A STUDY ON THE LEVEL OF COMMITMENT TOWARDS RETENTION PRACTICES IN SMES - IT COMPANIES IN MADURAI

Dr. C. Swarnalatha*   V. B. Devi Bala**
*Dean, Professor, Department of Management Studies, Anna University, Madurai.
**Research Scholar, Assistant Professor, Michael Institute of Management, Madurai.

Abstract
Employee retention is one of the challenging issues faced by corporate leaders in any industry as the performance of any business unit depends on its employees. The ability to retain employees and committed employees contributes significantly to the success of the business. As employees are important, so is employee retention an important factor for all companies, especially the small businesses. The skills of employees are the key human capital for efficient operations of the business. Therefore, the level of commitment to frame effective retention strategies arises. This study makes an attempt to analysis the level of commitment towards retention practices in small medium enterprises Information Technology. The purposes of the study are to analyze the extent of existing relationship programme preferred by the employees and to identify the current retention strategies employed by various organizations in retaining their employees. Descriptive research design has been followed and data was collected from 300 employees in SMEs in Madurai city through questionnaire. Factor analyses and Structural Equation Model (SEM) were used as a research tool to analyses the data. The findings reveal that current retention strategies are affecting the employee attrition and the existing relationship programmes are affecting the organization. Salary benefits, organizing get together events, providing leave and greeting on occasions and Work Recognition is considered as the primary factor in retaining the employees in the organization.

Key Words: Employee Retention, Strategies, Small Medium Enterprise, Work Recognition.

1. Introduction
Retaining talent is a major challenge for companies, especially in a growth boom, when a lot of "seduction" of employees between one company and another is commonplace. However, the attrition rate for the industry as whole has been low. Even so, this will continue to be challenge at both levels: for the individual company and the industry. The IT industry has provided an excellent physical work environment. It needs to continue to be a leader in providing these facilities, including food, fitness and sports facilities. While these "add-ons" are not inconsequential, work satisfaction through challenging, cutting-edge assignment, and substantial growth prospects are definitely major determinants for retention. Providing these is critical and is of particular importance in the IT sector, where attrition rates tend to be high for just these reasons. Compensation is probably the single most important parameter in most cases. The challenge here is to provide on attractive package in the context of rising expectations, and yet minimize overall cost escalation. In this situation, "poaching" people from other companies by offering higher pay packages is self - defeating for the industry as a whole. An important corrective lies in ensuring an ever growing and sufficiently large supply pipeline of fresh entrants. The dynamic market scenario reviving from the recent recession has seen a lot of changes in the employee perspectives and behavior. With new avenues opening up for employees enhancing attrition, each organization needs to map the satisfaction of its employees with the Human Resource (HR) practices it follow to ensure that the talent pool is retained. The current study is an attempt to determine the factors towards employee's attrition and retention strategy in IT industry.Its scope expends constantly, and its need for personnel and other resources also expands enormously. So this paper tries to study the issues of employeeretention activities of the SMEs-IT industry in Madurai District in Tamil Nadu state in India.

1.1 Need of the Study
Employer- employee relationship is considered the focal point of effective HRM. It is important that the employees are motivated and effectively deliver the required work output to achieve the organization's business objectives. Considering this, HR practices are deemed to play an important role in enhancing employee retention to reduce employee attrition at work.

1.2 Objectives of the Study
- To analyse the extent of existing relationship programme preferred by the employees
- To identify the current retention strategies employed by various organisations in retaining their employees.

2. Review of Literature
Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. It is beneficial for the organization as well as the employee. Employees

today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer should know how to attract and retain its employees.**(Chaminade, 2007)**.**Gurumani, (2010)**Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time. Employee retention is beneficial for the organization as well as the employee. Employees today are different. When they get dissatisfied, they move to other organizations. It is the responsibility of the employer to retain their best employees, if not; the organization will lose the star performers (good employees). **Allen, Bryant, Vardaman, (2010)**Effective retention management requires ongoing diagnosis of the nature and causes of turnover, a strategic approach to determining in what human capital markets retention has the largest impact on organizational success, and the development of an appropriately targeted and organized bundle of retention initiatives.According to **Vaiman (2008)**retention management has become a major source of competitive advantage in the modern and rapidly globalizing business world.Employee retention is more than a quantitative measure of how many workers stay, but also involves who stays with the focus being on the worker who is a valuable player in terms of individual and organizational goal attainment. **Leena James and Lissy Mathew (2012)** examined Employee retention strategies IT industry. This study is an attempt to understand the impact of retention strategies on employee turnover in IT sector in IT sector in India. Welfare benefits, personal satisfaction and organizational culture, which are variables are associated with the employee turnover were investigated in this study. They proceeds with two models such are causal order of job satisfaction and organizational commitment in models of employee turnover, and relationship between organizational culture, job satisfaction and intention to leave based on the model they studied the staff intention to leave from organization and to determine the factors for study.

3. Methods
The study is conducted by using descriptive type of methodology. The study depends on primary and secondary data. The primary data are to be collected through questionnaire. The variables are used in the questionnaire areDemographic variables, Job satisfaction, Employee relationship, Working environment, Job content, Company image, Compensation, Nature of Peer group and Relationship management practices are the variables of Employee attrition. The Employee retention variables are Work recognition, Flexible work arrangement, Work Life Balance, Health and Safety, Employee Engagement, Welfare Program and employee development.The random sample was used to drive sample size as 300. Factor Analyses and SEM were employed for the analyses by using SPSS 20.

4. Results and Discussion
Reliability Test – Cronbach's Alpha
Reliability test is a measure to identify the reliability and validity of the survey. Researchers use Cronbach's alpha as a tool for testing the reliability. If the Cronbach alpha is greater than 0.70, then the questionnaire is highly reliable and valid.

In the current analysis the total number of respondents were 300 and the total number of items is 92.

Table 4.1: Reliability Statistics

Cronbach's Alpha	No. of Items
.993	92

From the above table it is noted that the Cronbach alpha is 0.993, which states that the survey is highly reliable and valid.

Factor Analysis of Reasons of Retention of Employees in IT Firms
Ho: There exists no relationship between the factors affecting the retention of employees in the organisation.
H1: There exists relationship between the factors affecting the retention of employees in the organization.

Table 4.2: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.728
Bartlett's Test of Sphericity	Approx. Chi-Square	3133.703
	df	28
	Sig.	.000

For our factor analysis, the KMO measure of sampling adequacy = .728 which is much greater than the permissible value of 0.6. This also signifies that the scales of all the variables of the questionnaire were properly understood by all the respondents

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and they have correctly answered to the scale. Additonally, the Bartlett's test of sphericity has a high Chi –square value and the significance is 0.000, which is less than 0.05. Hence the null Hypotheses is rejected and H1 is accepted.

Table 4.3: Communalities

Communalities		
	Initial	**Extraction**
Work Recognition	1.000	.803
Flexible Work Arrangement	1.000	.717
Work - Life Balance	1.000	.780
Employee Engagement	1.000	.689
Health and Safety	1.000	.874
Workplace Diversity	1.000	.746
Welfare programme, Employee engagement programme for the employees	1.000	.768
Inclusion and Employee Development	1.000	.832
Extraction Method: Principal Component Analysis.		

Table 4.4: Principal Component Analysis

Total Variance Explained						
Component	**Initial Eigenvalues**			**Extraction Sums of Squared Loadings**		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
Work Recognition	6.208	77.596	77.596	6.208	77.596	77.596
Flexible Work Arrangement	.736	9.196	86.793			
Work - Life Balance	.320	4.003	90.796			
Employee Engagement	.287	3.589	94.385			
Health and Safety	.205	2.564	96.950			
Workplace Diversity	.125	1.559	98.508			
Welfare programme, Employee engagement programme for the employees	.095	1.188	99.696			
Inclusion and Employee Development	.024	.304	100.000			
Extraction Method: Principal Component Analysis.						

The output of factor analysis is obtained by requesting principal component analysis and specifying the rotation. As evident from above table (Principal Component Analysis), It is noted that first factor, Work Recognition alone account for 77.59% of the total variance.

Structural Equation Model Forcurrent Retention Strategies Employed
Existing Relationship strategy adopted by the organisation to retain their employees.
Variables included: Fair labour practices, Salary benefits, Get together events, Leave travel allowances, Tour programmes, Greeting on occasions, Counselling facilities and Leave granted.

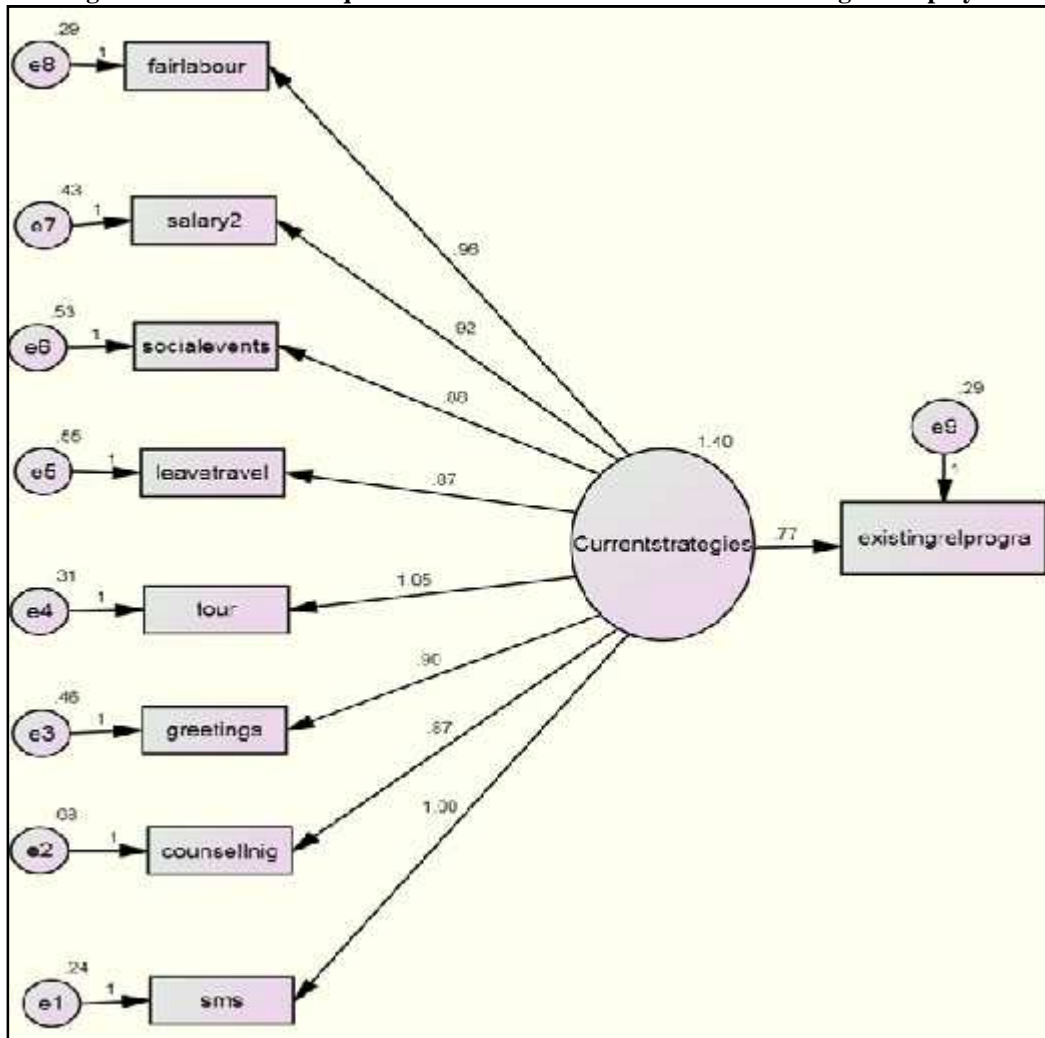**Figure 4.1: Structural Equation Model for Current Retention Strategies Employed**

Table 4.5 Standardized Regression Weights: (Group Number 1 - Default Model)

		Estimate
Fair Labour	Retention strategy	.866
Salary / Monetary Benefits	Retention strategy	.808
Social events	Retention strategy	.867
Leave travel concession	Retention strategy	.862
Tour Programme	Retention strategy	.855
Greetings on occasions	Retention strategy	.887
Counselling	Retention strategy	.902
SMS	Retention strategy	.853
Relationship management strategies	Retention strategy	.793

Result (Default Model)
Minimum was achieved
Chi-square   = 2092.235
Degrees of freedom = 27
Probability level   = .000

From the above SEM model it is noted that Salary benefits, organising get together events, providing leave and greeting on occasions is considered as the primary factor in retaining the employees in the organisation.

5. Conclusion

The failure of taking appropriate strategy to implement the above in the IT companies may cause more attrition and the successful implementation may sustain retention through which the companies can retain the expertise with proper, ideal and utmost utilization.

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