

## Employee Attrition - A Challenge for the Indian Retail Industry

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### Keywords

Retail, intentions to quit, attrition, Firth *et al.*

### Abstract

*The retail sector in India is highly fragmented and organized retail is at a very nascent stage. As India is entering the global playground of retailing, it is facing critical problems of acquiring and retaining workforce. The industry is facing a severe shortage of talented professionals. With the advantages like penetration in rural India, retail sector provides the largest number of employment opportunities to the Indian youth. However, faced with high levels of stress and lack of proper career plan, many young professionals are leaving the industry. This study is done based on the model developed by Firth et al. which helps us to find the reasons that account for employee turnover. Multiple regression analysis has shown organizational stressors, job stress and commitment to have a stronger impact than job satisfaction towards intentions to quit. As retail industry continues to grow, employee retention is likely to remain a big challenge.*

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### Introduction

India is a country in transition since the inception of liberalization of our economy and retail is amongst the fastest growing sectors in the country. There are about 12 million retail outlets spread across India, earning it the epithet of a "Nation of Shopkeepers". But, more than 80% of these 12 million outlets are run by small family businesses (kirana stores) which use only household labour. However, Indian retail industry has been undergoing a rapid transformation in the past few years. And India too is moving towards growth and maturity in the retail sector at a fast pace. As this sector becomes more organised employing large number of workforce, it too faces with certain HR issue. A predominant concern for employers of this sector is the high level of employee attrition.

The retail sector is particularly vulnerable to high turnover due to work-family conflict associated with conditions endemic to this field, notably long work hours (including nights, weekends, and holidays), relatively low entry-level pay, and frequent expectations to relocate (Good *et al.*, 1988). While turnover continues to be problematic and costs continue to rise, relatively few turnover studies have been conducted in retail settings.

This empirical analysis will focus on the retail industry for several reasons. First, retail accounts for a substantial fraction of employment in India. Although, the unorganized retailers takes the lion's share in the Indian retail sector, but the organized retailers are also growing at a good pace, and promises to be the largest sector after the agriculture. According to the report "The Benefits of Modern Trade to Transitional Economies", 2009, Indian's retail sector is worth an estimated USD 350 billion and is growing at between 30 per cent and 45 per cent per annum. Retail accounts for 8% employment in the country just short by 2-3% in comparison to US. Second, most retailers operate with very high levels of employee turnover, which makes retailing an important context in which to study this phenomenon.

### Background

Traditionally, employee turnover studies in the USA have focused on three variables - individual satisfaction, commitment, and intention. These variables have been the most

influential predictors of turnover (Hom and Griffeth, 1991, 1995; Hom and Kinicki, 2001; Lee, 1996; Lee and Mitchell, 1994; Mobley, 1977; Tett and Meyer, 1993), and meta-analyses have confirmed the widely accepted findings (Griffeth *et al.*, 2000; Hom and Griffeth, 1995). A rich body of research on turnover which has recently moved beyond job (dis)-satisfaction to examine various other structural factors (nature of job, degree of autonomy, etc.); labour market conditions, particularly the unemployment rate; and the interactive effect between work and non-work (particularly family) activities (Maertz and Campion, 1998; Greenhaus *et al.*, 1997; Hom and Kinicki, 2001). A major question, then, is what goes on in the organization that influences these individual variables?

Employee turnover has been defined as a permanent movement of the employee beyond the boundary of the organization. But in recent times, employees' withdrawal in the form of turnover has become a great cause of concern for organizations, which can have disastrous effects. Much of this negative effect stems from the direct costs of turnover, such as those involved with separation and the recruitment and training of new employees (Staw 1980, Igharia and Greenhaus, 1992, Hom and Griffeth 1995). In addition, turnover has been associated with several indirect costs. First, firms may experience operational disruption (Staw 1980, Mobley 1982) following the departure of key employees. This could be due to either the loss of the firm-specific human capital that resides in departing employees (Becker 1962) or the loss of the social capital embedded in workers' relationships to each other and the organization (Leana and Van Buren 1999, Dess and Shaw 2001). A second source of indirect costs is the demoralization of employees who remain with a firm (Staw 1980, Steers and Mowday 1981, Mobley 1982). This demoralization may be due to the loss of a respected colleague or the fact that turnover may require additional work to be absorbed by remaining employees whose capacity is already stretched (Mowday *et al.*, 1982).

Although, there is no standard framework for understanding the precise reasons for employee turnover, a wide range of factors have been found useful in interpreting it (Kevin *et al.*, 2004). The matching model (Wanous, 1980) speaks of the role of 'comparison of present job to others' for assessing job's utility in fulfilling employee's goals and expectations. It is a conscious decision making process of employees, in which they evaluate the various options available to them against a set of factors (Gustafson, 1982). The "unfolding model" of voluntary turnover (Lee and Mitchell, 1994) explains the combined effects of Person-Organisation fit and job satisfaction on intentions to quit. Indeed, the model is theoretically grounded in, "image theory" (Beach, 1990). This theory describes the process of how individuals process information during decision making. The underlying premise of the model is that people leave organizations after they analyze the reasons for quitting. Historically, turnover researchers viewed two variables as key to understanding why employees voluntarily leave organizations: job satisfaction and perceived job alternatives (Hulin *et al.*, 1985). Mobley (1977) proposed that job dissatisfaction led to a linear series of cognitive evaluations, starting with initial thoughts of leaving the job followed by the comparison between the current job and possible job alternatives, and ending with intentions to leave the organization. Another model (Wheeler *et al.*, 2007) proposes that turnover is one of many options available for employees experiencing P-O misfit. P-O misfit and job dissatisfaction do not always predict employee intent to turnover. An individual who feels misfit with an organization will only leave the organization if he or she believes that alternative job opportunities exist.

There has been a paucity of turnover studies in the context of retail in general and retail management specifically. Studies have revealed that identified that perceived organizational support for the supervisor is potentially related to lower turnover. Perceived organizational support led to affective commitment, referring to a sense of attachment to the organization thereby decreasing turnover intentions (Rhoads *et al.*, 2002 and Eisenberger *et al.*, 2002). LMX (Leader- Member Exchange) theory posits that the relationship between a supervisor and an employee develops as a result of work-related exchanges between these two individuals. These relationships can be characterized as high in quality or "good" (i.e. reflecting trust, respect and loyalty) or low in quality or "bad" (i.e. reflecting mistrust, low respect and a lack of loyalty). Achieving good relations between supervisors and subordinates helps to embed employees within organizations, and thereby provides a disincentive for employees to quit. Bad LMX has similarly been viewed as an undesirable attribute in an employment relationship and has been observed to explain employees' quit decisions (Griffeth and Hom, 2001 and Harris *et al.* (2004) such that turnover is lowest when LMX is moderate (i.e. both "bad" and "good" LMX are associated with higher levels of turnover) (Morrow *et al.*, 2005).

Employees who experience strong LMX may benefit from more supervisory attention (i.e. receive more training, guidance), especially during early employment periods, thereby improving their skill sets and enhancing their marketability thus, becoming more attractive to other employers and ultimately lead to greater turnover. Tansky and Cohen (2001) found that organizational commitment and perceived support correlated with satisfaction and career development; when organizations made an effort to develop managers, the managers were more committed to the organization, and they were more likely to develop their employees. Supervisors appear to have a direct effect on intention to quit as well as on the actual turnover decision (Bartlett, 2001; Griffith and Gaertner, 2001; Lambert *et al.*, 2001).

Traditional Indian values emphasize personalized relationships (Dhar, 1994; Gupta, 1995; Singh, 1990) and paternalism (Aycan *et al.*, 2000), therefore suggesting that commitment to one's organization would be valued in the Indian context. The actual development of such commitment, however, is impacted by many factors other than traditional values, including the labor market. Sinha (2000), for example, notes that the recent change in India's labor market has resulted in a situation where both "the employee's obligation to remain loyal to the organization and the employer's responsibility to guarantee them lifetime employment are viewed as outdated values". Gupta (1995) points out that Indians generally have little identification with an organization because meaningful relationships are familial rather than work-related.

Job satisfaction has been shown in numerous studies to be related to organizational commitment (Tett and Meyer, 1993; Curry *et al.*, 1986). A large body of academic research supports the intuitive contention that people who are satisfied with their jobs and committed to their employing organization are more likely to stay than those who are not (Griffith, Hom, & Gaertner, 2000; Maertz & Campion, 1998). However, the link between dissatisfaction and turnover is complicated because dissatisfaction with work does not always immediately lead to workers quitting, since there is often a significant temporal lag between the elements job dissatisfaction, low organizational commitment, intention to quit, perceived alternatives, ease of movement and actual separation (Curry *et al.*, 1986; Hom and Griffith, 1995).

#### **The Model (proposed by FIRTH *et al.*)**

What is clear after going through most of the available research is that there are numerous reasons of employee turnover. However, much of the research revolves around models which look at job (dis)satisfaction, organizational commitment, along with a selection of other variables such as self-esteem and intentions to quit. As **Firth's model** incorporates most of these factors found to be responsible for attrition, I've decided to apply **it** in the Indian retail context with slight modifications. To study the various causes of attrition and their interrelationships, this model may be of immense value to the top-management. The model proposed by Firth *et al.* (2004) is presented in Figure 1. The question arises as to whether Firth *et al.*'s model would be useful in the Indian retail setting, which this study is going to be concerned with.

#### **Methodology**

The research is a descriptive research since the information needed was clearly defined. As a result the study was preplanned with a structured questionnaire.

The data was collected in the form of responses from the employees working at seven different retail outlets- Salora Retail, Subhiksha, Reliance fresh, Crossword, Planet M, Pantaloons and Vishal Mega Mart, through the questionnaire developed. Relevant data was also taken from websites, books, journals, etc.

#### **Objectives**

- To find the relationship between various factors leading to intentions to quit, and the strength of their relationship.

- To find if the model of employee turnover designed by Firth *et al.* holds true in the Indian retail industry.

### **Hypothesis**

H<sub>0:1</sub> There exists no relationship between Organizational Stressors and Intentions to quit.

H<sub>0:2</sub> There exists no relationship between Job stress and Intentions to quit.

H<sub>0:3</sub> There exists no relationship between Job satisfaction and Intentions to quit.

H<sub>0:4</sub> There exists no relationship between Job commitment and Intentions to quit.

H<sub>0:5</sub> There exists no relationship between Support from supervisor and Intentions to quit.

### **Method of data collection**

Data for this study has been collected with the help of questionnaire designed by me. The scale was ranked from strongly disagree to strongly agree on the five point Likert type scale. The questionnaire was administered to hundred employees across the seven retail outlets out of which seventy three returned. Out of these seventy three, only sixty nine were complete in all aspect.

### **Validity and Reliability**

The questionnaire was designed personally after interaction with people from retail industry, faculty at the department and discussions with friends. The questionnaire was further sent to experts for content validity. These aided in designing a valid questionnaire that could be implemented in the retail outlets' and help in getting data that was relevant to the study. Also, the result of correlation coefficient showed positive relationship between the variables under consideration, expressing good construct validity.

Cronbach's alpha/ coefficient alpha, which indicates the level of internal consistency reliability of the variables of questionnaire was also done. The alpha value for Organisational stressors came out to be 0.768; for Job stress it is 0.706; for Job Satisfaction the value is 0.708; for Job Commitment alpha is 0.847; Support from seniors has alpha value 0.924 and Intentions to quit is 0.898

The value of Cronbach's alpha in all cases is greater than 0.7 indicating good internal consistency.

### **Tools used data analysis**

Cross- correlation was carried out to check the relationship between the various factors to intentions to quit.

Multiple regression analysis was done to find the relationship between the dependent variable (intention to quit) and the independent variables. Having more than one predictor variable is useful when predicting human behaviour, as our actions, thoughts and emotions are all likely to be influenced by some combination of several factors. Using Multiple regression analysis we can effectively identify the unique contribution of each independent variable to the prediction. . Multiple regression is appropriate where the relationship between two or more independent variables and one dependent variable is of interest (Kerr *et al.*, 2002).

All analysis has been done on SPSS 16.0.

### **Findings**

The correlation matrix (Table 1) shows that all factors are correlated with intentions to quit. The negative value in case of support from supervisor shows that no supervisor would want his subordinates to leave and hence is correlated negatively. The maximum correlation value is for support from supervisors, meaning that a supportive supervisor helps prevent attrition. Job commitment and satisfaction show negative correlation, indicating that with an increase in satisfaction and commitment of employees their

intentions to quit would fall. Contrary to this, both organizational stressors and job stress show positive correlation indicating that an increase in them will lead to increased thoughts of quitting the job.

The Model summary (Table 2 & 3) shows that R value for Intentions to quit is 0.852,  $R^2=0.725$  F value of 33.286. These values signify that the relationship between dependent variable and independent variables are significant. That is the value of 0.704 or 70.4% is closer to 1. Therefore it can be said that at 0.05 levels the relationship between all variables with intentions to quit is statistically significant.

The coefficients table (Table 4) depicts the results of analysis variable-wise. The coefficient for Organisational stressors is 0.885; t value stands at 1.997 and significance value at 0.050. These values are indicative of a significant relationship between organizational stressors and intentions to quit. Hence, it can be said that organisational stressors such as work overload, role conflict and work-family conflict have an impact on the intentions to quit.

In case of Job stress the coefficient is 1.283, t value of 3.156 and significance value of 0.002. This again is statistically significant. The values are closer to the significant value thereby, it can be concluded that the relationship between job stress (factors such as burnout and somatic complaints) and intentions to quit are significant.

For Job satisfaction the coefficient value is -0.492, t value of -1.010 and significance value of 0.316 which is much higher than the critical value 0.05 therefore the relationship between job satisfaction and intentions to quit is insignificant. This is consistent with study of McBey and Karakowsky (2000) where job satisfaction was found not to be a significant predictor of voluntary turnover.

Job commitment as a variable is having a coefficient equal to 3.227; t value is 5.403 and significance value is 0.000. Hence it can be concluded that there is a very high significant relationship between Job commitment and intentions to quit.

Variable-5, measured the support of supervisor. The coefficient value is -1.470, t value is -10.170 and significance value is 0.000. Since the significance value is much less than 0.05, it is statistically significant. Thus it can be said that support of supervisor is significantly related to intentions to quit. This is consistent with Mobley's (1982) suggestion that labour turnover is related to supervisory style – specifically, consideration and authoritarianism.

## Conclusions

The study has contributed to the turnover literature in general by testing a model in a new cultural setting. While further examination of this model and of these findings proceeds this research work, we may conclude that this model proposed by Firth *et al.*, does fit in the Indian context. However, the strength of contribution by each factor differs in the Indian setting. The statistical figures thus show an overall positive relationship between variables studied and intentions to quit. However, on individual variables the results are significant for all except job satisfaction. This might be due to the temporal lag between the element of job dissatisfaction, low organizational commitment, intention to quit, perceived alternatives, ease of movement and actual separation (Curry *et al.*, 1986; Hom and Griffeth, 1995). While more research needs to be conducted in this field, this study provides an intriguing starting point for researchers interested in the concept of intentions to quit and subsequently employee attrition in the Indian retail industry.

## Limitations and Direction for Further Research

The present research has limitations that should be noted. From an empirical perspective, the study was carried on a small sample so the results of the study cannot be generalized on the entire retail Indian industry. This limits our ability to interpret our results. Another limitation is that I've not been able to apply Firth *et al.* model in its real form along with Structural Equation Modeling. Future work may be done in this area on a much broader scale.

The last limitation I note is that I was unable to gather actual turnover information. That is, collecting these variables would entail gathering data from numerous organizations across the country, and I did not find this feasible for my study at the present. Thus, I relied upon proxies of these constructs, namely intent to turnover. Fortunately, these variables are commonly utilized in organizational studies, and I hope to collect this more objective data in future studies.

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Appendix

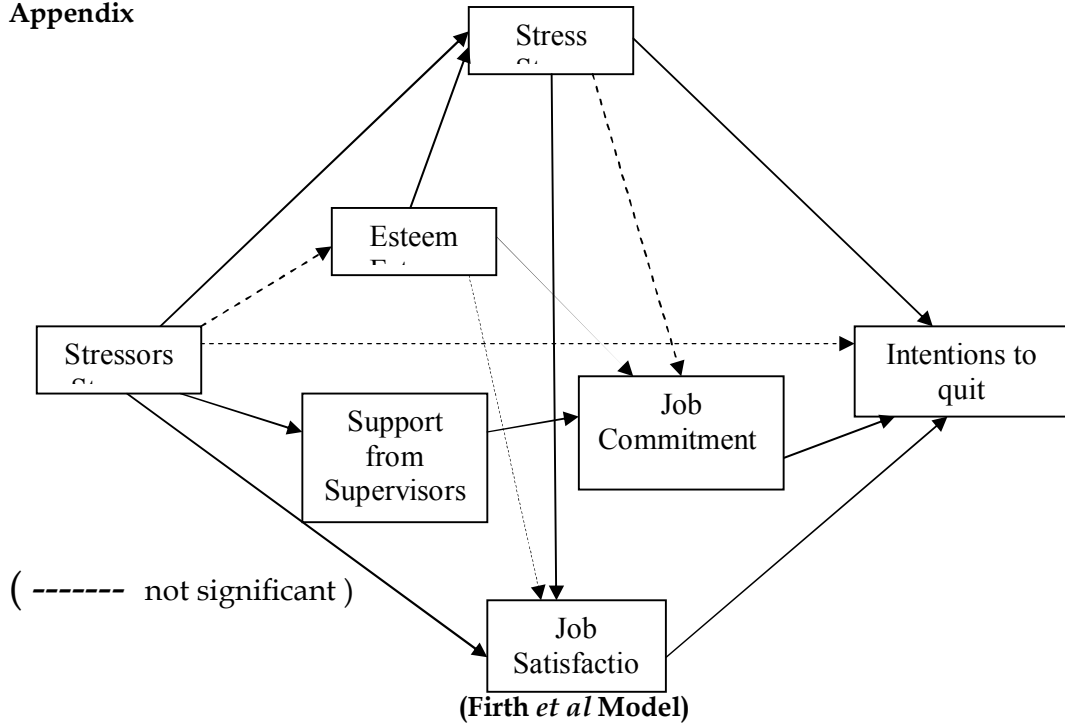


Table -1- Inter-Item Correlation Matrix

	Constant*	Organisational Stressors	Job Stress	Job commitment	Job satisfaction	support from supervisor
Constant*	1.000					
Organisational stressors	.100	1.000				
Job stress	.097	.246	1.000			
Job commitment	-.239	-.545	-.827	1.000		
Job satisfaction	-.192	-.815	-.513	.848	1.000	
Support from supervisor	-.475	-.365	-.543	.584	.417	1.000

\*Intentions to quit

Table -2- Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.852 <sup>a</sup>	.725	.704	.5933



**Table -2- Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.852 <sup>a</sup>	.725	.704	.5933

a. Predictors: (Constant), support from supervisor, organisational stressors, job stress, job satisfaction, job commitment

**Table -3- ANOVA<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	58.590	5	11.718	33.286	.000 <sup>a</sup>
Residual	22.178	63	.352		
Total	80.768	68			

a. Predictors: (Constant), support from supervisor, organisational stressors, job stress, job satisfaction, job commitment

b. Dependent Variable: intentions to quit

**Table -4- Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
1 (Constant)	-7.492	3.135	-2.390	.020
Organisational stressors	.885	.443	1.997	.050
Job stress	1.283	.407	3.156	.002
Job satisfaction	-.492	.487	-1.010	.316
Job commitment	3.227	.597	5.403	.000
Support from supervisor	-1.470	.145	-10.170	.000

a. Dependent Variable: mean of intentions to quit