Organizational Commitment: Reducing Retention Effort

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Abstract

Organisational Commitment is very important and works as a shielding effect on employee’s attrition. Employee’s attrition causes declining revenue and productivity and hence needs to be checked. A proactive and predictive is better than reactive one. This study suggests hiring committed employees, so that the chance of default is very low. A decision rule is devised using a sample size of 240 university teachers and the predictive accuracy was found to be 92%. This method could be used to predict possible employee attrition while hiring and further the method could be extended to other sectors.

Keywords: Attrition; Employee; Retention; Commitment; Predictive modelling

Introduction:

Attrition is separation of employees from one organisation and associating with its competitor. Attrition could be voluntary, involuntary or forced one. Voluntary attrition, which starts from employee end, is undesirable because it leads to the loss of productive employees. On the other hand forced attrition is desirable to send out unproductive workforce within the legal constraints. Attrition is the ongoing diminution of the employees through resignation, retirement and death. Employee attrition or employee turnover is also creating a vacuum when experience and trained employees leave organisation which causes loss to the organization in terms of knowledge, skills and business relationships.

Attrition has become a very serious problem for the organisations. It hampers the growth, effectiveness and progress of the organisation which further repeatedly increases recruitment cost and time. Most of the time organisations suffer from financial and legal issues because their potential workforce leaves the organisation in between the projects which decrease organisation’s prestige and revenue. In the present competitive environment, managing employee attrition is a big challenge for the organisations. Competitors extend lucrative offers to attract skilled and trained workforce associated with their rivals. To maintain an appropriate workforce balance, organizations has two options; either fill the lost position with a new one through fresh acquisition or apply some retention mechanism so that attrition is avoided. New acquisition is always costly in terms of time and economy which is further prone to future attrition. On the other hand retention mechanisms lead to expend allots of money, effort and time on their staff so they retain their talented employees.
Literatures show that there are many factors which cause employee attrition (turnover) in the organisations. Mainly there are two factors; first external environmental factors and second individual work factors. External environment factors consists organization size, type, location, work environment, professional category, administrative level, recruitment process and benefits etc. Individual work factors involve integrative variable (job satisfaction, salary, rewards, promotion, working condition, quality work life, family support and Career opportunities etc.) and demographical variables (age, gender, marital status, qualification, salary, designation, type of organisation and tenure etc.).

Irrespective of factors responsible for employee attrition, it is always costly and disturbing for the organizations. To reduce or minimise the perceived damages arising from attrition, the top management needs to practice anticipatory. They need to identify the causes behind the attrition which occurs due to variety of reasons specific to individuals or to the organisation. One very important factor which determines attrition is commitment, the individuals set of behaviour which increases level of pledging or obligations of the individual. Commitment in the workplace or how employees are committed towards organisations has become challenging including its all dimensions, fundamentals, antecedents, components (job, career, team, and supervisory commitment) and there exists many concepts regarding commitment, job commitment, career commitment and team commitment. When employees are committed towards their organisation, organizations have high level of moral and lower attrition rate which increases employee’s satisfaction and organisation’s productivity (Meyer & Allen, 1997; Mowday, Steers, & Porter, 1982). If commitment is directly related to attrition and high commitment shields attrition, organisations should develop a desirable level of commitment within their existing employees. Further, to prevent attrition, the top management should look for committed employees, while going for a fresh acquisition. This might shield the attrition problems and it is the core theme this article. The problem is how to identify whether an employee would be committed or not in long term.

If we would be able to profile the employees using their demographic attributes and working behaviour against their commitment level, the findings could be extended to help is acquisition derives. Data analytics and data mining, a fast growing discipline might help in this regard. Though our Human Resource Management System (HRMS), we have a database of employees’ data, their joining and leaving behaviour in the repository.

In this study, we have tried to identify, how the employees’ historical records laying idle in our data repository could be leveraged to proactively identify who would be committed in long term and use the predictive model in the hiring process. This might reduce the attrition within the organisation and shift the retention cost to other activities.

**Review of Literatures**

Employee attrition is process where an employee leaves an organization and associates with other due to reason such as salary increment, grievances, perceiving better career opportunities. Abassi & Hollman(2000) defines attrition as: ‘the labour market where employees rotated between the organisations, designation, job and occupation in the situation
of unemployment and employment’. The average number of the employees who leave the organisation in all employees of the organisation in particular time period is known as the turnover ratio (Mitche, 1981). Employees attrition is also defined as the circumstances where employees work for certain time of period and then leave the organisation for the better opportunities (Mobley, 1977). Booth & Hamer (2007) categorised employee attrition in two types; voluntary attrition and involuntary attrition. Voluntary attrition is permanent separation (death, incapability of body and retirement) and it is not in the control of the management. Involuntary attrition is not a permanent separation (care of aged parents, maternity and children); it is for some time because it is a need of the time and controllable by management. Now a day’s the ratio of involuntary attrition is very low because organisations provide many facilities such as medical leave, maternity leave, causal and study leaves. However, involuntary attrition is a serious concern and needs to be dealt with due attention.

According to Denvir & McMahon (1992), in the situation of attrition, organisations are only sufferers in the term of human capital investment and this cost will be appear again and again as manifold replacement cost. Sutherland (2002) explains replacement manifold cost as the investment in recruiting, selecting, inducting and training of new talent as substitute. This cost is a burden on organisation and that’s why employee attrition is an attraction point for the researchers. Many researchers found significant effect of attrition on the performance of organisations (Van Dyke & Strick, 1990; Cantrell & Sarabakhsh, 1991; Denvir & McMahon, 1992). In many studies it is found that high employee attrition rate has negative impact on the organisations due to unmanaged turnover (Hogan, 1992; Wasmuth & Davis; Barrows, 1990). Employee attrition creates invisible cost which affects the organisation’s profitability, customer service and satisfaction (Phillips, 1990). Some other associated costs also occur due to attrition which reduces productivity, sales and profit of the organisation (Gustafson, 2002). Among many factors responsible for employee attrition, employee commitment is an important determinant. Committed employees are less prone to leave their organisation and thus it has a shielding affect. Commitment is of many types divided and categorised as the purpose of study require. For this study the commitment is divided into two types: Organizational commitment (organization and supervisor) and individual commitment (job, career, and team). Organizational commitment is the employee’s psychosomatic and emotional relationship with their organisations (Porter, Steers, Mowday, & Bou, 1974; Fredrickson & Mitchell, 1984; Mowday, Lyman, & Richard, 1982; O’Reilly, Charles, & Jennifer, 1986) whereas employee commitment is emotional attachment of individual towards his job and career (Fornes, Rocco, & Wollard, 2008; Bishop, James, & Scott., 1997; Gallie & White, 1993). Organizational commitment is the measure of strength of the employee’s identification with the goals and values of the organization (Meyer & Allen, Testing the "side-bet theory" of organizational commitment: Some methodological considerations., 1984). Organisational commitment is a component of emotive commitment which refers to emotional bonding between an employee and an organisation and this personal involvement in the organisation results sense of belonging (Perrow, 2000; Swailes, 2002; Manion, 2004) and thus prevent employees against attrition.

Every organisation needs potential and talented workforce and keeping them for specific job in the organisation for achieving organisation’s goals which shows importance of the
employee retention in the organisation. Employee retention defined as retaining talented workforce by organisation through policies and practices (Hassan, Hassan, Kashif, & Naseem, 2011). Employee retention is the process where organisations motivate their potential employees to stay in the organisation for the longer period (Maertz & Campion, 1998). Organisational commitment is a significant indicator of employee retention (Curtis, Susan, & Wright, 2001). Highly committed employees have a strong feeling to stay with the organisation in any circumstances which reduces employee’s attrition and increases retention rate (Griffeth & Hom, 1995; Hytter, 2007).

Employee churn is a notorious crisis for every organisation as loss of talented workforce which affects revenue, prestige and increases cost of hiring new workforce as replacement (Saradhi & Palshikar, 2011). Analytics is heavily practiced in predicting customer attrition in service industry and if these analytical and data mining techniques are extended in predicting employee attrition (churn) organizations would be able to practice advance retention management (Dolatabadi & Keynia, 2017). Using meta-analytic structural equation modelling (Joseph, Ng, Koh, & Ang, 2007) concluded that there are several factors which affect retention of employees used a distal-proximal turnover framework to identify these factors. Demographical and personal variables highly affect the organisational commitment which increasing the attrition and loss of talent (Pekka & Maliranta, 2005).

Objective of the Study
The study aims to predict whether an employee an organisation is going to hire would be committed and thus less like to attire in near future, at least for fix tenure (say 5 years). Data mining and predictive analytics is highly practiced for predictive analytics such as customer attrition and probability to pay in case of approving a loan application. Using similar technique the sole objective of the study is to apply a predictive modelling technique which could anticipate the possibility of attrition and thus help in hiring only those prospects that are less likely to leave the organisation abruptly.

Methodology
The study is exploratory in nature in the strict sense that it utilises the mathematical techniques to explore the relationship between the propensity to leave (attrition) and their demographic attributes. The study employs numerical and graphical descriptive techniques to visualise the pattern of attrition behaviour and its association with other attributes. Classification and Regression Tree (CART) predictive modelling technique is used to arrive at a decision rule to classify the prospects about their attrition behaviour. Our target variable Attrition_Index is derived by a dividing years of experience with total number of organisations the employee has worked with (Total Experience/No. of Organizations). Through discussion with a focus group and expert opinion a cut-off boundary of 5 was selected to define a new target variable. Any value greater than 5 is more likely to attrition and smaller values are desirable.
Data has been obtained through primary field survey using standard questionnaires. Altogether, 240 university teachers were interviewed from 8 universities in the Lucknow city, Uttar Pradesh. The analysis has been performed using Modeller software package from IBM.

**Analysis**

High value of Attrition Index (>=5) means low probability of attrition recoded as one (1) and values less than 5 are coded as zero (0). In this analysis all those respondents having work experience of 4 year or less and have worked in a single organization has been removed. The analysis nodes and their linkage are shown in fig: 1 and the decision rule is depicted next (see Fig: 2). the complete decision tree is reflected in Fig: 3

**Figure: 1 (Modeller Nodes)**

![Modeller Nodes Diagram]

**Figure: 2 (The Decision Rule)**

```
total_tenure <= 15.500 [ Mode: 0 ] => 0
total_tenure > 15.500 [ Mode: 1 ]
                      Working_university <= 3.500 [ Mode: 1 ] => 1
                      Working_university > 3.500 [ Mode: 0 ]
                      total_tenure <= 20 [ Mode: 0 ] => 0
                      total_tenure > 20 [ Mode: 1 ] => 1
```

The decision rule indicates that, if the total work experience (tenure) is less than 15 years the employee is prone to leave (mode is 0). If the total experience is more than 15 years and number of universities is less than 4 (mode = 3.5) the employee is categorised as safe selection. Total tenure is showing a great predictor here. If total experience is more than 20 years, the employee is good prospect and safe to recruit as such employees are less prone to leave the organization. The complete decision tree is shown next.
Figure: 3 (The Decision Tree)
Findings and Conclusion:

The model is able to predict 92.08% cases correctly which is good prediction accuracy. Using this decision rule, we can classify our prospective employees into possible defaulters or non-defaulters and accordingly we can recruit only those who are less prone to leave. This practice will save heavy budgets extend to employee retention and fresh recruitment processes.

<table>
<thead>
<tr>
<th>Results for output field Attrition</th>
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<tbody>
<tr>
<td><strong>Comparing $R$-Attrition with Attrition</strong></td>
</tr>
<tr>
<td>Correct</td>
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<tr>
<td>Wrong</td>
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<td>Total</td>
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Limitations and Scope for Further Study

The data mining techniques are most suitable to large data sets. In this our sample size is merely 240 which is too small for a predictive modelling case. However, the decision rules might not be as accurate on future data. For a better modelling, a huge data from HRMS should be extracted and analysed. Further, the method could be extended to other industries and sectors for a generalised model.

References


