assessment Questionnaire developed by Seashore et al. (1982) cited in Cook et al. (1981). A five-point response scale was employed (1 =“strongly agree”, to 5 =“strongly disagree”) for all items. This dimension also uses five – point Likert-type scaling with reverse coding.

d. **Statistical Analysis**

The collected data was coded, tabulated and analyzed with the help of packages SPSS (V.20) and AMOS (V.16). The statistical data analyze like Chi Square, Correlation, ANOVA, and Structural Equation Modelling (SEM) were made to test the hypothesis formulated.

e. **Reliability of the Study**

Reliability refers to the consistency of the measurement. That is the degree to which an instrument gives the same numeric value when the measurement is repeated under same conditions with same subjects. The study has used the same common method of reliability test namely ‘Cronbach alpha coefficient’ for assessing the reliability of the scale. Generally, Cronbach alpha level of 0.60 or above is considered to be acceptable for construct.

f. **Validity of the Study**

Validity refers to the accuracy of the research instrument. That is, the measuring instrument used in this study actually measures the property it is supposed to measure. It is believed that validity is more important than reliability, because if an instrument does
not accurately measure the property, it is supposed to measure, there is no reason to use it even if it measures consistently. There are three types of validity which are commonly examined in research projects namely content validity, predictive validity and construct validity.

(i). **Content Validity**

It refers to the extent of the measurement reflects the specific intended domain of the constructs as defined conceptually. The measures included in the study have a strongly literature bases to support the content validity. Further, all the measures used in this study are well established measures on the prior research studies. Content validity of the survey instrument was established through initial pilot study involving senior professionals and academicians.

(ii). **Predictive Validity**

It refers to the ability of the measuring instruments to predict other measures of the same individuals with reference to a future criterion. The measures used in this study enable the researchers to predict the organizational performance.

(iii). **Convergent Validity**

Convergent validity of all the constructs was examined using the measure of Average Variance Extracted (AVE) that is the average variance shared between a construct and its items. A construct with an AVE of over 0.5 is expected to have adequate convergent validity. In some cases, values up to 0.40 of AVE and 0.60 of composite reliability are also considered to be acceptable if they are central to the model.

<table>
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<tr>
<th>Construct</th>
<th>Composite Reliability</th>
<th>AVE</th>
<th>Cronbach Alpha</th>
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<tr>
<td>Perceived Organization Support</td>
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<td>0.525988</td>
<td>.900</td>
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<tr>
<td>Organization Commitment</td>
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<td>0.568012</td>
<td>.910</td>
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<tr>
<td>Turnover Intention</td>
<td>0.793005</td>
<td>0.448368</td>
<td>.891</td>
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</table>
g. **Limitation**

1. The study Concentrates only on perceived organization support, Organization commitment to measure turn over intentions. Other factors may also contribute towards turn over intentions.

2. The study is limited only middle level employees in selected IT Sector in Chennai.

3. Large number of samples could not consider for the study.

h. **Chapter Scheme**

Chapter I – Introduction and Research Design

Chapter II – Conceptual Frame work and Review of Related Literature

Chapter III – Profile of Information Technology Sector

Chapter IV – Analysis of Turnover Intention of Employees in Information Technology Sector, Chennai City

Chapter V – Summary of Findings, Suggestions and Conclusion