

Role of Leadership on Employee Retention: It Industry in Delhi/NCR

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Abstract

This research caters the grandness of the leadership and provides a brief explanation on how leadership styles of direct leaders affect employee retention in an organisation. With attrition rates touches heights in IT industry, employee retention has become a burning issue in the industry. To ameliorate growth, business organisation need to adopt methods for attracting efficient people and should take necessary steps to retain them. Various tactics could be used to retain employees, but all of them are imitable if not now then in future. Leaders and their leadership patterns and styles are inimitable. With organisations now understanding that people leave managers and not companies, more focus is made on understanding the level of leadership prevailing in the company. This research tries to explore the relationship between leadership styles and employee retention as it would help companies tackle attrition and provide them a sustainable competitive advantage. Data from 102 executives of different IT companies based in Delhi/ NCR was collected. Using a standard questionnaire, the perception of the employees relating to leadership factors on employee retention has been analyzed. Correlation and multiple regression are used apart from general descriptive statistics. From the research it was established that leaders' leadership style directly and significantly influences intention of employee to stay and hence there is need to embrace leadership styles that promotes staff retention for these organizations to thrive.

Keywords: Leadership, employee retention, leadership styles.

INTRODUCTION

Employee retention is one of the most critical issues that every organisation and its managers are struggling with and are on the lookout for a solution. Every year large amount of money is spend by IT firms in hiring, training and developing their employees to keep pace with demand of new skills in the market. National Association of Software and Services Companies says that training cost is increasing at a rate of 3-4% every year. Thus it is vital for organisations to engage employees right from the point they step into their organisation. Also its crucial for managers to develop strategies by means of which retention of the talented employees in the service of their organisations is possible.

Some underlining facts to why attention should be paid to retention are:

- Employee turnover is costly. Replacement of an average employee costs 20% more than the annual salary of the employee, whereas, replacement of a crucial position can fetch organisation upto 213% of the employee's annual salary, which is a huge cost.
- Increased hiring and on-boarding cost of the new employee as management has to re-invest time and money in the process.
- Loss of productivity as the new person would take time to get adjusted in the new culture, learn the new job and perform proficiently.
- Cultural impact.

Direct leaders and their leadership styles, play a vital role in employee retention. They are the one who drives organisations through various challenges and hardships and help business to succeed in the competitive environment. The skills and styles they use are inimitable and therefore, it's time that organisations understand the role of direct leaders and their characteristics in retention of employees.

In reality, there exists a vast gap between how people want to be managed and how people are being managed and this gap bestows to either high or low staff retention rates. Thus if organisations still don't understand the role that leaders play in retention of employees, it could pose a serious threat to the survival of such organisations in this business world.

LITERATURE REVIEW

Nwokocho & Iheriohanma (2015), examined different leadership characteristics and styles and how they influenced employees intention to stay with the company. It also determined how performance of these employees was impacted through different leadership styles and consequently enhanced the productivity of the organisations in Nigeria. This research unveils that there exists a positive relationship between management styles and performance and retention. If subordinates does not find the management styles appropriate, their

performance gets affected and also it provokes the employee to quit the organisation as they are left highly demotivated. Thus the paper argues that retention, performance and leadership style, all three should be aligned with business strategies so that employees' motivate and morale is boosted. Thus it prompted that right attitude towards work and some special characteristics of leaders play a pivotal role in the successful existence of the organizations.

Long, Thean, Ismail & Jusoh (2012), This research conducted on the academic staff of a community college in Malaysia revealed direct negative relationship between transformational and transactional leadership and turnover intention. The result contradicted with several previous studies. Perhaps this was due to the work nature of the academic staff as most of the time they worked independently. The amount of contact hours with their superiors were minimal. Therefore this research highly recommends to explore other factors of human resource management practices such as compensation scheme, general policy, training and development opportunities. These factors will affect the level of satisfaction of employees that may trigger employees turnover. Thus, it concludes that leadership styles have no significant effect on turnover intention of the academic staff in the education industry.

Anderson (2015), The study examines the efficacy of leadership style and organizational commitment in predicting intent to stay among junior executives. Motivation theory served as the theoretical foundation. This descriptive, single cross sectional research was conducted on 107 employees from different companies. Standard questionnaires were used with Cronbach alpha value of 0.90. The study identified the potential weakness of employee retention within the organisation. The findings revealed that retention is positively correlated with leadership (transformational and transactional). The study concludes that the potential exists with senior management to create an engaging workplace where employees are highly satisfied with their job design, environment is more open and encourages exploration of new ideas. All this would contribute in generating a desirable workplace within the organisation.

Das & Baruah (2013), This paper talks about the vital and dynamic role that human resources play in today's organization. With the increasing competition, organizations are facing challenge not only in managing the human resources but also in retaining them. Employees knowledge and skills are unique and provides organisation with a competitive advantage. Thus various research works done in the area of employee retention have been reviewed in this paper. Factors that affect employee retention such as compensation practices, career planning, leadership and supervision, work schedule and working conditions, flexible working hours, etc are highlighted and relationship between these factors and job satisfaction has been explored using secondary data analysis.

Nair & Malewar (2013), This paper explains the association between leadership and its impact on employee work-life and employee retention. This theoretical and interactive study shows how effective leadership helps in balancing work life of employees and consecutively identifying the quality employees and retain them. Different leaders prefer individual patterns and styles of leadership. The styles they choose highly depend on situations, their followers and other variables such as power position, etc. Thus the paper sums up how synchronization between different situations and leadership style can lead to better results for both employees as well as organisation and increases the final outcome i.e, employee retention.

Kyndt, Dochy & Baert (2010), This study takes into account both organisational and employee factors that influence employee retention and aims at investigating these factors. The research was done on 723 employees, mostly consisting of clerks from different organisations. Findings of the research showed that organisations should pay special attention on learning of employees if they want to retain their talented employees. Providing them freedom to practice creativity while working would persuade them to stay in the organisation. The researcher on the basis of some selected employee variables, draws a conclusion that there exists a significant relationship between age of a worker and retention. Both employee and organisational factors are measured based on the perception of the employees which are subjected to change in accordance with what is considered as socially apt by the participants. This is one of the major limitation of this study.

Ngethe, Namusonge & Iravo (2012), This paper talks about how the management style of the leaders influences the retention intention of the administrative staff working in the government universities in Kenya. As a result of increasing competition both at local level and global level in terms of students and staff forced the researcher to conduct the research. It was found out that the managements style of leading the employees highly influences employees motivation level to stay in the organization. The level of motivation was also found to be low since the employees did not had a major role in taking the decisions.

Wakabi (2013), This review paper establishes dominant views from empirical studies about how leadership styles influence employees decision to leave or stay in the organisation. Because of globalization and new method of management, organisations are facing high competition. Thus the paper sought to deepen the understanding of the relationship between different styles of leadership and workforce retention in organisations. The paper argues that employees leave their boss and not the company. Responsibility and accountability for retaining the talent lies into the hands of front line managers. Therefore kind attention should be given to the

leadership styles adopted by these managers. Also organisation should ensure that they pick on managers with the right character traits.

Dawson (2014), This research was conducted to improve the retention rates of nurses at a private university. High turnover in the university led to this research. The research found that supportive leadership practiced by people who manage the nurses jobs had an effect on nurses retention. The whole work environment was revamped leading to improved job satisfaction among nurses. Further research showed lack of effective participation by nurses in decision making and building of relationships. Critical areas were found and targeted. These included learning and development, relationship building and engagement. Thus, on the basis of the study, a series of workshops were conducted on leadership development for the managers so that they understand their vital role retention of employees(nurses). Evaluations were performed pre and post the training workshops to measure success.

Oladapo (2014), This research address the challenges that managers are facing in America due to dynamic changes in the composition of the talented workforce within the organisations. A through research on talent management programs and the reasons behind their success had been done. The study reveals various other variables that affect the retention of talent and why some of the companies feel investing in talent management programs is worthless. A well planned career path and opportunities for advancement at work when given to an employee, helps retaining him. Thus it is important for organisations to understand the basic need of each and every individual which acts as a motivating force and through fulfillment of this need they can engage employees in a better way. Management support plays a crucial role in all this.

Caldwell & Dixon (2010), The study is based on three variables which are ownership, commitment and initiative. The front-line leaders play a major role in inspiring and motivating their immediate subordinates. These leaders provide an extended help to employees so that they grow and develop themselves to be the best in the organisation. Ultimately through increased trust and love, greater engagement is achieved which propels employees to walk an extra mile and help organisation achieve its goals. Thus the research explains the importance of trust and love in leadership and pinpoints 10 commonalities. It dissolves the distrust residing in other leadership models by unfolding unused capabilities of the employees.

Chully & Sandhya (2012), This research paper studies the tremendous impact a leader can make to the fate of an organization. In this non-empirical review study, one of the much researched leadership style i.e., transformational leadership style is the focus. The author reviews 25 research studies conducted in 19 different countries in the past 5 years on the impact of transformational leadership style. The objective is to understand the relevance of this style in a cross-cultural setting across diverse industries. It is found that transformational leadership style significantly influences many individual and organizational variables like job satisfaction, organizational commitment, psychological well-being etc., towards positive organizational outcomes irrespective of the location of the study. It implies that leaders in today's organizations have to consider imbibing transformational leadership behaviors in order to become more effective in their trade.

Negussie & Demissie (2013), This study focuses on how people who manage the nurses job play a significant role in their satisfaction related with their job. The participants in this study included nurses who had minimum working experience of one year. The results of this study indicated that transformational style on organizational leadership is given higher importance by the nurses rather than transactional style or organizational leadership. The nurses who had participated tend to have a low level of extrinsic satisfaction related with the job, and moderate level of intrinsic satisfaction related with the job. A notable relationship between contingent reward and job satisfaction was found out from this research. This was the only dimension in transactional leadership which turned up to have a relation with satisfaction. However, all five attributes of transformational leadership depicted a healthy relation with satisfaction on job.

Research Objectives

- To measure the level of leadership prevailing in the IT industry.
- To study the relationship between leadership and employee retention.

RESEARCH METHODOLOGY

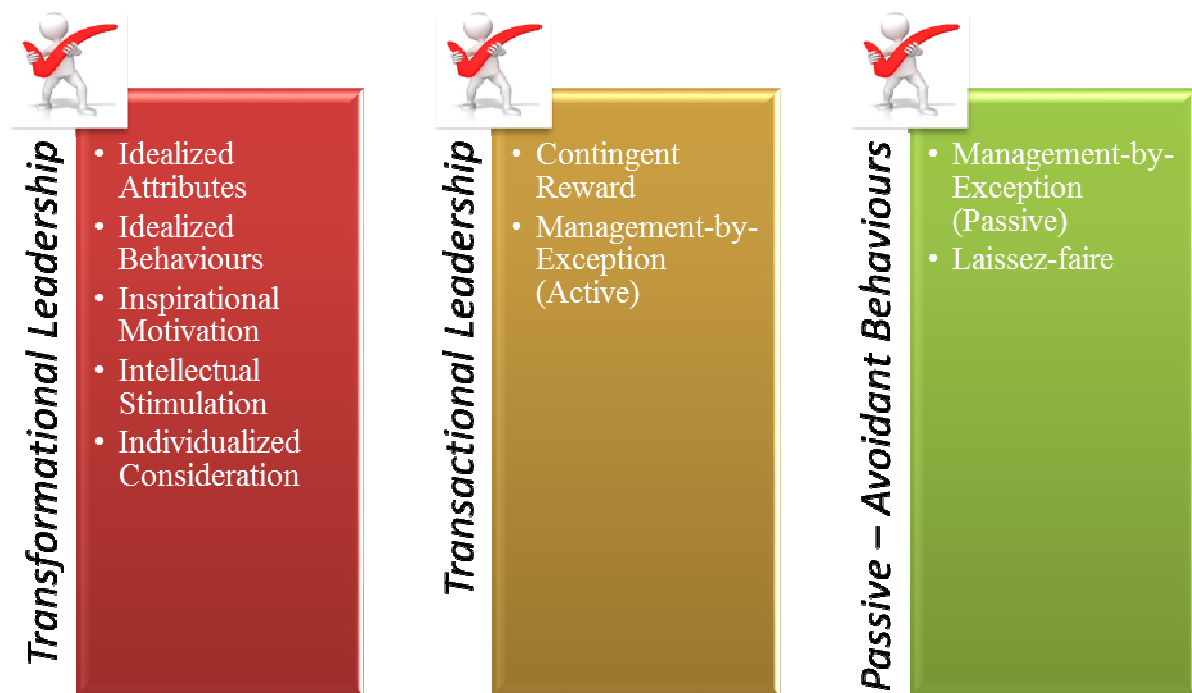
- This is a quantitative research with a single cross sectional, descriptive research design.
- Data was collected from primary (standard questionnaire) and secondary sources (research papers, articles and case studies ,etc).
- Sample Frame: A sample of 102 employees was selected from different companies in IT Industry within Delhi/ NCR only. The results of this research are applicable to the total population from which the sample has been taken.
- Sampling Techniques: In this study, sampling techniques used was Non Probability Judgmental Technique.
- For analysis, a computer program called Statistical Package for Social Sciences (SPSS) was used. Data was analyzed using descriptive statistics, correlation and multiple regression.

Questionnaire Design:

- A standard questionnaire named Multifactor Leadership Questionnaire (MLQ) 5X-short developed by Bass and Avolio is used in this research. It includes 45 items on 5 point Likert Scale. The questionnaire covers behavior of leaders in broad range and underlines the difference between effective and ineffective leaders. The Cronbach alpha value for this instrument ranges from 0.78 to 0.96.
- The retention scale uses a single question on a 5 point likert scale to measure the employee's retention within the organisation. Cronbach alpha value for this instrument is 0.90.

DATA ANALYSIS

The 45 questions in the instrument are categorized under these nine sub-headings which helps in easy analysis of relationship between direct leaders leadership and employees intention to stay in the organisation. The nine leadership factors assessed by the instrument are:



Descriptive Statistics

Frequency table for gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	50	49.0	49.0	49.0
Valid Male	52	51.0	51.0	100.0
Total	102	100.0	100.0	

Frequency table for Work Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
<1	19	18.6	18.6	18.6
>5	9	8.8	8.8	27.5
Valid 1-2	48	47.1	47.1	74.5
3-5	26	25.5	25.5	100.0
Total	102	100.0	100.0	

Frequency table for age

	Frequency	Percent	Valid Percent	Cumulative Percent
23- 27	23	22.5	22.5	22.5
23-27	17	16.7	16.7	39.2
28-32	28	27.5	27.5	66.7
Valid 33-37	10	9.8	9.8	76.5
38-42	8	7.8	7.8	84.3
43-47	16	15.7	15.7	100.0
Total	102	100.0	100.0	

Frequency table for Organisation

	Frequency	Percent	Valid Percent	Cumulative Percent
Accenture	27	26.5	26.5	26.5
Infosys	24	23.5	23.5	50.0
Valid L&T Info	26	25.5	25.5	75.5
TCS	25	24.5	24.5	100.0
Total	102	100.0	100.0	

Interpretation: The above frequency table shows that out of 102 respondents, 50 respondents are female and 52 respondents are male. Thus it infers that both the genders contributed equally in the research.

Maximum number of respondents (28) belong to the age group 28-32. The cumulative percentage shows that it is the youth of the organisation who actually derives this research.

Data shows that 47% of respondents have a work experience of 1-2 years in the current organisation, whereas only 8% of respondents had worked for more than 5 years in the organisation.

Statistics reveal that all the four IT companies contributed equally to the research as number of respondents from each company are almost equal.

Correlation

		transformational	transactional	Passive	Which of the following statements most clearly reflects your feelings about your future in the company?
transformational	Pearson Correlation	1	.928**	.152	.794**
	Sig. (2-tailed)		.000	.127	.003
	N	102	102	102	102
transactional	Pearson Correlation	.928**	1	.155	.383**
	Sig. (2-tailed)	.000		.119	.000
	N	102	102	102	102
Passive	Pearson Correlation	.152	.155	1	-.238*
	Sig. (2-tailed)	.127	.119		.016
	N	102	102	102	102
Which of the following statements most clearly reflects your feelings about your future in the company?	Pearson Correlation	.794**	.383**	-.238*	1
	Sig. (2-tailed)	.003	.000	.016	
	N	102	102	102	102

Interpretation: Employee retention and transformational leadership style are strongly and positively correlated with person coefficient of 0.794. Whereas transactional leadership and retention have a weak but positive relation with person coefficient of 0.383. It is seen that passive leadership and retention are inversely related as Pearson coefficient is negative.

Multiple Regression

The multiple regression model used in the research is:

$$\text{Retention} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7$$

- ❖ The R value for regression between independent variables (factors of transformational leadership which include IIA, IIB, IS, IC, IM) and dependent variable (employee retention) is 0.669, indicating a high degree of correlation. R^2 indicates that with 1 part increase in predictor variables, the dependent variable (retention) will increase by 44.7%. The Regression Equation formed is:

$$\text{Retention} = 1.45 - 0.18\text{IIA} + 0.35\text{IIB} + 0.6\text{IM} - 0.70\text{IS} + 0.22\text{IC}$$

Value of constant (β_0) is 1.45 which shows that if all the considered independent variable turns out to be zero then also there is 1.45 chance of retention in the companies. Value of coefficient term (β_1) for IIA is -0.18, which shows that increase in IIA by single unit decreases the retention by .18 units. Value of coefficient term (β_2) for IIB is 0.35, which means that for every 1 unit increase in IIB there is .35 unit increase in retention. Value of coefficient term (β_3) for IM is 0.6, which means that for every 1 unit increase in IM there is .6 unit increase in retention. Value of coefficient term (β_4) for IS is -0.70, which means that for every 1 unit increase in IS there is .70 unit decrease in retention. Value of coefficient term (β_5) for IC is 0.22, which means that for every 1 unit increase in IC there is .22 unit increase in retention.

- ❖ The R value for regression between independent variables (factors of transactional leadership which include MEA, CR) and dependent variable (employee retention) is 0.536, indicating a high degree of correlation between factors. R^2 indicates that with 1 part increase in predictor variables, the dependent variable (retention) will increase by 28.7%. The Regression Equation formed is:

$$\text{Retention} = 0.959 - 0.471\text{CR} - 0.047\text{MEA}$$

Value of constant (β_0) is 0.959 which shows that if all the considered independent variable turns out to be zero then also there is 0.959 chance of retention in the companies. Value of coefficient term (β_1) for CR is -0.471, which shows that increase in CR by single unit decreases the retention by .47 units. Value of coefficient term (β_2) for MEA is -0.047, which means that for every 1 unit increase in MEA there is .47 unit decrease in retention.

- ❖ The R value for regression between independent variables (factors of passive leadership which include MEP, LFL) and dependent variable (employee retention) is 0.266, indicating a very low degree of correlation between. R^2 indicates that with 1 part increase in predictor variables, the dependent variable (retention) will increase by 7.1%. The Regression Equation formed is:

$$\text{Retention} = 3.05 - 0.304\text{MEP} + 0.045\text{LFL}$$

Value of constant (β_0) is 3.05 which shows that if all the considered independent variable turns out to be zero then also there is 3.05 chance of retention in the companies. Value of coefficient term (β_1) for MEP is -0.304, which shows that increase in MEP by single unit decreases the retention by .304 units. Value of coefficient term (β_2) for LFL is 0.045, which means that for every 1 unit increase in LFL there is .045 unit increase in retention.

CONCLUSION

The study identifies some of the leadership styles prevalent in organization. It includes transformational, transactional and passive leadership styles. A high Pearson Correlation Coefficient of 0.794 determined in this study suggests that transformational leadership style is the best leadership style that should be adopted by the leaders of the companies in IT industry to curb with the prevailing high attrition rates.

Evidences from previous researches have shown high impact of direct leader's leadership style on employee intention to stay in the organization. A leader chooses a particular leadership pattern or style depending on situation, followers, position, power, etc. The results of the multiple regression analysis showed that transformational leadership style of a manager/leader is more impactful on retention of middle or operational level employees as compared to other leadership styles. It results into higher productivity, better understanding of employees and collectivism followed by greater retention. Through multiple regression it can also be seen that delegative leaders are also preferred by employees in IT Industry and effect their decision to stay in the company.

Thus it can be finally concluded that different employees have different expectations from their leaders. The real task of managers is therefore to understand the need and behavior of each employee and mould their leadership style accordingly in order to achieve good results.

RECOMMENDATION

From this study it is learned that leaders and their skills are a key to answer why people stay or what usually drives them away from a company. Thus companies' number one priority is to look at their management, as it is now well understood that employees leave managers and not the company. Following points are recommended:

- HR managers should consider the leadership style of leaders during recruitment process. Leadership styles could be diagnosed through psychometric testing.
- Favorable leadership practices should be embraced in every organisation to enhance retention of employees since leaders have an influence on plethora of organizational factors which affect retention.
- Managers/leaders should be trained in good communication skills so that expectations between employees and employers can be openly established. Having managers who communicate feedback well and behave professionally is perhaps the best retention strategy.

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