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Sunway University, siewfanw@sunway.edu.my

Guat Meng Lim
oneil.lim@gmail.com

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Why Do I Choose to Stay with My Current Company: A Job Embeddedness Model of ‘Stay’ Factors among IT Employees in Outsourcing Industry

Siew Fan Wong
Sunway University
siewfanw@sunway.edu.my

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oneil.lim@gmail.com

Abstract
This research-in-progress paper examines factors that influence IT employees’ decision to continue staying with their current jobs and hence their current companies (i.e., vendor organizations in IT outsourcing industry). It employs the lens of Job Embeddedness Model (JEM) that posits employees’ decision to stay with a job is influenced by a matrix of two embedded dimensions (i.e., on-the-job embeddedness and off-the-job embeddedness) and three embedded elements (i.e., fit, link, and sacrifice). Each element in the matrix was examined using a qualitative case study method. In a labor-intensive environment such as that of the IT outsourcing industry, retaining skilled and talented employees is important because these employees are sources of competitive advantage. If they leave, loses in the forms of human, knowledge, and social capital can be so substantial that it affects the operations of both vendors and their clients. Through understanding of factors that bind employees to their current organizations, effective retention programs can be formulated to keep the best IT employees productively engaged for a long-term.

Keywords
Employee Retention, Job Embeddedness Model, IT Employees, IT Outsourcing, and Turnover.

1. Introduction
Employee retention has long been and continues to be one of the most critical concerns for top management (Holtom et al. 2006). For IT outsourcing vendors that operate in a customer-centric, knowledge-based, service-oriented industry, retaining skillful, knowledgeable, and talented employees is an even more important agenda. This is because IT outsourcing industry is built on a model that depends heavily on IT professionals to provide services, attract clients, and sell business profiles. These professionals are sources of competitive advantage (Willcocks and Lacity 2006, Schafer, 2004). In comparing the potential of China and India as the destination for offshore outsourcing, Qu and Brocklehurst (2003) stress that the lack of qualified labor is one of the reasons why China lags behind India in the competition.
IT employees are the backbones to build a vendor’s domain expertise capability (Willcocks and Lacity 2006). This capability is fundamental to the functioning of a vendor. When these employees leave, vendors suffer substantial loses in the forms of human, knowledge, and social capital. Such loss is difficult to be replaced and may cause a decrease in customer service, a delay in client projects, and an increase in operating costs (Holton et al 2006, Jiang and Klein 2002). If the IT employee who leaves is the point of communication in a project, it may create coordination and communication problems among the remaining team members. In the worst case, the business of vendors as well as that of clients may be brought to a halt.

New recruitment is possible but it is expensive. Even if vendors successfully hire new employees, it may take some time before these employees are trained and be able to contribute (Holton et al 2006). To avoid potentially negative impact on business performance, it is important that vendors understand factors binding IT employees to their organizations so that effective retention program can be formulated to keep these employees. The important of an effective retention program is further underscored by the fact that IT outsourcing industry is renowned for high staff turnover (Maartens and de la Harpe 2009) which can reach as high as 100% per year (Kobayashi-Hillary, 2007).

This paper attempts to assist vendors in managing their IT employee turnover issue. It asks the question of “what” factors attract IT employees in IT outsourcing industry to continue staying with their current companies. It employs the lens of Job Embeddedness Model (JEM). When comparing to existing literature, this paper makes two important contributions. First, it addresses the gap in existing IT turnover studies. Even though there are nearly 50 studies on turnover of IT employees (Joseph et al 2007), research that focuses specifically on the context of IT outsourcing industry is still lacking. This paper specifically targets IT employees in IT outsourcing industry. Second, according to comprehensive literature review conducted by Joseph et al (2007), most IT turnover studies adopt variations of March and Simon’s (1958) Theory of Organizational Equilibrium. This paper answers their call (i.e., Joseph et al 2007) for more research using different and more contemporary perspectives such as that of JEM. By using a new perspective, the paper will be able to offer understanding beyond those that have been established in existing literature.

The rest of the paper is organized as follows. Section 2 introduces JEM. Section 3 describes the research methodology as well as current work progress while Section 4 provides a brief conclusion to the paper.

2. Job Embeddedness Model

Job Embeddedness Model (JEM) (Holton et al 2006, Mitchell et al 2001, Yao et al 2004) explains circumstances and factors that attract employees to continue staying with an organization. It posits that employees are reluctant to leave an organization because they are enmeshed in a network of people and activities surrounding them. The relationships with the people and activities in the network act as a force to bind employees to their existing jobs and organizations. This force is called “job embeddedness”.

JEM contains three elements – fit, links, and sacrifice. ‘Fit’ is one’s compatibility or comfort with the environments he/she is in; ‘links’ refers to the level of connection between a person and other people, activities, and institutions; and ‘sacrifice’ is what a person would give up if he/she leaves (Holton et al 2006, Mitchell et al 2001, Yao et al 2004). An employee who has a better fit with his/her job and communities, has strong links with people or activities in his/her
organization and community, and has to make greater sacrifices by leaving current job is said to be fully enmeshed or embedded in the network. As a result, there is a higher likelihood that the employee will continue staying with his/her current organization.

A notable aspect that differentiates JEM from other turnover theories such as organizational commitment and job satisfaction is that it emphasizes not only job-related factors, but also community related issues that may affect individuals’ decision of staying with an organization (Crossley et al 2007). The former is termed ‘on-the-job embeddedness’ while the later is called ‘off-the-job-embeddedness’. On-the-job embeddedness focuses on an employee’s relationship with the network of people and activities from work (i.e., work and organizational related factors). Off-the-job embeddedness refers the employee’s relationship with the network of people and activities from his/her community (i.e., non-work related factors). Based on the three elements of fit, links, and sacrifice, and the two dimensions of organization and community, JEM makes up a six-cell matrix containing organization-fit, organization-link, organization-sacrifice, community-fit, community-link, and community-sacrifice (see the definitions in Table 1).

The existing ‘on-the-job embeddedness’ dimension of JEM has the assumption that an employee only works within one organizational environment (i.e., that of the employer that hires the individual). In fact, this is how most industries function. However, in the outsourcing industry, an IT employee may work in more than one organizational environment (i.e., that of the employer that hires the individual and that of the clients the individual is assigned to work with). Figure 1 captures three scenarios that depict potential working arrangements for IT employees in vendor companies. In the Figure, we have Tom, who is an IT employee hired by VENDOR. VENDOR is an IT servicing company in the outsourcing industry. Examples of such vendor companies are CSC, InfoSys, and EDS. VENDOR has clients who have signed IT outsourcing contractual agreements with VENDOR: CLIENT A, CLIENT B, CLIENT C, CLIENT D, and CLIENT E.

In Scenario 1, Tom is being stationed on VENDOR’s property while providing services to one client (i.e., CLIENT A). To be effective at his job, Tom is required to understand the needs of CLIENT A. This entails understanding the requirements of IT projects as well as working preference, organizational culture, and goals of CLIENT A. In Scenario 2, Tom is also being stationed on VENDOR’s property but this time Tom is required to handle multiple projects from different clients (i.e., CLIENT B, CLIENT C, CLIENT D). In Scenario 3, Tom is being stationed on CLIENT E’s property permanently for the duration of an outsourcing agreement. This arrangement requires Tom to not only understand working preference, organizational culture, and goals of CLIENT E, but also to be able to immerse himself into the working environment of CLIENT E. A variation of Scenario 3 will be the case where Tom is being moved from one client to another frequently. This would require him to constantly adapt to changing working environments and demands of different clients.

In all three scenarios, a vendor’s IT employee has to work closely with clients to provide services. This implies that issues and factors on client side may contribute to his/her decision of whether to continue staying with the same employer or to leave existing job. In Scenario 3 specifically where a vendor’s IT employee spends the majority if not all of his/her working time in client organizations, client factors will have heavier effect on the employee’s stay decision. Since ‘client’ element may affect the decision of vendor’s IT employees in an IT outsourcing setting, there is the need to weave in this factor into JEM. As shown in Table 1, ‘on-the-job embeddedness’ is divided into two components: vendor organizations and client organizations.
We also argue that as a vendor’s IT employee moves from scenario 1 to scenario 3, his/her degree of embeddedness with client increases while his/her degree of embeddedness with vendor decreases. Another differentiating aspect of JEM is that it examines the reasons that tie an employee to an organization rather than the reasons that lead an employee to leave an organization. Mitchell et al (2001) argue that “understanding why people leave does not explain why people stay” (p. 36). By understanding why people stay, organizations are able to react and capitalize on those factors that appeal to these employees. These appealing factors can be built into future retention program to attract new employees. Existing turnover theories such as the Theory of Organizational Equilibrium (March and Simon 1958) react only after an employee has already determined to leave an organization or has already left the organization. At that point, nothing much can be done to retain the employee.

<table>
<thead>
<tr>
<th>Embedded Elements</th>
<th>Fit</th>
<th>Link</th>
<th>Sacrifice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of the elements</td>
<td>“an employee’s perceived compatibility or comfort with an organization and with his or her environment” (Mitchell, 2001, p. 1104)</td>
<td>“formal or informal connections between a person and institutions or other people” (Mitchell, 2001, p. 1104)</td>
<td>“the perceived cost of material or psychological benefits that may be forfeited by leaving a job” (Mitchell, 2001, p. 1105)</td>
</tr>
<tr>
<td>On-the-job Vendor organization</td>
<td>The extent to which a vendor employee feels that he/she is compatible or comfortable with vendor organization and the environment in vendor organization.</td>
<td>The extent to which a vendor employee feels that he/she has established strong formal or informal connections with vendor organization and members in vendor organization.</td>
<td>The extent to which a vendor employee feels that he/she will incur minimal loss with respect to material or psychological benefits available in vendor organization if he/she leaves vendor organization.</td>
</tr>
<tr>
<td>On-the-job Client organization</td>
<td>The extent to which a vendor employee feels that he/she is compatible or comfortable with client organization and the environment in client organization.</td>
<td>The extent to which a vendor employee feels that he/she has established strong formal or informal connections with client organization and members in client organization.</td>
<td>The extent to which a vendor employee feels that he/she will incur minimal cost with respect to material or psychological benefits available in client organization if he/she leaves vendor organization.</td>
</tr>
<tr>
<td>Off-the-job Community</td>
<td>The extent to which a person feels that he/she is compatible and comfortable with his/her community and the environment in his/her community.</td>
<td>The extent to which a person feels that he/she has established strong formal or informal connections with his/her community and members in his/her community.</td>
<td>The extent to which a person feels that he/she will incur minimal loss with respect to material or psychological benefit available in his/her community if he/she leaves vendor organization. This factor is more prominent in the case of relocation to another city or country.</td>
</tr>
</tbody>
</table>

Table 1: Definitions of each dimensional factor in Job Embeddedness Model

1 The definitions presented in this table are based on the work of Mitchell et al (2001) and Holtom et al (2006).
3. Methodology

To achieve the research objective, we adopt a case study approach (Yin 1994). This approach allows us to explore and unveil a complex and sensitive decision of whether to continue staying with the current company or to switch to a new company. Considering the sensitivity of the research topic, we are careful in approaching potential participants and in convincing them to participate in the study. We believe that the personal interview method used in this study helps us to establish trust as we are able to clearly communicate our research purpose to participants and assure them of data and information confidentiality.
We use a ‘theoretical sampling’ method to identify potential participants (Applegate 1994). Specifically, the participants must be (1) currently employed in a vendor company within the IT outsourcing industry, (2) on the current job position for a minimum of six months. We believe that a six-month period will give a new employee enough time to become technically and socially integrated in a new workplace. By then, they will be able to decide if the job and hence the company suits him/her. Since the working environment of large organizations is different from that of small-and-medium organizations, to ensure homogeneity of organizational size, we also limit potential participants to large vendor companies.

3.1 Data Collection and Analysis

A total of 18 individuals participated in this study. These individuals were approached via personal contacts to seek their voluntary participation in the study. Overall, they come from seven different IT outsourcing vendor companies. Of them, 12 are males and six are females; six are married while the rest are single; 14 work in technical positions while four hold managerial profiles. The majority (i.e., 11) are less than 30 years old.

One interview was conducted with each of the participants. The interviews, in the form of both unstructured and semi-structured, had an average duration of 60 minutes. Main questions of the interviews were oriented around the nine-cell matrix of vendor-fit, vendor-link, vendor-sacrifice, client-fit, client-link, client-sacrifice, community-fit, community-link, and community-sacrifice (see Table 1). Within each cell, participants were allowed to freely express their opinions and viewpoints. All participants were also asked one last question, which is their likelihood of continue working with their current companies. All interviews were tape-recorded and transcribed. Within a week after each interview, the transcripts were sent to the participants so that they had a chance to verify the accuracy of the data captured.

Currently, we are in the process of analyzing the data. The data analysis process will follow these three steps:

1. Organizing and classifying interview transcripts.

   The goal is to have an initial impression of the data. The transcripts will be classified according to the participants and then grouped by vendor companies since there are overlaps of companies among the participants. By doing so, we may be able see if there is a difference among employees who work in different vendor companies. This essentially comprises both within case analysis and cross-case analysis. Nvivo 9, a specialized software package for the analysis of qualitative data, will be used to facilitate the process.

2. Coding the transcripts.

   The transcripts will be coded following the nine coding categories shown in Table 2. Descriptions of the categories were developed based on the definitions of the concepts shown in Table 1. Within each coding category, sub-categories will be allowed to emerge from the data and then coded accordingly. The final decision of whether to continue staying with the current vendor company will also be coded.

3. Interpreting the data.

   To ensure the validity and robustness of the analysis, each author will code and interpret the data separately. They will then compare their coding and interpretation to reach a consensus.
An iterative process will be followed to reach final interpretation and data synthesis. Beyond interpreting the data based on the nine coding categories, we will attempt to understand the interplay among the categories to see how different categories may behave differently when come into contact with others.

<table>
<thead>
<tr>
<th>Coding Category</th>
<th>Descriptions</th>
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<tbody>
<tr>
<td>Vendor-fit</td>
<td>Any mention of factors related to compatibility and comfort in relation to vendor organization (e.g., the participant’s job utilizes his/her skills and talents well, the participant can reach his/her professional goals working for vendor organization, the participant feels good about his/her professional growth and development).</td>
</tr>
<tr>
<td>Vendor-link</td>
<td>Any mention of factors related to formal and informal connections established with vendor organization and members in vendor organization (e.g., the length of time the participant has worked for the vendor company, the type and the strength of interaction the participant has with co-workers, work committees the participant is on).</td>
</tr>
<tr>
<td>Vendor-sacrifice</td>
<td>Any mention of potential loss with respect to material or psychological benefits provided by vendor organization (e.g., people at work respect the participant a great deal, excellent promotional opportunities in vendor company, good perks and health benefits in vendor company, salary packages).</td>
</tr>
<tr>
<td>Client-fit</td>
<td>Any mention of factors related to compatibility and comfort in relation to client organization (e.g., the participant can reach his/her professional goals by providing services to client organization, the participant fit with the culture in client organization).</td>
</tr>
<tr>
<td>Client-link</td>
<td>Any mention of factors related to formal and informal connections established with client organization and members in client organization (e.g., the type and the strength of interaction the participant has with employees of client organization).</td>
</tr>
<tr>
<td>Client-sacrifice</td>
<td>Any mention of potential loss with respect to material or psychological benefits provided by client organization (e.g., reputation among members of client organizations, good opportunity to learn from clients).</td>
</tr>
<tr>
<td>Community-fit</td>
<td>Any mention of factors related to compatibility and comfort in relation to the community where the participant is part of (e.g., the participant loves the place where he/she lives, the weather where the participant lives is suitable, the community is a good match for the participant).</td>
</tr>
<tr>
<td>Community-link</td>
<td>Any mention of factors related to formal and informal connections established with members of the community (e.g., does the participant the home where he/she lives in, the number of family members or close friends who live nearby, is the participant married).</td>
</tr>
<tr>
<td>Community-sacrifice</td>
<td>Any mention of potential loss with respect to material or psychological benefits provided by vendor organization (e.g., people respect the participant a lot in his/her community, the neighbourhood is safe, hard to leave the community).</td>
</tr>
</tbody>
</table>

Table 2: Coding Scheme

4. Conclusions

IT employees are assets to vendor organizations in outsourcing industry. They are the backbones that support the operations and running of vendor organizations and are sources of competitive advantage in today’s global economy. Because the working environment of IT employees in outsourcing industry is different from that of their counterparts in other industries, there is a need for management in vendor organizations to understand factors that will bind IT employees to their organizations. This paper uses the lens of JEM to facilitate the process. Beyond that, the paper also attempts to understand the interplay among different factors in employees’ stay decision. By having such understanding, vendors will be able to design effective retention programs that keep best IT employees productively engaged for a long-term.
References