



# Examining Factors Affecting Employee Turnover Intention in Small and Mid-Sized Information Technology Organizations

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## Abstract

This abstract explores the pivotal success factors within the Indian Information Technology (IT) industry, focusing on human resources, strategic planning, and governmental policies. The rapid expansion of the Indian IT sector has led to a growth in the IT talent pool, significantly influencing the trajectory of IT organizations. The critical elements of talent attraction, management, and retention play a central role in shaping the future of these organizations. Talent management, a cornerstone organizational function, encompasses recruiting individuals for specific roles, fostering their growth, and empowering them to achieve organizational goals. Recognizing employees as valuable assets is essential, as their treatment fundamentally defines organizational success. Elevated employee engagement establishes positive emotional connections, fostering passionate contributors, innovative problem-solving teams, superior coordination, and enhanced employee well-being.

**Theoretical Background:** The authors developed the conceptual framework "Employee Turnover Intention" to examine the relationship between factors influencing employee turnover intention and its impact on the organization.

**Design/Methodology:** This study is based on an extensive systematic literature review collected from previous studies.

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**Findings:** This study would like to validate the proposed conceptual model and help to implement it in small and midsize organizations.

**Research practical and managerial implication:** The study will significantly contribute to technology-oriented organizations applying innovative methods to analyse the factors for employee turnover intention.

**Originality value:** This study is more relevant and practically applied to organizations lagging in analyzing employee turnover intention in small and midsize organizations.

**Keywords:** Talent management, turnover, engagement, organization, technology, job satisfaction, retention, leadership.

## **Introduction**

The key success factors of the Indian information technology (IT) industry are human resources, strategic planning, and government policies. The rapid growth of the Indian IT sector also resulted in the growth of the IT talent pool. The future of Indian IT organizations depends upon talent attraction, talent management and retention. Talent management is one of the most important functions in any organization, hiring the right people for the right job position while nurturing them to grow to the optimum level and empowering employees to achieve the organization's goals. Employees in the IT sectors are treated as true assets of the organization. The way employees are treated will define the success of the organization. Employee engagement increases the likelihood of employees establishing a positive emotional connection with the organization. The positive emotional connection with employees results in passionate contributors towards deliverables, innovative problem-solving team, superior coordination among team members and increased employee well-being (KPMG report COVID-19 HR practices survey report, April 2020) KPMG industry report confirms that COVID organizations should focus on employee well-being, employee engagement.

Lack of employee engagement causes disruption in the workplace and dissatisfaction within the organization, which may lead to attrition, which can be treated as employee turnover

intention. COVID-19 lockdowns disrupted payouts, resulting in varied yearly compensation benefits. Sonica Aron (2020) says, "As per Deloitte India's 2020 workforce and increment trends survey, attrition at an all-India level in the current fiscal year is about 15%. Involuntary attrition (layoffs, restructuring) has increased to 20% of the total attrition, which will go up further". Any attrition of talented, skilled and trained resources will reduce the organization's return on investment (ROI). In recent studies, as per the Economic Times HR World news report (December 26, 2020), Lokendra Sethi, VP and HR Head - India, DXC Technology, confirms that attrition saw a decline in 2020 due to the pandemic; however, Sethi also believes that attrition levels will go up in 2021. Recruiting the right talent in the organization is a challenging task. Larger competitors like TCS, HCL, Wipro, and Infosys are attracting talent by providing competitive job roles, and small and midsize IT organizations are losing talent to larger IT players. Small and midsize IT plays should have a competitive edge while retaining talent. Kulkarni's (2020) industry white paper confirms that IT organizations want to gain a competitive edge by attracting and retaining talented employees. The new wave of technological changes impacted the organization's work either positively or negatively. Talent management is impacted by psychological factors and organizational factors based on various internal and external factors in small and midsize IT sector organizations.

Socioeconomic factors have widely impacted turnover intention. These factors are crucial in shaping the employee's attitude and behavior, including the decision to stay or leave the organization. This study extends the foundation of the conservation of resources (COR) theory, a comprehensive motivational framework rooted in the accumulation, preservation, and renewal of personal resources (Hobfoll, 1989). Recognized as a primary framework for comprehending the employee-organization dynamic, the research employs COR theory to broaden existing investigations into job embeddedness and turnover. In particular, the study explores human resource (HR) practices within the context of COR theory. Decha (2018) says that job satisfaction helps explain turnover intention.

## **Objective**

The primary objective of this study is to understand the key factors influencing employees' intention to leave their current positions. This study analyses and understands the impact of psychological factors on employees' propensity to consider turnover. Additionally, the study focuses on the organizational factors that influence employees' intentions to part ways with their current employment. The study aims to contribute valuable insights into employee turnover intention dynamics through comprehensive exploration and analysis.

1. To identify key factors that influence employee turnover intention
2. To analyse the influence of psychological factors on employee turnover intention
3. To investigate and analyse the influence of organizational factors on employee turnover intention in the information technology industry.

By addressing these objectives, research on this topic can contribute to a better understanding of employee turnover intention in the Information Technology sector.

## **Review of Literature**

The researcher of this article focused on selecting some of the best academic contributions from ABDC (Asian Business Deans Council) journals, where the researcher also focused on identifying theoretical background and research gaps from each of such selected papers. The researcher here would like to present a comprehensive literature review and in-depth analysis of 40 ABDC™ peer-reviewed journals. The NASSCOM (National Association of Software and Service Companies) and Government of India MSME definition says that "Microenterprise means investment in plant and machinery or equipment below 1 crore and turnover below 5 crores, Small enterprise means investment in plant and machinery or equipment below 10 crores and turnover below 50 crores, Medium enterprise means investment in plant and machinery or equipment below 50 crores and turnover below 250 crores". The literature review has

been classified into three major sections: psychological factors, organizational factors, and employee turnover intention.

## **Psychological Factors**

Psychological factors of an employee explore various aspects of their behavior in any job role while dealing with psychological and emotional factors resulting in varied performance in an IT sector organization. (Heslin, 2010) talks about employee psychological aspects and employee engagement, such as zeal for development, psychological presence, and interpretation. (Price, 2003) also confirms that employees change their attitudes in the organizational environment. Employees' psychological factors include emotions, support, control, trust, respect, accomplishment, self-efficacy, and optimism, which may impact organizational behavior. Any positive and negative emotions in the employee's mind may affect organizational employee relationships, thus impacting employee turnover intention (Oruh, 2020). Employees' self-control, which is directly linked to the mind, may impact the team behavior within the organization. Similarly, trust among team members, the accomplishment of self and team, positive team behavior, and optimism in the organization may directly impact employee satisfaction, thus ensuing organizational employee relationships, which may, in turn, vary employee turnover intention.

The mutual trust between employee and employer results in stronger organizational-employee relationships and thus may result in stronger organizational commitment, which may lead to organizational-employee relationships Eric Ng Chee Hong (2012). Employee voices not being heard may result in a lack of job satisfaction, thus may reduce organizational employee relationships (Kim, 2017). Family conflict among spouses, fights among children and differences of opinion with parents may affect the psychological aspect of employees, which in turn disrupts organizational behavior, affecting organization-employee relationships, thus impacting the work environment and resulting in employee turnover intention (Ramlawati, 2021). When they are not well taken care of by the organization, employees may look for a competitive work environment, thus influencing employee turnover intention. Psychological well-being dimensions such as trust between

employee and organization, control by the organization, support by family and organization, mutual respect between family members, respect within an organization, work accomplishment, job satisfaction, positive emotions or negative emotions towards the organization may lead to varied organization employee relationship which may also impact competitive work environment thus affecting employee turnover intention. Satyaningrum's (2020) research confirms that emotional stress and employee creativity positively affect employee turnover intention. Abraham (1999) confirms that emotional dissonance is caused mainly through job dissatisfaction; it reduces organizational commitment.

### **Organizational Factors**

The expectations of employees vary from one employee to another. In contrast, differing expectations in terms of employee engagement activities (KPMG, 2020), compensation benefits (KPMG, 2020), career growth (Amah, Oyetuunde, 2020), emotional dissonance within the organization (Satyaningrum, 2020) from the organization, leadership style (Hersey, Blanchard, 1969, Lei Wang, 2018) will result in varied employee turnover intention (Kim, 2017). In the digital business era average duration of an employee's tenure at an organization varies based on the way employees are treated, respect within the organization, supervisor justice (Kim, 2017), mutual trust (Engelbrecht et al, 2014) between organization and employee, mutual commitment (Rong su, 2014, Sanjeev, Rathore, 2014) towards promised deliverables, change in leadership style (Engelbrecht et al, 2014), equitable opportunity & remuneration.

Employment in the IT organization is extremely challenging because of commitment; an employee has to be extremely competent enough to face challenges. Organizational commitment means an employee's sense of belonging, acceptance, passion and pride toward his organization, which motivates them to work actively. (Sanjeev and Rathore, 2014). Job contentment is the key factor of employee tenure in the organization, and job satisfaction measures the employee level of contentment, engagement, and productivity (Heslin, 2010). Job satisfaction and attitude are crucial in turnover intention (Duan et al., 2019).

## **Socioeconomic Factors**

Socioeconomic factors act as a broader concept in employee turnover intention. (Lee, 2020; Lee and Mitchell, 1994) the unfolding model of voluntary turnover considers various factors, including socioeconomic factors, as contributors to employee turnover. Mobley (1977) advocates that there is a link between job satisfaction and turnover, where socioeconomic factors are a mediating factor. Cultural and community engagement in the organization also impacts the employee's stay (Oliveira et al., 2019). A supportive working environment will create positive relationships with peers in the organization to enhance job satisfaction and reduce turnover intention (Allen and Meyer, 1990). Social and economic factors play a vital role in employee turnover intention, and they are potential factors for subjective and objective success (Ng et al., 2005). Hobfoll's (1989) COR theory draws from psychosocial theories of human motivation, explaining employees' efforts to acquire, safeguard, maintain, and improve personally valued resources. These tangible or intangible resources may exist within an individual (such as satisfaction) or a social context (such as organizational support or HR practices). The positive outcomes follow as resources are amassed and renewed, prompting employees to further invest in obtaining or generating additional resources (Hobfoll, 2001).

## **Employee Turnover Intention**

Employee involvement in the organization depends upon individual perception towards conflicts among peers, the support provided by the supervisor, autonomy in the job, orientation provided by origination towards the task, work pressure and role clarity, organizational control on employees, innovation at the workplace, physical comfort and other dimensions which may in turn lead to employee turnover intention (Kеткаew, 2020).

Organizations must understand the relationship between job satisfaction and turnover (Mobley, 1977). Challenges in the work environment are created by varying emotional dissonance during COVID times, lack of team building (KPMG, 2020) efforts, differing support from organizations, job security (Sanjeev and Rathore, 2014), peer pressure (Tuttle, 1986) at work as well as outside, upskill

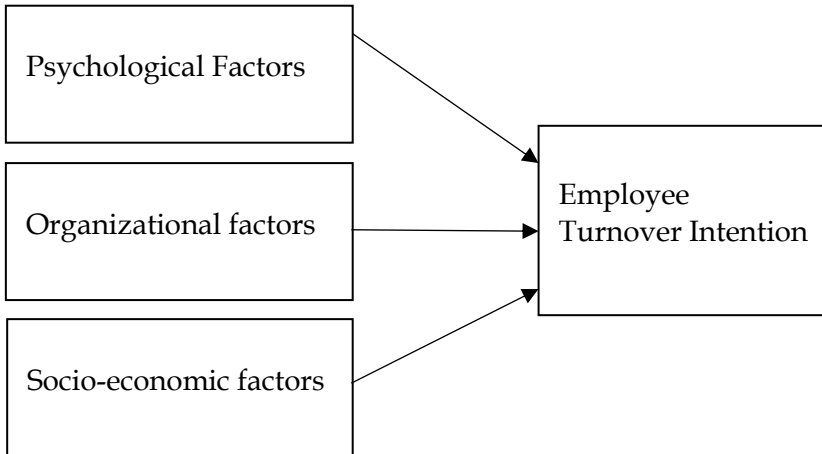
avenues, personal income, social acceptance thus resulting in varied employee turnover intention impacting talent management (Mathafena, 2017) and return on investment (ROI). Some of the antecedents of employee turnover intention are the emotional well-being of employees, work conflicts (Clark et al., 2018), troubled work environment (Billings and Moos, 1982), leadership, differences in remuneration compensation benefits among peers, mutual trust and commitment, career development & growth, social factors, inadequacy of income to manage lifestyle, lack of recognition in social circle (Sajid,2020).

### **Conceptual Research Model**

This study examines the psychological, organizational, and socioeconomic aspects of employee turnover intention to understand employees' intention to leave the organization. The proposed conceptual model encompasses key factors influencing employee turnover intention, impacting small and midsize Information Technology organizations (Okolocha and State,2020). Socioeconomic factors, such as balancing work and personal life, can impact job satisfaction. Employees who feel overworked or unable to meet personal responsibilities due to work commitments may have higher turnover intentions. A supportive work environment and positive relationships with colleagues and supervisors can enhance job satisfaction and reduce turnover intentions. Employees unsatisfied with the organization may have a higher turnover intention; likewise, higher organizational commitment may lead to lower turnover intention. Supportive leadership can also reduce employee turnover intention. Understanding and addressing psychological, organizational, and socioeconomic factors is crucial for managing and reducing employee turnover, which leads to a more stable and engaged workforce.



Figure 1: Employee Turnover Intention Conceptual Model



Psychological, organizational and socioeconomic factors play a vital role in employee turnover intention; there are many challenges that organization faces to retain the workforce, to retain skilled and professional workers in the organization; if they lose the skilled and trained employees, they may lose the better prospects in the organization (Decha, 2018). Mitchell et al. (2001) presented the theory of job embeddedness, concentrating on the reasons individuals choose to remain in their current positions and delineating the sense of being intricately connected within a social system and paying attention to HR policies because well-established policies can make employees to get satisfied in the organization (Harris et., 2020), that there will low turnover intention. Hence, the research proposes the 'Employee turnover intention' model, as shown in Figure 1.

## Discussions and Conclusions

This research has shown that three factors are related to employee turnover intention, which resulted in the key findings. First, human resource policies in the organization must indicate performance satisfaction, career development, and employee involvement.

Managers analyse and implement effective talent retention techniques and methods to reduce by providing competitive

packages, opportunities for skill development, and a better organizational environment (Jaros, 1997). Leaders are supportive of enhancing employee engagement, job satisfaction and work-life balance. Developing and implementing a success plan is essential for small and midsize organizations and ensures that skilled and talented employees are ready to take up key roles, reducing turnover in critical positions (Beeck, 2014). The organization has to conduct exit interviews to understand the reasons for turnover, providing valuable insights for organizational development.

A multifaceted approach is required for effective retention in small and mid-level IT organizations. Recognizing the importance of talent retention strategies, encompassing competitive compensation, skill development, and a positive work environment, is essential. Additionally, the critical role of leadership, clear communication, and supportive organizational cultures cannot be overstated in managing turnover (Abraham, 1999). Creating a good working environment that provides job satisfaction, work-life balance, and career development reduces turnover intention (Hussain, 2012). Acknowledging employee contributions through recognition and rewards, managing workloads effectively, and conducting insightful exit interviews are essential strategies to reduce turnover intention. Further, implementing succession plans ensures skilled employees, minimizing the impact of turnover on key positions. A proactive approach to these factors can enhance the resilience and motivation of the workforce in small and mid-level IT organizations.

### **Future Research Directions**

The study examining the impact of emerging technologies, such as artificial intelligence and automation, on turnover intention is crucial, considering potential job displacement concerns. Further, investigating remote work dynamics, including virtual environments and communication challenges, can shed light on the evolving nature of work. Understanding the relationship between employee well-being, mental health, and turnover intention is another promising avenue for research. Exploring generational differences, particularly in the context of preferences and expectations of different generations, is also important and can provide insights into retention strategies. Assessing the influence of

organizational agility, diversity and inclusion initiatives, leadership styles, and innovative engagement strategies are also pertinent research areas.

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