Career Anchors and Employee Retention: An Empirical Study of Information Technology Industry in India

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ABSTRACT

The success of Indian Information Technology (IT) industry is dependent on the ability of the organizations to retain the human potential. However, profound changes in the occupational environment have implications for an individual’s career development in this industry. Most of the employees form a strong self-concept, a set of ‘career anchors’ that hold their internal career. Organizations need to understand such career anchors and be responsive to improve the employees’ intention to stay. The present empirical study attempts to evaluate the impact of nine career anchors on the employee’s intention to stay, through a survey of 450 employees from the Indian IT companies. It is found that the career anchors—service, identity, variety, autonomy, creativity and geographic security have significant influence on the employees’ intention to stay. However, other career anchors, namely, managerial competence, technical competence, and organizational stability have no influence on the employees’ intention to stay. The paper is concluded with implications for practice and directions for future research.

KEYWORDS

Career Anchors, Employee Retention, India, Intention to Stay, IT Industry

INTRODUCTION

The economic reforms since the 1990s have launched India on the road to rapid economic growth. Services industries such as Information Technology (IT) and Information Technology -Enabled Services (ITES) have been the fastest growing sectors contributing to one third of the total output of services. India is likely to sustain its leading position for a long time in the services sector, and that it is likely to emerge as a global hub for the delivery of services (Joshi and Mudigonda, 2008). Approximately 2.3 million people are directly employed in the Indian IT and BPO (Business Process Outsourcing) industry. However, identifying, training and retaining key knowledge workers is the prime requirement in these organizations. While many organizations are in a quandary with this requirement(s), the constant increase in shortage of qualified workforce has further exacerbated the problem of turnover (Rubin, 1997; Lumley, Coetzee, Tladinyane, & Ferreira, 2011).

Employee turnover delays the projects, reduces quality, and increases costs (Jiang & Klein, 2002). Because of high rates of turnover and associated costs, employers have shifted from perceiving IT employees as a replaceable commodity to considering them as a valuable asset (Thatcher, Stepina, & Boyle, 2003; Franca, Carneiro, & da Silva, 2012; Atkinson, Bayazit, & Karpak, 2015). Employee retention is defined as systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that
address their diverse needs. Employee retention calls for innumerable measures to be taken on the part of the employer to encourage and motivate the employees to have an intention to stay in the organization for a maximum period of time (Thatcher et al., 2003). In India, the turnover rates have been reported as high as 80% in the IT services sector (Gupta, 2001). Although, the turnover rate has come down in the recent years, it is a major issue faced by Indian IT industry.

Maertz and Campion (1998) noted that relatively less turnover research has focused specifically on how an IT employee decides to remain with an organization. Though there have been research studies relating to Western IS professionals (Joseph, Kok-Yee, Koh, & Ang, 2007; Ghapanchi & Aurum, 2011), research on IT turnover in countries like India might lead to insightful results. The career orientations are adaptable to people’s work and life circumstances and are largely, context specific limiting generalizations across national and occupational cultures (Rodrigues et. al, 2013). An early study by Lacity, Iyer, & Rudramuniyahiah,(2008) advocated the need for addressing the issues of turnover among Indian IT professionals. Therefore, the objectives of this research are to identify and evaluate the impact of career anchors on employees’ intention to stay with respect to Indian IT industry. This is achieved through a survey among employees of Indian IT industry. The paper is organized into three major sections, wherein the first section deals with theoretical background pertaining to intention to stay and career anchors, the second deals with the objectives and research methodology of the study, the third section contains the data analysis and interpretation, and a detailed discussion. The paper is concluded with a set of implications practice and directions for further research.

THEORETICAL BACKGROUND

Employee Retention

Retention is a critical element of an organization’s general approach to talent management, especially in the new economy businesses. Employee retention refers to policies and practices companies adopt to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace (Coombs, 2009). ‘Intention to stay’ refers to employees’ conscious and deliberate willingness to stay with the organization (Tett & Meyer, 1993; Jhonson, 2000). It can be achieved by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs (Lockwood, 2006). A survey of HR managers indicated that retention practices focus more on the factors believed to cause employee turnover, than on those believed to affect employee retention (Vos & Meganck, 2007).

If an organization fails to retain high performers, they will be left with an understaffed or less qualified workforce, which in turn will hinder their role and position in the competitive market (Vos & Meganck, 2007). Further, if employees leave, it increases the cost of recruitment and training, costs due to disruptions in organizational processes (Thatcher et al., 2003), loss of firm’s social capital (Dess and Shaw, 2001) and decreases in temporary productivity (Osterman, 1987). Turnover has the potential to lead organizations to lose individuals with relevant and valuable work experience, as well as their tacit knowledge about internal systems (Droege & Hoobler, 2003; McKnight, Phillips, & Hardgrave, 2008). If the organization recognizes the retention reasons at various job levels, it stands to benefit to a great extent. This could be followed up with suitable retention strategies, based on employee’s position in the organizational hierarchy.

When the current position is not meeting the employee’s needs, and an opportunity to join another organization is available where, presumably, the employment proposition is better, the employee is apt to leave (Jackofsky, 1984). It is believed that organization with a more balanced focus on human
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