

**A study on factors affecting Employee Retention in the effect of Cost-cutting strategies  
among the IT Companies**

**Mr. R. Sivarajan**

Research Scholar, (Part-Time)  
Research Department of Business Administration,  
Mannai Rajagopalaswamy Govt. Arts College, Mannargudi-614001  
Contact No: 9600005516, Email Id: [sivrajmba@gmail.com](mailto:sivrajmba@gmail.com)

**Dr. S. Babu**

Assistant Professor & Research advisor  
Research Department of Business Administration,  
Mannai Rajagopalaswamy Govt. Arts College, Mannargudi-614001  
Contact No: 9442085052, Email Id: [babubuse@yahoo.com](mailto:babubuse@yahoo.com)

---

**Abstract**

The main intention of this research paper is to understand the factors that help to retain employees in the various organizations pertaining to the IT industry while framing strategies for cost-cutting measures. Such retention factors taken for the study includes employee loyalty towards the organizations, conducive work environment, training provided for career development, performance appraisal and compensation. It is an essential part of any organization to have a detailed understanding on these factors for the survival and success of the organization. For the purpose of this research 100 respondents were included in the study. Professionals across twenty IT organizations in Chennai were chosen as respondents. Data was collected using a well-structured questionnaire and analysed by using SPSS software to better understand the relationship existing between employee retention and the five factors included in the study. The research study portrays that the rate of employee retention in organizations is highly influenced by these five factors. The results of the study explained that loyalty that an employee possesses upon the organization has more significance and influences the retention rate of the professional in the IT companies.

**Keywords:** Employee loyalty, compensation, training, work environment, employee retention.

---

**Introduction**

Employee retention is a very essential concept that an organization should always follow. The survival and success of an organization is the paramount for a business enterprise. Man power is the main pivot behind this survival and success. No organization can deny this fact. Hence it is very important for every organization in retaining its best valuable employees

(Das & Baruah, 2013). Whatever crisis may pave ways for framing strategies for smooth functioning of the organization, it is to be kept in mind that employee retention is of paramount importance. Academicians and organizational researchers have understood the essentials of employee retention and hence research studies are blooming on this concept (Hughes & Rog, 2008; Nyanjom, 2013; Padmanathan, 2012; Zin, 2012; Sinha and Sinha, 2012, Loo, 2015; Tiwari, 2015).

Studies explain that employee retention should be in reference to the quantum of period that an employee spends in the organization with commitment. Such attributes when identified and rewarded accordingly portrays the steadiness of employment opportunities of an organization as well as the loyalty and morale of the employee also boosts high. This enhances job satisfaction among the employees. Various other factors that contribute for the satisfaction in an employee depends upon the welfare measures, motivation and support by immediate superiors, fringe benefits career advancement measures, fair appraisal systems, timely recognition, conducive work environment, a good compensation package (Mabuza, 2014; Kalgora, 2016). Organizations adopt different strategies in retaining their best and valuable resources, employees.

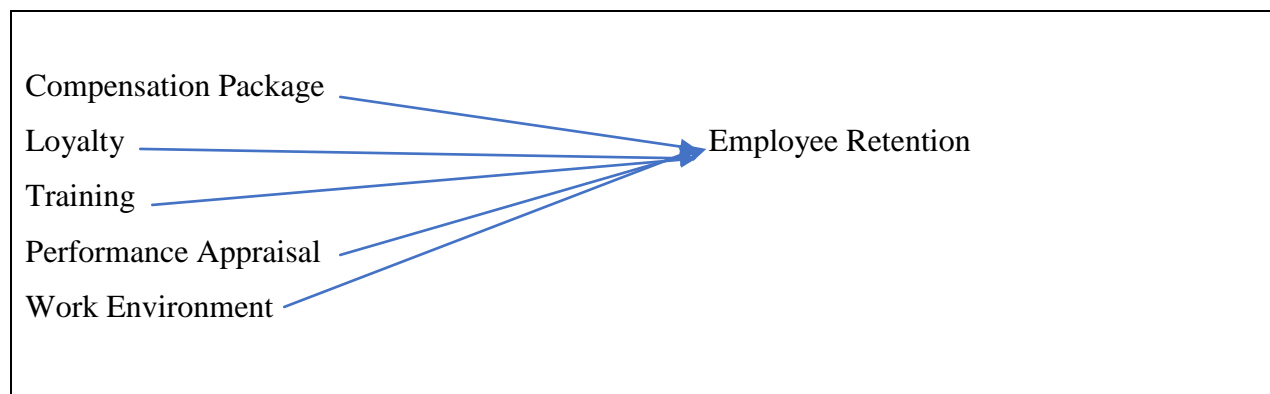
It is a challenging task for every organization to acquire, and retain competent employees. Such a human capital is the most important resource for an organization as they uphold their competency mapping with the state-of-the-art facilities. This helps the organization stay longstanding in the highly competitive global environment. Head hunting and acquiring best employees is indeed a difficult task. But, retaining such employees is even more a toughest task for organizations. It is also to be understood that employees nowadays prefer to change and switch to other organizations for want of multitude responsibilities, increase in pay structure and compensation packages, more conducive work environment etc. Hence, it is mandatory for every organization to identify such factors that influence employee retention and the strategies that are to be adopted to retain such talents.

In particular, organizations recommend for downsizing employees for the cause of cost-cutting strategies. This is a matter of concern in that the IT sector worldwide often proclaims terminating employees. Hence, this has been taken as the research study purpose in this paper. Earnest efforts have been taken in understanding the factors that influence more in retaining employees during such downsizing of employees in terms of cost-cutting strategies.

In the IT sector, the team leaders, middle managers, HR executives should realize and understand the most important need to retain their work force in this growing global competitive environment. Those factors that contribute to have a positive influence in retaining employees are to be considered. Hence it becomes necessary for policy decision makers in the IT sector to formulate and adopt strategies that align with their business goals as well as help in retaining the valuable employees for a longer-run.

This research study elucidates the factors and the root causes that have more influence in retaining employees. Both monetary as well as non-financial factors have been included in the study. The research is applied in the IT sector because frequent employee turnover is evident in such organizations. The following framework is constructed for the purpose of this research study.

**Figure: 1 Theoretical Framework (Factors influencing Employee Retention)**



Source: Author's own

### **Research Problem**

Many profit-centred organizations in India are nowadays working on strategies to be adopted in retaining employees. But it is less witnessed in organizations categorised in the IT sector. Very less research literatures are available in this concept conducted in the IT sector. Organizations in the IT sector are contributing more to the economy of India, the researcher found this sector as a prospective area for the study purpose. One hundred and sixty professionals across twenty IT companies in Chennai were chosen for the study. These professionals belong to the cadre of team leaders, managers, senior managers in various departments of the select companies. A structured questionnaire was administered to these professionals and responses were recorded. There is a need to understand on the strategies that

organizations adopt to retain key employees. This becomes more important not only to the organization and its survival, but also to the growth of the economy of the country.

### **Research Objectives**

The main aim behind this research study is to explore the reasons that influence retention of employees in IT companies in Chennai. IT sector faces more challenges in acquiring and protecting its talent employees, otherwise the cost and other aspects associated with employee turnover will be a great hindrance to the growth of the IT companies. Hence the study has the following objectives to understand further.

- (a) The influence of the variables on the demographic factors of the respondents
- (b) The relationship between various factors taken for the study and employee retention
- (c) The predictor factors for the employee retention

The following hypothesis is formulated:

H<sub>1</sub>: There is a significant influence of the factors taken for the study and employee retention

### **Research Methodology**

The theoretical framework constructed for the purpose of the study investigates the interrelationship existing between the dependent variable (employee retention) and the independent variables (compensation package, loyalty, training, performance, and work environment). A structured questionnaire was constructed and administered. The output of each variable was brought by the help of four statements for each independent variable. A final question was added to understand the perception of the respondents on the dependent variable. The demographic characteristics of the respondents included in the study are gender, age group, and cadre of employment. Apart from the demographic factors, the questionnaire consisted of twenty statements to get the responses from the IT professionals. This study followed quantitative causal research study for two main reasons. The first one is to understand the cause and effect relationship to better explain the factors that influence the retention of employees. The second one is that, the study with the appropriate administering of the questionnaire, elucidates the perception of the respondents on the dependent and independent variables, converts in to information through analytical assessments.

### **Analysis and Interpretation**

The following table describes the demographic factors of the respondents who had contributed for the study purpose.

**Reliability Test**

It is essential to analyse the consistency of the research instrument, the questionnaire that is the tool to help analyse the data. A pilot study was conducted with a sample of 20 respondents prior to the actual study. The reliability was found by Cronbach Alpha and the range of the value was found to be between 0.671 to 0.972 that explains a very good consistency in the statements of the questionnaire. The face validity and the construct validity were structured with the help of responses from colleagues and experts in the field.

**Demographic Factors (Frequencies and Percentages)**

Table:1 Showing the demographic factors of the respondents

<b>Factor</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	79	49.37
	Female	81	50.62
<b>Age</b>	21-27 years	55	34.37
	28-34 years	40	25.0
	35-41 years	35	21.87
	42- 48 years	8	5.0
	49-55 years	15	9.37
	More than 56 years	7	4.37
<b>Cadre</b>	Team Leader	95	59.37
	Manager	43	26.87
	Senior Manager	22	13.75

**Source:** Primary Data

The above table indicates the demographic factors of the respondents of the study. Male and female have equally contributed for the study. It is well understood that IT sector like other sector provides equal opportunities for both male and female professionals. Hence the further information contributed by them in the analysis can be without much bias due to gender proportion in the study. In the age group, IT sector as it looks for young talents to be acquired has the greater number of respondents between 21 and 41 years of age. The proportion of team leaders in the respondents is greater in the study. They are the immediate superiors to explain the actual performance, attitude and behaviour of the subordinates to the next higher management to them. Hence their contribution in this study is very essential.

**Independent Samples t-test & ANOVA for testing the difference in opinion on employee retention between the categorical variables**

To test the difference in opinion between the respondents of the study on the retention of employees, independent samples t-test (two categorical groups) & ANOVA (more than two categorical group variables) is applied. It explains the difference in opinion between categorical groups of same variables. This gives a better understanding on how a heterogeneous group of respondents differ in their opinion on a particular variable and the impact of the same on the dependent variable.

From the below table it is seen that the t-value obtained is significant for all the categories of the demographic factors of the respondents at 1% level. On the understanding of the statistical values it is clear that the difference in opinion among the various categories of each demographic factor taken for the study is highly significant. Hence the hypothesis framed holds good that there is a significant difference in opinion on the employee retention factor between male and female, likewise the various age group of respondents also show difference in opinion on the dependent variable, and also the respondents in the various cadre also exhibit significant difference in opinion on the retention of employees.

Table:2 Showing the results of the Independent Samples t-test & ANOVA between categorical groups on Dependent Variables

Factor	Category	t-value / F-value	p-value
Gender	Male	9.207**	p <0.001
	Female	2.735**	p <0.001
Age	21-27 years	18.635**	p <0.001
	28-34 years	1.182**	p <0.001
	35-41 years	1.213**	.007
	42- 48 years	2.367**	.009
	49-55 years	4.339**	p <0.001
	More than 56 years	4.461**	p <0.001
Cadre	Team Leader	14.929**	p <0.001
	Manager	2.998**	p <0.001
	Senior Manager	5.104**	p <0.001

Source: Primary Data

\*\*Significant at 1% level

**Relationship between Independent and Dependent Variables**

**Pearson Correlation**

It becomes essential to understand the relationship between the dependent and the independent variables. For the purpose Pearson Correlation test is done using SPSS. The following table indicates the values of the relationship and the direction between the variables.

The below table value indicates that there exists a strong and positive relationship between each other independent variables and also between the dependent and the independent variables. Employee loyalty shows a very strong and positive relationship throughout with other independent variables and also with the dependent variable. Hence it is clearly understood that there exists a relationship between the independent variables themselves and also with the dependent variable. This association is a strong evident for the study to understand the substantiating relationship between the factors that contribute for the necessity of employee retention in IT companies.

Table: 3 Showing the results of the Pearson Correlation test to understand the relationship between variables

Factor	Compensation	Loyalty	Training	Performance Appraisal	Work environment	Employee Retention
Compensation	1					
Loyalty	0.480**	1				
Training	0.510**	0.695**	1			
Performance Appraisal	0.680**	0.789**	0.456**	1		
Work environment	0.492**	0.495**	0.460**	0.398**	1	
Employee Retention	0.490**	0.790**	0.512**	0.698**	0.520**	1

Source: Primary Data

\*\*r values significant at 1 % level

**Regression Analysis**

To test the predictor variables among the independent variable that influences the dependent variable, regression analysis is applied. The below table shows the results of the regression analysis conducted.

The below table indicates that there exists a highly significant and positive correlation between the variables both dependent and as well as independent. The strongest relationship exists between loyalty and employee retention. The F-value is highly significant at 1% level for all the variables. This supports the hypothesis that there exists a significant relationship between dependent and independent variables in the study. Those professionals who had held a high level of loyalty upon the organizations they work in supported employee retention to a greater level. The R<sup>2</sup> and Adjusted R<sup>2</sup> values taken from the model fit summary explained how the independent variables describes the total variation in the dependent variable. It is also understood that one unit increase in compensation increases 57.9% of employee retention, one unit increase in loyalty increase employee retention by 98.7%. Whereas, one unit increase in performance appraisal, training and work environment increases employee retention by 54.2%, 47.5% and 46.9% respectively.

Hence the predictor variables influencing employee retention of IT professionals will be in the order of Loyalty, Compensation, Performance Appraisal, Training and Work Environment.

Table: 4 Showing the results of the Regression analysis between dependent and independent variables

<b>Factor</b>	<b>Standardized Beta-Coefficients</b>	<b>Unstandardized Beta-Coefficients</b>	<b>F-value</b>	<b>p = value</b>
<b>Compensation</b>	0.520	0.579	9.773**	p <.001
<b>Loyalty</b>	0.977	0.987		p <.001
<b>Training</b>	0.367	0.475		p <.001
<b>Performance Appraisal</b>	0.593	0.542		p <.001
<b>Work Environment</b>	0.498	0.469		p <.001

Source: Primary Data

\*\*Significance at 1% level

## Discussion

The findings of the study indicate that employee loyalty is the most important influencing factor in adopting strategies on employee retention. It is also recommended that IT organizations should look in to the training aspects more. During crisis in the global environment or any cost-cutting strategies adopted by an organization it is essential to retain human talented force. This employee retention has drawn attention very rapidly in various sectors, in that the IT companies should also look in to the matter of high concern. Policy decision makers in such organizations should consider employee retention rather than terminating employees in the name of cost-cutting strategies.

The study reveals that more than compensation, training etc., it is the loyalty of an employee possesses upon the organization. The human capital is to be understood as the real asset of an organization to be successful and for survival in this competitive global market environment.

## References

- Christensen, H.J., & Rog, E. (2008). Talent management: A strategy for improving employee recruitment, retention and engagement within hospitality organizations. *International Journal of Contemporary Hospitality Management*, 20(7), 743-757. <https://doi.org/10.1108/09596110810899086>
- Das, B. L., & Baruah, M. (2013). Employee retention: A review of literature. *Journal of Business and Management*, 14(2), 8-16.
- Kossivi, B., Xu, M., & Kalgora, B. (2016). Study on determining factors of employee retention. *Open Journal of Social Sciences*, 4(05), 261. <https://doi.org/10.4236/jss.2016.45029>
- Lam, C. L., Law, S. F., Loo, Y. J., Ng, W. Y., & Ooi, S. L. (2015). *A study on factors affecting employee retention in nursing industry at Klang Valley*. UTAR.
- Mabuza, P. F., & Proches, C. N. G. (2014). Retaining core, critical & scarce skills in the energy industry. *THE INDIAN JOURNAL OF INDUSTRIAL RELATIONS*, 635-648.
- Nyanjom, C. R. (2013). Factors influencing employee retention in the state corporations in Kenya. *unpublished thesis Nairobi: University of Nairobi*.
- Padmanathan, P., & Newell, J. N. (2012). Retention factors affecting migrant psychiatrists from low-and middle-income countries. *International Psychiatry*, 9(1), 13-15.
- Sinha, C., & Sinha, R. (2012). Factors affecting employee retention: A comparative analysis of two organizations from heavy engineering industry. *European Journal of Business and Management*, 4(3), 145-162.
- Tiwari, I. (2015). *An analysis of the factors affecting employee retention and turnover in the Irish hospitality Industry*. Dublin, National College of Ireland.
- Zin, S. M., Ahmad, N., Ngah, N. E. B., Ismail, R. B., Ibrahim, N. B., & Abdullah, I. H. T. B. (2012). Motivation model for employee retention: Applicability to HRM practices in Malaysian SME sector. *Canadian Social Science*, 8(5), 8-12.