IMPACT OF ORGANIZATIONAL CLIMATE ON TALENT RETENTION – AN EMPIRICAL STUDY OF IT AND ITES INDUSTRY IN BANGALORE

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ABSTRACT

Employees create the key element for organizations to achieve sustainable competitive advantage in today's dynamic and changing operating conditions *(Barney, 1991)*. Organizations try to attract proficient employees, take advantage of them at the maximum level and keep employing them in working conditions in which the personnel have a reproving role. Therefore, creating a vigorous and positive organizational climate, which cares about the welfare of employees, is thought to be important. Today IT and ITES are operating in a highly competitive scenario; it is pertinent to note that they need to differentiate themselves from each other. They need to have employees who are passionate about their work and strive to take their organization to greater heights. This study has been measured organizational climate on employee retention in the IT and ITES sector. The study followed descriptive research method. Both primary and secondary sources of data have been used. A questionnaire is used to collect the required data from the employees of IT and ITES. The secondary data have been collected from reports, books, journals, magazines and websites, etc.

KEYWORDS: Organizational climate, Talent rention, Competitive advantage.

I.   INTRODUCTION

Employees create the key element for organizations to achieve sustainable competitive advantage in today's dynamic and changing operating conditions *(Barney, 1991)*. Organizations try to attract proficient employees, take advantage of them at the maximum level and keep employing them in working conditions in which the personnel have a reproving role. Therefore, creating a vigorous and positive organizational climate, which cares about the welfare of employees, is thought to be important. Because, it is thought that a positive working environment which appreciates employees is expected to positively affect their performance levels, so they will undertake additional roles in organizational processes and act in an innovative and creative way *(Robbins, 2005)*. It is possible that employees can perceive organizational climate with a positive perception and consider it to be matching with their personal objectives and so, they can demonstrate positive attitudes towards colleagues and the organization. However, a negatively perceived organizational climate which does not support its employees is expected to promote futile behavior among employees *(Scott-Findlay et al, 2006)*.

Effectiveness of an organization performance depends on the prevailing organization climate. The connection between climate and diverse organization outcomes appears well documented *(Patterson et al., 2005)*. A number of studies communally specialized in explaining the role of leadership in managing climate and relate this to organization outcomes like productivity *(Ekvall and Ryhammar, 1998)*, and innovation *(Jung et al., 2003; Mumford, Scott, Gaddis and Strange, 2002)*. As today's businesses continue to struggle to survive or acquire sustainable dynamic advantage, it is important for organizations to better understand the factors that influence employees and important employee-oriented work outcomes. The growing significance placed on understanding employees and their behavior within the organization has produced a great deal of interest in scrutinizing employee perceptions of climate within the organization.

Working medium or climate perception of employees has significant consequences for both individuals and organization. Climate or ambience in workplace has impact on employee's motivation, behavior, attitudes and potential, which in turn foreseen to influence organizational productivity *(Denison & Mishra, 1995)*. Employees

are engaged when organizations have vigorous work culture and communication practices, where they can get platforms to express their concerns and opportunities to grow and develop their potential. The level of commitment in employees can be enhanced by identifying its influential factors and work on them. Employee retention refers to the ability of an organization to retain its employees. Employee retention is linked to various independent factors of the organization, which affect the employee to retain at the organization over a period. With this background, the present study has been examined the relationship between organizational effectiveness and employee retention.

II.   SIGNIFICANCE OF THE STUDY

Today IT and ITES are operating in a highly competitive scenario; it is pertinent to note that they need to differentiate themselves from each other. They need to have employees who are passionate about their work and strive to take their organization to greater heights. This study has been measured organizational climate on employee retention in the IT and ITES sector. The organizational climate influenced on job satisfaction and commitment. Hence, this study also measured supremacy of organizational climate on talent retention. The study address attitudes and concerns that help the organization work with employees to instill positive changes. Organizational climate surveys increase productivity, give employees a voice to assist in making desired transitions as smooth as possible. It also serves as a basis for quality improvements. By identifying areas of futile and acting on performance barriers identified by employees of all levels, an organization gains a fresh and different perspective.

III.   STATEMENT OF THE PROBLEM

The society has passed by big transformations and these occur at the job's market too. The flexibility, the competitiveness, a leadership and new organization's ways have changed daily in this market. The fact is that this accelerated rhythm is growing each day and influencing the job's increasing, consequently a bigger amount of hours worked. Through this concern emerged with the interest of companies to study how to satisfy the worker's needs, doing that he reaches his general welfare *(Conte, 2003)*. Inside the IT and ITES industry, in general mode the professionals are considered stressed cause the changes has been continues, demanding of the IT and ITES professional a bigger attention and dedication in the job that has been realized. Because the big requirements in this area, it is difficult to develop a good organizational climate inside the company. Therefore the employer must search strategies to keep a satisfactory organizational climate and at the same time, reach the organizational goals *(Shigunov, 2003)*.

Worldwide, retention of skilled employees has been of serious concern to managers in the face of ever increasing high rate of employee turnover. Today's business environment has become very competitive thus making skilled employees the major differentiating factor for most organizations. In both public and private organizations rely on the expertise of their employees in order to compete favorably and indeed gain competitive advantage in the international market. However, recent studies have shown that retention of highly skilled employees has become a difficult task for managers as this category of employees are being attracted by more than one organization at a time with various kinds of incentives. Against this background, organizations will continue to lose valuable employees to competitor organizations until managers are able to identify and apply appropriate retention strategies that will help in reducing the frequent turnover of key employees. In the literature, it is possible to see lots of studies dealing with many variables such as personality, emotional intelligence, organizational justice, trust, perceived organizational support and ethical climate which lead employees to show futile behaviors. Among all these, limited numbers of studies referring to organizational climate are available. In this respect, this study aims to scrutinize the impact of organizational climate on talent retention. Therefore, it is believed that this study will contribute to and fill the gap in the literature.

IV.   RESEARCH QUESTIONS

Based aforesaid issues, the present research have been probed the following research questions:

- What are the factors influencing organizational climate in IT and ITES?
- What are the factors influencing employee retention in IT and ITES?

- How the organizational climate influenced on job satisfaction, job commitment and employee retention?

V.   SCOPE OF THE STUDY

The study is carried out to analyze the impact of organizational climate on employee retention in IT and ITES. The study has been identified the factors influencing organizational climate and employee retention, the effect of organizational climate on job satisfaction, job commitment and employee retention. The outcome of this study will be immensely helpful to the IT and ITES by providing an appropriate framework to identify the variables in organizational climates. Therefore, these help the organization to frame strategies for effectively using the suitable variables in the organization to boost up the performance of employees and also to retain the employees.

VI.   OBJECTIVES OF THE STUDY

The present research is carried out with the following objectives:

1) To identify factors influencing organizational climate in IT and ITES.

2) To identify factors influencing employee retention in IT and ITES.

3) To study the effect of organizational climate on job satisfaction, job commitment and employee retention.

4) To analyze the moderating effect of employee demographic characteristics on organizational climate, job satisfaction and commitment and employee retention.

5) To offer suggestions for the improvement of organizational climate in IT and ITES.

VII.   RESEARCH HYPOTHESES

Based on the problems identified and the objectives of the study, the following hypotheses are formulated:

1) Organizational climate has a significant impact on job satisfaction of employees;
2) Organizational climate and job satisfaction are strong predictors of job commitment;
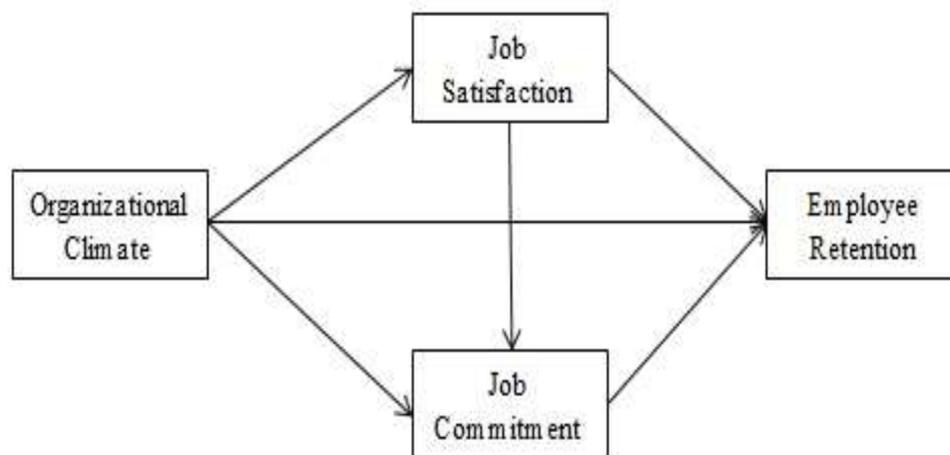3) Organizational climate, job satisfaction and job commitment are significantly related to employee retention.

Fig-1: Hypothesized Theoretical Model

VIII.   RESEARCH METHODOLOGY

The study followed descriptive research method. Both primary and secondary sources of data have been used. A questionnaire is used to collect the required data from the employees of IT and ITES. The secondary data have been collected from reports, books, journals, magazines and websites, etc.

IX.   PILOT STUDY

A pilot study was carried out to test the feasibility of the questionnaire. The questionnaire was circulated to 50 employees. The reliability is tested by using Cronbach's Alpha. The result of reliability test is 0.914 which indicates that the questionnaire used for pilot study is highly suitable for collecting data for main study.

X.   QUESTIONNAIRE

The primary data has been collected through a well-structured questionnaire. The survey instrument is developed based on the earlier studies. The questionnaire comprises optional type and Likert's 5 point scale type questions. It covers the demographic characteristics, organizational climate, job satisfaction, job commitment and employee retention.

XI.   SAMPLING TECHNIQUE

Bangalore is purposively selected because of more number of IT and ITES are functioning in India. The sample respondents have been chosen based on convenient sampling under non-probability method. The sample size is determined by using the following sample size formula for infinite population *(Walpole 1974)*:

$$ n = \frac{Z^2{}_{\alpha/2}}{4e^2} $$

n   = Sample size

Z   = Standard value corresponding to a given confidence level (in the present cases CI is 95%)

e   = Proportion of sampling error in a given situation (in this case 0.05, i.e., maximum allowance of error in sampling is 5%).

Thus using the formula, the sample size is 384. The researcher intends to collect the information from as much respondents as possible beyond 384 in order to further minimize the sampling error. The study covers 10 sample employees have been selected from 40 IT and ITES. So, the sample size of 400 employees has been selected for the study ($40 \times 10 = 400$).

XII.   STATISTICAL TOOLS USED

The data collected using questionnaire from the respondents has been analyzed by using SPSS. The statistical tools such as Descriptive Statistics, Factor analysis, Cluster analysis, t test, Correlation analysis, Chi-square test, ANOVA, Multiple Regression and Structural Equation Modeling have been applied to analyze the data.

XIII.   LIMITATIONS OF THE STUDY

➢ The study covers only IT and ITES functioning in Bangalore due to resource restraints.

➢ The IT and ITES companies are widely scattered in the study area. So the selection of sample, however done scientifically, may not represent the entire universe.

➢ The information or data provided by the employees are based on their own perception only. The reliability and quality of the data used in the study are views expressed by the sample respondents.

➢ The suggestions offered in this study are purely based on the micro level study.

XIV.   CONCLUSION

From the above research it clearly shows from the data though Bangalore city which is more suitable for It and IT related industries, the retention of employees sometimes depends on their own perception, and also it depends on the employees, job satisfaction, job commitment, and also some times it depends on the external environmental factors such as political, legal and governmental policies.

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