

AN ANALYSIS OF FACTORS INFLUENCING EMPLOYEES INTENTION TO STAY IN THE ORGANIZATION

Prof. Choden Goperma, Assistant Professor – Marketing, Pune Institute of Business
Management, Pune

Ms. Somasree Dolai, MBA-HR, Pune Institute of Business Management, Pune

ABSTRACT

The study was conducted with the aim of discovering the factors which influence or increase the employee's intention to stay in the organization with long times. The study also explains the role of the HR practices in the intention to stay in the organization. For this study descriptive research methodology used by smart PLS third version.

The purpose is to study the factors that affect the employee's intention to stay in the organization. The results of the study suggest that perceived organizational support and organizational commitment decrease the intention to leave while perceived organizational support positively impact the intention to stay influence employee's intention to stay but based on the statistical test conducted, the outcomes reported that compensation and benefits had the highest impact on intention to stay in the organization.

The Study based on Probability random sampling. The organization taking into consideration is the Manufacturing Industry. The data was collected through the online responses from 50 employees holding managerial positions in the organization. Through this study, the result indicates that "Training & Development", "Performance management System" & "Compensation & Benefits" are those factors which influence to increase the employee's intention to connected with the organization for long times. Finally, the conclusion is also highlighted.

Key words. Employee stay, Training & development, Compensation & Benefits, Performance management System.

INTRODUCTION

Why employees stay in the organization... All because of “inertia.” Employees tend to remain in the organization until some force either internal or external force them to leave. The concept is quite similar to one of the concepts in physics that is inertia which talks about a body will remain as it is until acted on by a force.

What are the factors that affect inertia...? This is one of the important questions for the organization to be answered. Many companies incur a great time investigating the cause which results in employee turnover. One of the examples can be conducting exit interviews. The main focus behind conducting this kind of study is to find out why people stay or leave, what are the factors which increase the intention of employees to stay in the organization so as to control the employee turnover. Earlier there were a lot of research papers presented focusing on identifying those factor which affects employee intention to leave an organization. This paper is different from them as this paper puts stress on identifying those factors which have a great impact to increase employee's intention to stay in the organization. (Vincent S.Flowers and Charles L. Hughes,1993)

Talent is the critical success factor to any organization and it is also one of the most challenging areas for any organization. There is a challenge in finding and attracting, development and retention of the right talent is a tuff task for the organization and once the right talent is identified the next job is to retain the talent acquired. Retaining talented employees involve understanding the intrinsic motivation which organizations are sometimes unable to identify. An organization must exert some efforts and with the help of various tools should determine the non- monetary interest and preferences of its employees and should make efforts to meet those preferences in action.in order to retain the effective manpower. In this sense, organizations need to develop approaches in order to retain the effective manpower. Through deep study into many organizations, it was found that- retention strategies are very competitive. Organizations try their level best to retain the employees of their competitors. (Dahiya et al., 2014).

LITERATURE REVIEW

Staying employees in the organization for a long time is a complex process and there is no single way of keeping employees with the company. According to Zineldin, retention is seen as an obligation to do business in continuation or exchange with a particular company. Studies have also indicated that retention is driven by several key factors, which ought to be managed congruently: organizational culture, strategy, communication, pay, and benefits, a flexible schedule and career development systems. (Sinha & Sinha, 2012)

Management of retention is defined as the ability to hold those employees whom you want to keep longer than your competitors. Further defines retention as retaining those employees who will keep you in business (Leighn, 2002). The notion that employee should stay in the organization and develop their human resource with an objective of gaining a competitive advantage is one of the core beliefs of human resource literature today. Many studies had been done in the past have assumed the link between satisfaction and employee retention. (Anderson & Sullivan, 1993).

Furthermore, various studies conducted have explained the importance of employee involvement and how can it improve their retention (Arthur 1994). In brief, literature explains retention as a continuing relation between organization and their employee. (Sinha & Sinha 2012). At present in this current dynamic, high competitive domestic and global business environment organizations were continuously influenced by social developments and economic advancement which consequently passed pressure on the labor market (Burke and Ng 2006). As per the reports of Hay Group (2013), the employee turnover rate forecasted was 23% and the number of global voluntary-quits was expected to be around 192 million by 2018 (Senevirathna 2017).

FACTOR INFLUENCING EMPLOYEES INTENTION TO STAY

Many Research conducted last 10-15 years to identify those factors which have a major impact on increase employee retention to stay in the organization. The aim of the study is to identify on testing the relative frequency with that factor which has a major impact to increase employee intention to stay within the organization. These factors are mentioned below-

COMPENSATION AND BENEFITS

In the opinion of Osibanjo (2014) compensation means the sum of financial and non-financial remuneration offered to employees for providing valuable services. It includes. Salaries, bonus, incentives and other fringe benefits like holidays, insurance and vehicle provided by the company. There is a link between employee benefits and retention of employees as it is another aspect of making people stay in the organization. In the year 1984 Maccoy identified the job satisfaction of employees and supervisor of Bell system over a five-year period and found that one of the main cause providing satisfaction to employees and supervisors is their salary and additional benefits which also motivate them to work productively and happy to stay in the organization. (Factors Affecting Employee Retention)

Establishing a proper compensation culture that supports employee development is one of the major challenges for companies. Many organization claims that the basic pay will lead to a rise in the performance but the scenario is a bit different. Some companies have the policy to reward people for individual achievement and not for the group. These policies can cause frustration in employees. (Sinha & Sinha, 2012)

PERFORMANCE MANAGEMENT SYSTEM

The primary objective of managing performance is establishing high performance culture wherein teams and individual take responsibility for the improvement of business and the organizations and also for their skills and contributions within a framework provided by effective leadership. Its main purpose is to focus employees on doing the right things by achieving goal clarity. It delivers the opportunity of improvement process of the employee as well as employers. Performance management is a systematic process. It is a concern with measuring output and showcasing the gap as well as result of desired performance vs actual performance. It's a platform where the employee gets beneficial, valuable feedback. Without a performance system, a company can't identify its valuable employee. (Wanjiru, 2007). According to Miner and Crane (1994), Performance management is more effective if its focus on determining the productivity along with profitability and performance based compensation. They give a statement on that it gives a valuable result for human resources planning in that it defines the improvement needs of those who may get change for better future jobs and help to increase the intention of employees to stay in the organization. (Wanjiru, 2007)

JOB SATISFACTION

Job satisfaction is stated as an attitude that individuals have about their jobs. It results from their perception of their jobs. This definition also involves a strong emphasis on feeling which is also called “affect”. This component refers to an individual’s positive, negative or neutral feelings of attitude (Greenberg and Baron 2000). Some of these descriptions cognate with the affective response of people to the current job are unidimensional: people are mainly satisfied or dissatisfied with the job (Ward and Sloane 1999). In addition to the belief that job satisfaction is a summary evaluation that people make of their work, it should still be remembered that people’s level of job satisfaction vary and these differences are the result of the job related factors and individual factors (Aydogdu & Asikgil 2011). One of the components vital for retaining of employees of any age is job flexibility (Boomer Authority, 2009). Analysts depict the significance of business adaptability, for example, booking varieties that better oblige singular work times, workloads, duties, and areas around family obligations (Cunningham 2002; Pleffer 2007). Studies led in the past demonstrates that adaptability engages individual to encourage a more advantageous harmony amongst work and individual commitments, something that interests to all times of employees. (Sinha & Sinha 2002)

TRAINING AND DEVELOPMENT

Training and development are one of those important factors which influence the employee’s intention to stay in the organization. At any age. United States Department of Labor, in 2009 posted a statement that Statistical evidence indicates job training is a major critical factor for behavioral and professional development for every employee. As per Boomer Authority, in 2009 – The entrance accessibility to the preparation and advancement for all workers is basic in encouraging hierarchical development, especially with execution and innovative upgrades. Research underpins that both the authoritative advantages and the cost sparing related to preparing programs exceed the underlying cost that acquires (Prenda and Stahl 2001). Eisen in 2005 states that preparation programs are accessible to every one of the representatives connect with a 70% expansion in worker consistency standard. Research demonstrates preparing techniques that draw in a worker with a vocation challenge, propel openings, work motivating forces, focused wages or benefits and a strong workplace is powerful maintenance methodologies for representatives of all ages. Proof backings the conclusion that entrance to normal preparing program improves development, success and worker maintenance. (Wander 2006). Preparing benefits (unmistakable or impalpable)

corresponds with the more elevated amount on consistency, efficiency, versatility, autonomy, and devotion in an employee. (Sinha and Sinha 2012).

Representative want to work in conditions that give a test, offers new learning chances, fundamentally adds to the association's prosperity, and offers open doors for progression and self-improvement in light of accomplishment and exhibited enthusiasm for a specific area (Ramlall 2004).

ORGANIZATIONAL CULTURE

Learning and advancement openings seem essential for the maintenance of abilities and at the same time association culture must set up a steady learning and appropriate working atmosphere. In like manner speech, it alludes to the earth where a worker will fill in and additionally learn. All the more particularly, the idea could be depicted by alluding to direction and gratefulness at work, the weight of work, the measure of strengthening and the duty that representative experience, the decision in work assignments and improvement, the arrangement of testing and important work, headway and advancement openings. The result from the past researches about demonstrates that the grateful work approach, operationalized through a thankful learning and working atmosphere, decidedly impacts representative goal to remain in the association. (Sinha & Sinha 2012). A conductive working society alludes to one with a charming working knowledge, satisfactory assets and a specific level of adaptability and is said to contribute hugely to holding representatives. (Alexander et al 1998).

As per the research conducted by Miller et al (2001), it was found that employees like to work in the culture that provides them a sense of belongingness and that will encourage them to stay committed and loyal to the workplace for longer.

Furthermore, the presence of job autonomy, positive feedback and supportive organizational culture too was noted to have a positive relationship with employee retention. Andrew and Wan (2009), stated that different organizations should adopt different working environments, according to employee needs.

Meanwhile, as indicated by Lok et al (2005), the nearness of occupation self-rule, positive criticism and inventive and strong association culture too was noted to have a positive (Senevirathna, 2017).

RESEARCH OBJECTIVE

The main objective of the study is to identify these factor which has a great impact to increase employee's intention to stay in the organization.

Measure the impact of the independent variable on the dependent variable

RESEARCH METHODOLOGY

The study is based on descriptive research design which consists of 5 independent variables – Training and Development, Job Satisfaction, Compensation and Benefits, Organizational Culture, and Performance Management System and 1 dependent variable –Employee intention to stay adopted from various literature. Overall this model consists of (35) questions. Primary collected using google doc questionnaire. As per the requirement, we collected the form the managerial employees from the various organization in and around Pune. As per the thumb rule 1:10 ratio we collected 350 sample for analysis using non-probability convenient sampling technique. The researcher used SME –Smart PLS for data analysis as it's a proposed conceptual model and predictive accuracy is predominant.

CONCEPTUAL FRAMEWORK

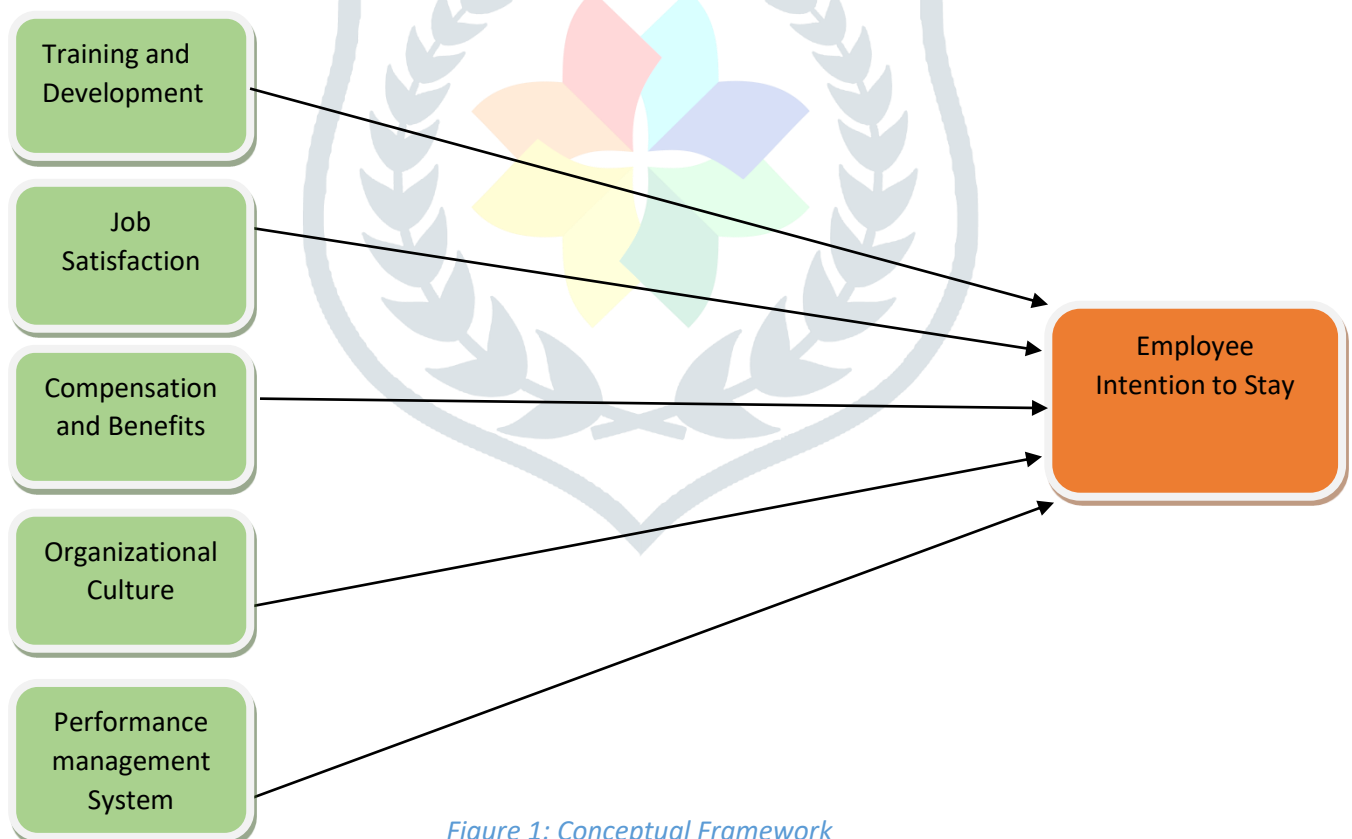


Figure 1: Conceptual Framework

DATA ANALYSIS AND INTERPRETATION

MESUREMENT MODEL

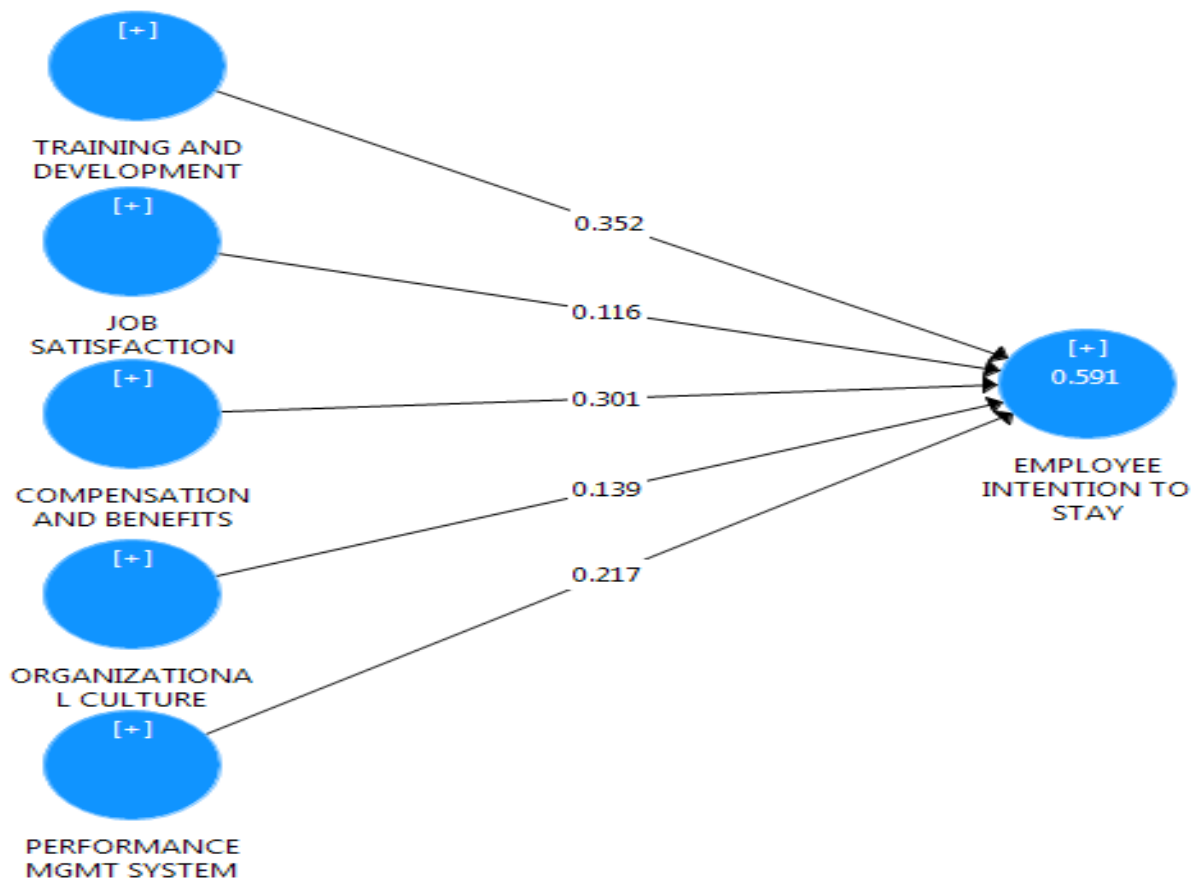


Figure 2: Measurement Model

The model suggests that these five factors like Training and Development, Job Satisfaction, Compensation and Benefits, Organizational Culture and Performance Management System measure on Employee Intention to Stay at 59%. Whereas organization training and development influence maximum on employee intention to stay at 0.352 it shows 100% change in T&D will influence 35% on intention to stay, followed by compensation and benefits 30%, Performance management system 21%, organizational culture 13% and job satisfaction 11%.

The theoretical relation (path) forecasted between all constructs is statistically significant because of standardized path coefficients superior to 0.1 (S.S Bhakar et al, 2007).

Training and Development (0.352), Job Satisfaction (0.116), Compensation Benefits (0.301), Organizational Culture (0.139), Performance Management System (0.217), have an effect on Employee intention to stay.

RELIABILITY AND VALIDITY

	Cronbach's Al...	rho_A	Composite Rel...	Average Varian...
COMPENSATI...	0.733	0.750	0.848	0.650
EMPLOYEE INT...	0.774	0.788	0.870	0.692
JOB SATISFAC...	0.746	0.751	0.855	0.662
ORGANIZATIO...	0.709	0.797	0.786	0.550
PERFORMANC...	0.751	0.912	0.806	0.582
TRAINING AN...	0.799	0.815	0.881	0.712

*Table 1: Reliability Value***Reliability (Cronbach's Alpha & Composite Reliability>0.7)**

According to Christmann and Van Aelst (2006), Cronbach's alpha is a popular method to measure the reliability of the construct. The Cronbach's alpha value obtained for each construct is greater than 0.9 (the suggested threshold value is 0.7) which is a positive indicator for the proposed model. In this model, Cronbach's alpha value of all the items in each construct is greater than 0.7 and it's ranged from 0.709 to 0.799.

Composite Reliability value shows the reliability of all the variables used in the research as per Bagozzi and Yi (1998) composite reliability value should be 0.7 or higher which show the internal consistency reliability.

Questionnaire validity has been evaluated using Convergent validity and Discriminant validity. As per Bagozzi and Yi (1998), the AVE value of all the variable should be greater than 0.5 as it confirms the convergent validity. And the square root of AVE of each latent variable should be greater than the correlation among the latent variable (Fornell and Larckert, 1981) confirms the discriminant validity of the variables.

DISCRIMINANT ANALYSIS

	COMPENSATI...	EMPLOYEE IN...	JOB SATISFAC...	ORGANIZATIO...	PERFORMANC...	TRAINING AN...
COMPENSATI...	0.806					
EMPLOYEE INT...	0.447	0.832				
JOB SATISFAC...	0.743	0.638	0.814			
ORGANIZATIO...	0.636	0.531	0.557	0.742		
PERFORMANC...	0.580	0.583	0.534	0.527	0.763	
TRAINING AN...	0.596	0.411	0.531	0.423	0.447	0.844

*Table 2: Validity Value***DISCRIMINANT VALIDITY**

Discriminate validity can be understood as the extent to which any single construct is different from the other constructs in the model (Carmines and Zeller, 1979). Discriminant validity was evaluated by the test provided by Fornell and Larcker (1981). The discriminant validity is ensured by measuring LVC replacing the square root of AVE value on the cross loadings should be greater than below loaded values.

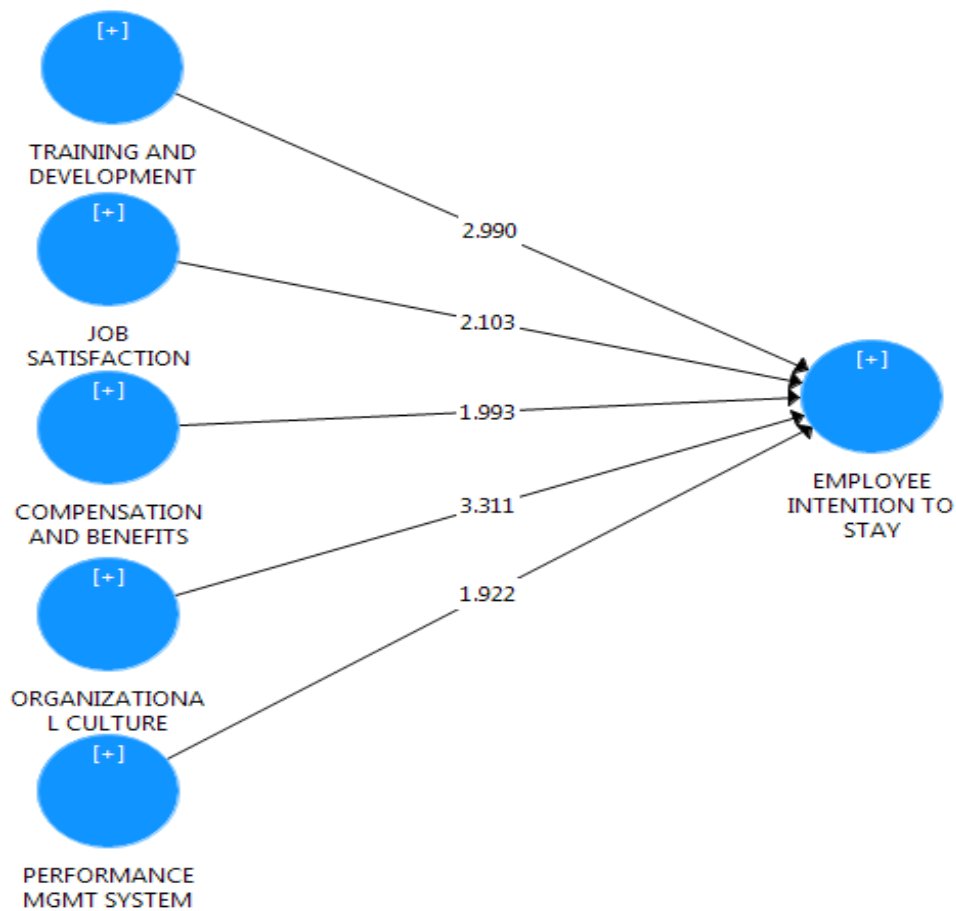
BOOTSTRAP MODEL

Figure 3: Bootstrap Model

Smart-PLS provides “t” statistics to test the significance of the inner and outer models, using a procedure called bootstrapping. In this process, a large number of subsamples are produced based on the original sample, with replacement, to obtain the standard bootstrap errors, which in turn permit the approximate estimation of “t” values for significance tests of the structural paths (Wong, 2013).

t- STATISTICS

	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics (O...
COMPENSATI...	0.301	0.291	0.159	1.893
JOB SATISFAC...	0.116	0.030	0.160	2.103
ORGANIZATIO...	0.139	0.058	0.124	3.311
PERFORMANC...	0.217	0.205	0.126	1.922
TRAINING AN...	0.352	0.350	0.118	2.990

Table 3: t - Statistic Value

After concluding the estimation process in the path modeling, the t-statistics are reported in the above table. The Path Coefficients (Mean, STDEV, t-Values) values are representing the significance of the model. As observed, the values in the column t-statistics are superior to 2.57 (significance level = 0.01). If the t statistics value will be larger than 1.96 when using a two-tailed t-test (significance level of 5%) it shows that the path coefficient will be significant (Hair et al 2011). In this study, it is found that all the linkage is significant.

CONCLUSION

The research was conducted with the main objective to analyze the factors that have a high impact on influencing employee's intention to stay in the organization. From the study, it is concluded that the factor which is mostly considered to have the great influence on the intention of the employee to stay in the organization is Training and development followed by Compensation and benefits and Performance Management system. Lack of providing benefits and training and development will force an employee to go towards turnover factors. In assessing the role of the functions of the organization, the aforesaid factors deserve a high level of analysis in the organization. The role of the human resource manager in an organization should always be given importance as this is important to ensure the intention to stay. It was also found that salary with high incentives will motivate the employee to stay in the organization.

Performance management in another factor which focuses on determining the compensation based on productivity and performance. This factor is very important as well as useful as it provides important results for a human resource manager as he can do as assessment regarding the

employees who need an improvement so that an employee may get high benefits which result in increasing the intention to stay in the organization.

In order to increase the rate of an employee staying in the organization, they need to focus on the factors like Job satisfaction and other factors like organizational culture, recruitment and selection, career growth and job security. As a conclusion, the research has succeeded in fulfilling the research objectives which focused at analyzing the link between the practices like compensation and benefits, training and development, performance management system and organizational culture and the intention of an employee to stay in the organization.

MANAGERIAL IMPLICATIONS OF THE STUDY

The objective of the study has identified those factors which have a great impact to increase employee intention to stay in the organization with long times. From this study, its identified that three major factors – Training and development, Compensation and benefits and Performance management system have a great impact to increase the employee intention to connect with the same organization. The advantage of the study is – it helps the organization to increase their employee retention by focusing these factors and able to maintain cost in terms of employee turnover and make the organization more successful with valuable assets i.e. employees.

LIMITATION OF THE STUDY

- The researcher has done the study in the manufacturing sector and the survey conducted among managerial post employees in the organization.
- Analysis of factors is limited only five factors like – training and development, Job satisfaction, compensation and benefits, Performance management system and organizational culture.
- The study constructs only 86.5% male despondences and 13.5% female despondences.

SCOPE OF THE STUDY

- The scope of the study- use of other factors which help to increase the intention of the employee to stay in the organization like - Career Development, recruitment & Selection, job security, superior – subordinate relationship, Employee engagement and Employee induction etc.
- There is a need to replicate the study in other industries.

REFERENCES

- Mathai, Kishore, A. Arun Kumar, and V. Shekhar. "A STUDY ON EMPLOYEE RETENTION PRACTICES IN PHARMACEUTICAL COMPANIES OF NORTHERN TELANGANA STATE."
- Sinha, Chandranshu, and Ruchi Sinha. "Factors affecting employee retention: A comparative analysis of two organizations from the heavy engineering industry." *European Journal of Business and Management* 4.3 (2012): 145-162.
- Senevirathna, Galhene Arachchillage Buddhima Ewumini. "Factors Affecting Employee Retention."
- Aydogdu, Sinem, and Baris Asikgil. "An empirical study of the relationship among job satisfaction, organizational commitment, and turnover intention." *International review of management and marketing* 1.3 (2011): 43-53.
- Muhammad, I., and A. Fahad. "Factors Affecting Employees Retention: Evidence from Literature." *Abasyn Journal of Social Sciences* 4.2 (2013): 307-339.
- Chew, Janet, and Christopher CA Chan. "Human resource practices, organizational commitment and intention to stay." *International journal of manpower* 29.6 (2008): 503-522.
- Cho, Seonghee, Misty M. Johanson, and Priyanko Guchait. "Employees intent to leave: A comparison of determinants of intent to leave versus intent to stay." *International Journal of Hospitality Management* 28.3 (2009): 374-381.
- Magnini, Vincent P. "Journal of human resources in hospitality & tourism." *Journal of human resources in hospitality and tourism* 8.2 (2009): 119-136.
- Porter, Lyman W., and Richard M. Steers. "Organizational, work, and personal factors in employee turnover and absenteeism." *Psychological bulletin* 80.2 (1973): 151.
- Njoroge, S. W. "A survey of factors that influence employee retention in Manufacturing firms in Nairobi." *Unpublished MBA Project, University of Nairobi* (2007).
- Ramlall, Sunil. "Organizational application managing employee retention as a strategy for increasing organizational competitiveness." *Applied HRM research* 8.2 (2003): 63-72.
- Ramlall, Sunil. "A review of employee motivation theories and their implications for employee retention within organizations." *Journal of American Academy of Business* 5.1/2 (2004): 52-63.
- Ghosh, P., Satyawadi, R., Prasad Joshi, J., & Shadman, M. (2013). Who stays with you? Factors predicting employees' intention to stay. *International Journal of Organizational Analysis*, 21(3), 288-312.
- Naqvi, Sayyed Muhammad Mehdi Raza, and Sajid Bashir. "IT-expert retention through organizational commitment: A study of public sector information technology professionals in Pakistan." *Applied Computing and Informatics* 11.1 (2015): 60-75.
- Mehta, Mita, Aarti Kurbetti, and Ravneeta Dhankhar. "Review Paper–Study on Employee Retention and Commitment." *International journal of advance research in computer science and management studies* 154.5 (2014).
- Loan-Clarke, J., Arnold, J., Coombs, C., Hartley, R., & Bosley, S. (2010). Retention, turnover, and return—a longitudinal study of allied health professionals in Britain. *Human Resource Management Journal*, 20(4), 391-406.

<https://hbr.org/1973/07/why-employees-stay>