

# Employee Attrition And Its Repercussions In Select Software Firms – An Empirical Study

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## Abstract

Attrition can be defined as shrinkage of employees' strength in number due to resignation, retirement and death. The hectic competitive environment poses greatest challenges to firms in retention of its employees. Chronic attrition is not a good sign of any organizations' performance. The study examined the critical reasons for attrition and its repercussions on organization and on employees. The focus of this comprehensive insight is limited to four renowned software companies in Chennai. The study was descriptive in nature, both primary and secondary data used. Programmer analysts, software engineers, and senior software engineers were included as a focus group to conduct survey. The selected sampling size for the study was 624 software professionals in the age group of 21 to 32 years. Non probability convenience sampling technique is used. Relevant Statistical tools applied to test the hypothesis. Study examined on the impact of attrition on organization and on employees. The study revealed that the training and hiring costs were slightly more among female employees when compared to male employees, recruiting right employee poses a great challenge, losing critical talent or star performers negatively impacts on project delivery and productivity. In case of impact on employees, stress was found more among female employees. Likewise staffing disruptions found more due to attrition of experienced employees

**Key Words:** Attrition, Repercussion, Critical Talent, Indispensable, Staffing Disruptions

## 1. INTRODUCTION & PROBLEM STATEMENT

The Information Technology Industry in India made India proud and phenomenally responsible for fuelling the economic growth. This Industry has grown at a frantic pace in the last one and half decade creating high demand for software professionals. With a growing shortfall of trained IT Manpower, IT firms with global presence constantly recruit IT professionals from India to cater worldwide requirements. In the wake of persistent demand for skilled people, IT firms adopting and reshaping and setting new HR practices to retain its manpower. Nowadays it has become a mandatory practice for firms to treat their employees as the most valuable internal customers while offering fascinating perquisites in addition to their regular compensation benefits and other fringe benefits. In spite of all the benefits offered by IT firms, they are perpetually facing chronic attrition due to high expectations of employees and the level of stress generated due to chaos in role clarity, leadership issues and given deadlines coupled with staffing disruption in the wake of attrition.

## 2. REVIEW OF LITERATURE

**Sunil Kumar Dhal, Amaresh C Nayak(2015)** examined that high attrition rates lead to a chronic cycle. In which he has also concluded that this will have adverse effects on company's strength in running their business in competitive environment

**Antony Joe Raja and Anbu Ranjith Kumar(2016)** studied that the tangible costs of employee attrition would be the cost of recruitment, hiring, selection and training costs. The study also proved that managing the time, efficient service, quality, and service related problems, costs on temporary staff, will result in additional training costs, and till the replacement of a right employee cost on his position and knowledge will be an additional burden to organization.

**Sunanda.K(2017)** in her study concluded that firm must have good organizational climate with conducive work atmosphere, less pressure, good leadership with increased career opportunities will minimize attrition. Further she added that good career opportunities will have positive attitude which helps organizations to retain its employees.

**Rajasekhar & Venkateswara Prasad(2018)** in their study examined that that the employees are capable of managing balance between professional and personal life . Study concluded that the employees showed more willingness to intention to quit the job if they fetch lucrative opportunities in terms of higher compensation and better opportunities for higher education which is a common phenomenon among employee attrition.

**Negassa semu bacha(2019)** endeavored to identify the antecedents of intention to leave and repercussion of employees' turnover. This paper has developed two theoretical frameworks to show the variables that elaborates the occurrence of turnover intention and repercussions of employee attrition.

### **3. SIGNIFICANCE OF THE STUDY**

Chronic turnover indicates ineffective HR practices and inadequate organization climate and culture. Researchers observed that in spite of perpetual increase in the size of the employees, the IT firms are confronting with retention of its employees. If organizations fail to manage continuous attrition which in turn leads to direct and indirect costs, such as, recruitment, selection and training and developments costs. Besides direct costs, it also leads to loss of production and production volume as well as administrative costs. As a consequence firm's internal strength and weaknesses are projected. Continuous attrition leads to staffing disruptions such as stress, role ambiguity and inconsistent delivery of client services would be costly for any organization. If new recruits are added constantly to meet the growing demands, further costs in training and indoctrinating them towards organization culture and value system is all a big challenge. As a result people leave causing others to work harder and spend more time on job contributes to further attrition. Study explored the repercussion faced by organization and its employee as well.

### **4. OBJECTIVES OF THE STUDY**

- To ascertain the consequences of attrition on organization
- To examine the consequences of attrition on employees

### **5. METHODOLOGY**

Primary Data and Secondary Data have been used for the survey. Primary data of the study were collected through a structured questionnaire. Since the populations are infinite Non Probability Convenience Sampling Technique has been adopted. The study conducted in select renowned software firms in Chennai to find out the repercussion of attrition on the organization and repercussions of attrition on employees. For the purpose of the study four premiere software companies have been selected based on the continuous progression of attrition rate. Since the populations are infinite, both male and female respondents were considered, Programmer Analysts, Software Engineers and Senior Software Engineers were considered as the respondents, all these respondents belong to the age group of 21 years to 32 years. For each organization 300 questionnaires were distributed for conducting survey, out of 1200 questionnaires, only 624 questionnaires were returned with duly filled information, another 123 questionnaires have been discarded due to negligence on the part of the respondents in filling the questionnaire. Hence the total sample size was 624 of all the four select software firms. Data presented are in a descriptive format to identify factors influencing Repercussions of Attrition on Organization and Repercussions of Attrition on Employees. The study was Descriptive in nature.

### **6. RESULTS AND DISCUSSION**

45% of the respondents belong to the age group of 25-28 years. 65% of the respondents are males. 80 % of the respondents are married. 47% of the respondents are having 2-4 years of experience.57% of the respondents possessed B.E/B. Tech., degree as their educational qualifications. 64% of the respondents are with their first employer itself.73%of the respondents earning between

3.5lakhs to 4.5 lakhs as their annual salary. 46% of the respondents stated that the exit interview helps to minimize employee attrition to some extent. 68% of the respondents stated that they will switch over to other organizations after 2 years. 40% of the respondents expressed that attrition is caused due to industry opportunities.73% of the respondents stated that they are ready to leave their present organization if they get better opportunities.

### 6.1 REPERCUSSIONS OF ATTRITION ON ORGANIZATION

It is found that the female respondents have scored higher mean value of 14.72 and the lowest mean score was obtained by male respondents (14.20). This indicates that hiring and training costs due to attrition is more among female respondents as compared to male respondents. It is found that the female respondents have scored higher mean value of 38.51 and the lowest mean score was obtained by male respondents (37.15). This shows that losing critical talent due to attrition more among female respondents when compared to male respondents. It is found that the respondents having more than 4 years of experience have scored higher mean value of 15.12 and the lowest mean score was obtained by respondents having less than 2 years of experience (14.16). This indicates that hiring and training cost for organizations seem to be more due to attrition for respondents having more than 4 years of experience and less for respondents who are having 2 years of experience.

### HYPOTHESIS 1

**Null hypothesis H<sub>0</sub>:** Significant relationship does not exist between recruiting new employee adds additional cost and recruiting a right employee is difficult and consumes more time.

Karl Pearson Correlation test performed to determine the strength of the relationship between recruiting new employees adds additional cost and recruiting a right employee is difficult and consumes more time

**Table 1**  
**To Measure the Relationship between Recruiting New Employee adds Additional Cost Recruiting a Right Employee is Difficult and Consumes**

Variables	More Time
	Recruiting a right employee is difficult and consumes more time
Recruiting a new employee adds to additional cost to the organization	r = .596**
	p < .001

\*\*Significant at 1% level

The above table reveals that a significant positive correlation observed between recruiting new employee adds additional cost and recruiting a right employee is difficult and consumes more time (r = .596). Hence H<sub>0</sub> is rejected at the 1% level. It is observed that recruiting new employee due to attrition adds additional cost and recruiting a right employee is difficult and consumes more time are significantly related issues, hence we can infer that organization incurs huge recruitment costs.

### HYPOTHESIS 2

**Null hypothesis H<sub>0</sub>:** Significant relationship does not exist between acquisitions of critical talent for the right job poses a great challenge to HR and top/star performers are indispensable to organization

Karl Pearson Correlation Test applied to ascertain the strength of the relationship between acquisition of critical talent for the right job poses a great challenge to an HR and top/star performers are indispensable to organization.

**Table 2**  
**To Measure the Relationship between Acquisition of Critical Talent for the Right Job poses a great Challenge for HR and Top/Star Performers are Indispensable to Organization**

Variables	Top or Star performers are indispensable to organization
Acquisition of critical talent for the right job poses a great challenge to HR	r = .531**
	p < .001

\*\*Significant at 1% level

The above table reveals that a significant positive correlation observed between acquisition of critical talent for the right job poses a great challenge to HR and top/star performers are indispensable to the organization (r = .531). Hence the null hypothesis is rejected at the 1% level. Therefore we can infer that acquisition of critical talent for the right job poses a great challenge to HR Managers and top/star performers are indispensable to the organization which indicates severe impact on organization's recruitment costs

### HYPOTHESIS 3

**Null hypothesis H<sub>0</sub>:** Significant relationship does not exist between the loss of productivity of experienced, talented and well trained staff due to attrition and impact on project delivery.

Correlation Test applied to measure the strength of the relationship between the loss of productivity of experienced, talented and well trained staff due to attrition and impact on project delivery

**Table 3**  
**To Measure the Relationship between Loss of Productivity and Impact on Project Delivery**

Variables	Impact on Project Delivery
Loss of Productivity from experienced, talented and well trained staff	r = .563**
	p < .001

\*\*Significant at 1% level

The above table reveals that a significant positive correlation observed between the loss of productivity of experienced, talented and well trained staff due to attrition and Impact on project delivery (r = .563). Hence the null hypothesis is rejected at the 1% level. Therefore it can be concluded that the loss of productivity of experienced, talented and well trained staff due to attrition results in inconsistent delivery of projects and its quality.

### 6.2 REPERCUSSIONS OF ATTRITION ON INDIVIDUALS

It is found that such as continuous excessive work 4.18 and high pressure from superiors to meet the client deadlines 4.11 obtained significantly higher mean values than other variables. Thus it can be inferred that stress negatively impacts on individual work life. It is found that the mean values for such as the attrition would cause team members to work extra hours/overtime 3.96, inadequate knowledge transfer 3.77 and too many responsibilities in the wake of team members' attrition. 3.76, out the scope of the job which allocated due to attrition leads to poor performance 3.74 and low morale due to high attrition 3.72 obtained higher scores compared to other variables. Hence it can be inferred that staffing disruption due to attrition negatively impacts employee work life.

### HYPOTHESIS 4

**Null hypothesis H<sub>0</sub>:** Significant relationship does not exist between too many responsibilities in the wake of team members' attrition and to work for extra hours.

Karl Pearson Correlation Test performed to ascertain the strength of the relationship between too many responsibilities in the wake of team members' attrition and to work for extra hours.

**Table 4**  
**To Measure the Relationship between too many Responsibilities in the Wake of Team Members' Attrition and to Work for Extra Hours**

Variables	Attrition would cause team members to work for extra hours/overtime
Too many responsibilities in the wake team members attrition	r = .518**
	p <.001

\*\*Significant at 1% level

The above table shows that positive correlation observed between responsibilities in the wake of team member attrition and to work for extra hours (r = .518)is significant. Hence the stated null hypothesis is rejected at the 1% level. This reveals that too many responsibilities in wake of team members' attrition forces employees involve in extra work.

### HYPOTHESIS 5

**Null Hypotheses H<sub>0</sub>:** Significant difference does not exist between respondents experience and attrition due to stress and staffing disruptions.

One Way ANOVA used to ascertain if there were any significant differences between the respondents' experience and attrition due to stress and staffing disruption.

**Table 5**  
**To Measure the Mean difference between Respondents' Experience Stress and Staffing Disruptions**

Variables	Experience	N	Mean	S D	F-value
Stress	Less than 2 years	194	15.83	3.040	3.115* (p=.045)
	2 - 4 years	297	16.16	2.943	
	More than 4 years	133	16.65	2.651	
Staffing Disruption	Less than 2 years	194	29.01	5.885	4.057* (p=.018)
	2 - 4 years	297	30.27	4.572	
	More than 4 years	133	30.24	4.903	

\* Significant at the 5% level

The above table shows that the obtained 'F' value is 3.115 and it is significant at the 5% level. The value indicates that there is a significant mean difference between respondents' experiences and attrition due to stress. Further, the mean table indicates that the respondents with experience of more than 4 years have scored higher mean value of 16.65 and the lowest mean score was obtained by the respondents who have experience of less than 2 years (15.83) It is found that the attrition due to stress was found more among employees whose experience is more than 4 years and the attrition due to stress was found less among respondents whose experience is less than 2 years.

The table 4.50 indicates 'F' value as 4.057 (significant at the 5% level). The value indicates that there is a significant mean difference between respondents' experiences with respect to attrition due to staffing disruption.

Further, the mean table explores that the respondents with experience of more than 4 years have scored higher 30.24 (mean value) and the lowest mean score was obtained by the respondents with experience of less than 2 years (29.01). This shows that staffing disruption was found more among the respondents with more than 4 years of experience and staffing disruption was found less among the respondents with less than 2 years of experience. Hence we can infer that staffing disruptions are high among experienced employees cause to performance problems.

**HYPOTHESIS: 6**

**Null hypothesis H<sub>0</sub>:** Significant relationship does not exist between work pressure from superiors to meet the client’s deadlines and continuous excess work.

Karl Pearson Correlation Test performed for the above stated hypothesis (Impact of attrition on Individuals).

**Table 6**  
**To Measure the Work Pressure from Superiors to Meet the Client’s Deadlines and Continuous Extra Work**

Variables	Continuous excessive work
<b>Work Pressure from superiors to meet the client’s deadlines</b>	$r = .578^{**}$
	$p < .001$

\*\*Significant at 1% level

The table 6 reveals that significant positive correlation observed between work pressure from superiors to meet the client’s deadlines and continuous excess work ( $r = .578$ ). The p value indicates that H<sub>0</sub> rejected at 1% level. It can be inferred that work pressure from superiors to meet the client’s deadlines compel employees to continuously engage in extra work.

**7. CONCLUSION**

The study focused on the repercussions of attrition on Organization and Employees. As the study revealed that the training and hiring costs were slightly more among female employees when compared to male employees, recruiting right employee poses a great challenge, losing critical talent or star performers negatively impacts on project delivery and productivity. The study also proved that clients may shelve their project if the replaced employees are not up to their expectations. In the case of the Repercussions of Attrition on Employees, stress was found more among female employees. Similarly staffing disruptions were found more when experienced employees leave the organization due to too many responsibilities in the wake of team members’ attrition which in turn force employees to engage in extra work causing stress ,chaos in the their jobs.

Hence it is an endeavor to address high rates of employee attrition and job hopping among software professionals, leads to additional attrition costs on the software firms. Hence software firms, should focus long term HR strategic policies, besides fair treatment to employees, psychology training for leaders to understand the behaviors of employees to retain the talent more significantly the critical talent who are considered to be the indispensable to organization.

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