

A STUDY ON VARIOUS REASONS OF EMPLOYEES' TURNOVER FROM STARTUPS

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Abstract

Now a days, Startups became the hotspot for the job market, and they are providing good number of employment opportunities. But at the same time, startups in Gujarat are facing an issue with the employee turnover. This research paper is an attempt to identify the various reasons of the employee turnover, and to associate these results with the nature of the startup. The findings of this association reveal that Lack of chances of self-development, work life balance, and Miss-Match between Responsibility and Authority are the some of the major reasons for the employee's turnover from startups. Suggestion of the study will help the startup organization to take required steps to control employee turnover.

Keywords: Startup, Startup India, Employees Turnover,

1. INTRODUCTION:

Startup India is a flagship initiative of the Government of India launched by the Prime Minister Shri Narendra Modi on 16 January, 2016. The initiative is intended to catalyse startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. The term "startup" refers to a company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand.

Start-ups in India offer immense scope for employment generation and upskilling of youth, especially in the trending industry 4.0 skills. Indian start-ups have generated close to 6 lakh jobs since 2018 cumulatively. Even during the continuing pandemic, 1.7 lakh jobs were created by DPIIT recognized start-ups in the period 2020-2021 alone. In terms of funding, Indian start-ups raised an impressive \$42 billion in 2021, nearly 40 per cent more than what was raised in 2020. As emphasized by Hon'ble Prime Minister Shri Narendra Modiji, India is also on track to convert this century into "a century of unicorns". A unicorn is a privately held start-up company with a valuation of over \$1 billion (approximately Rs 8000 crore). Today, 1 out of every 10 unicorns created in the world is from India. The year 2021 itself saw the creation of 44 unicorns with a total valuation of more than \$90 billion.

But with the immense job creation, startups are also facing employee's turnover. Employee turnover, often referred to as attrition, is a significant concern for startups in India. It involves the departure of employees from an organization, and high turnover rates can have detrimental effects on a startup's growth and stability. In this chapter, we will explore the various reasons behind employee turnover in Indian startups, shedding light on the unique challenges faced by these organizations.

Employee turnover can be both voluntary (employees leaving on their own accord) and involuntary (employees being terminated by the employer). High turnover rates can have several negative consequences for startups, including Costs, Disruption, Loss of Knowledge, Reputation.

This research work is focusing on to identify the various reasons of employee turnover from startups.

2. LITERATURE REVIEW

Mamun C.A., Hasan M. N. (2017) has critically evaluated employee turnover and retention strategies in business organizations. In his study ,they found that, the working environment is contributing towards employee turnover, which includes ventilation, air-conditioning system, open space, rest room, lavatory, furniture, safety equipment, refreshments, drinking water, etc.

Zeffane, R.M. (1994), Argues that voluntary employee turnover is contingent on the amount of fit/misfit between individual values and the predominant organizational structure/management style.

Baron, J. N., Hannan, M. T., & Burton, M. D. (2001). Explain in their research that CEO succession likely has broader effects on employee turnover as the departure of the organization's leader likely disrupts goals, values, routines, social relationships, and implicit contracts regarding the nature of employment. Other reasons for turnover include organizational models change, Organizational size, growth, and age also may influence labour force to change organizations. The bureaucracy and autocracy, and Firm performance are other reasons for turnover.

Rangrez, S. N., Amin, F., & Dixit, S. (2022). Mentioned that Start-up organizations are informal and loosely structured, and they operate in a highly volatile environment that has a high attrition rate. This makes the employees of start-ups susceptible to stress, which may lead to turnover intentions. The results reveal that role stressors and job insecurity positively influence job stress, which eventually leads to turnover intentions. Also found that job stress partially mediates the relationship between turnover intentions and job stressors that include job insecurity.

Negoro, M. C. W., & Wibowo, A. (2021). reveal that empathetic leadership has a direct and positive relationship with employees' job satisfaction and has a direct and negative relationship with the intention to leave.

Azmy, A., Wiadi, I., & Risza, H. (2023) conducted research and found that psychological contract, employer branding, and job environment, directly and indirectly, affect turnover intention. Organizational commitment was found to have the most significant direct effect on turnover intention. Meanwhile, employer branding exhibited the most significant indirect effect on turnover intention.

Liu and Wang, 2006 has examined the reasons for individual turnover intention are age, gender, marriage, education levels and years of working in the organization. Previous studies found that the rate of female employee turnover is higher, as compared to male employees. It can be associated with women's duty that women need to give birth and take care of the family. Therefore, this is a pressing issue that needs to be dealt with urgently. Though employees work in units or positions for a long period, they feel tired and tend to leave the jobs.

Boxall et al., 2003, Malhotra et al., 2007; Meyer and Smith, 2000 had concluded that lower job satisfaction level and organizational commitment are associated with the higher rate of turnover.

Michal et al. (2001) was of the opinion that exit of employees may be due to economic reasons. Researchers are of the opinion that organizations should use the economic model to predict labor turnover in the market. Socio-economic factors such as economic development level, condition of labor market, employment structure, job opportunities, property enterprise, transport and communication, accommodation, education and medical facilities, living cost, quality of life and so on all have an influence on the intention of employee turnover.

3. RESEARCH METHODOLOGY

This research has been conducted with the two objectives:

- To know the various reasons of employee turnover.
- To know the association between demographic variables (Type of startup) and reasons for leaving the job.

The data for the data analysis was collected from 200 startup founders/entrepreneurs through structured questionnaire. Researchers has used chi-square test to know the association between type of startup and reasons for leaving the job from startup. The limitation of this research is that its only covers the reasons for employee's turnover, further research can be conducted within the are like employee retention, employee's satisfaction and other aspects of human recourse.

4. DATA ANALYSIS

Table: 1 Demographic Data

City of Start Up	%
Ahmedabad	33
Rajkot	17
Vadodara	25
Surat	25
Total	100
Age of Startup:	%
Less than 6 Months	10
6 Months to 1 Year	18
One Year to Two Years	31
More than 2 Years	42
Total	100
Form of Organization Startup	%
Sole Proprietorship	12
Partnership	42
LLP	24
Company	22
Trust	2
Total	100

Type of Startup	%
Social Start Up	25
Problem Solving Startup	31
Women Oriented Startup	2
Techno Startup	32
Ed Tech Startup	11
Total	100

The above table explain about the demographic data of respondents. 1/3 of startup founded in Ahmedabad, ¼ of startup started in Surat and Vadodara. Remaining started in Rajkot. 42% of startup are more than 2 yrs old, 31% are between 1-2 yrs, 18% startup age is between 6 months to 1 yrs and remaining 10% are less than 6 months old. 42% startup are partnership in nature, 24% are LLP, 22% are company, 12% are proprietorship, and remaining 2% are trust in nature. Around 1/3 of startups are Techno, and problem-solving startup. ¼ startups are social startup. Remaining 11% are Ed-tech, and 2% are women-oriented startups.

Table. 2. Reason for leaving your Start Up Job (%)

	Better Opportunity at another place	Realizing very level of risk in Startup	Lack of chances of self-development	Uncertain Future of Organisation	Other Reason
Most Likely	43	43	14	1	3
Likely	27	27	35	13	34
May Be	31	31	52	87	64
Total	100	100	100	100	100

Above table explain the reasons for leaving job from startups.

Most likely reason for 43% of employees leaves job because of better opportunity at another place, and they realize high risk in working with startups, 14% left because of lack of chances of self-development. Only 1% left because of uncertain future, and 3% left for other reasons.

Likely reasons to leave job for 27% of employees is better opportunity at another place, and they realize high risk in working with startups, 35% likely left because of lack of chances of self-development. Only 13% left because of uncertain future, and 34% left for other reasons.

Maybe reasons to leave job for 31% of employees is better opportunity at another place, and they realize high risk in working with startups, 52% likely left because of lack of chances of self-development. 87% left because of uncertain future, and 64% left for other reasons.

CHI-SQUARE TEST

H₀: There is no association between type of startup and reasons for leaving job.

H₁: There is association between type of startup and reasons for leaving job.

Association between Type of Startup and Reasons for Leaving Job	Asymptotic Significance (2-sided)	Significance	H ₀ Accepted / Rejected
Type of Startup: * Better Opportunity at other place is most relevant reason for leaving your Start Up Job	0.064	0.05	Accepted
Type of Startup: * Realizing very high level of risk in Startup is most relevant reason for leaving your Start Up Job	0.064	0.05	Accepted
Type of Startup: * Lack of chances of self-development is most relevant reason for leaving your Start Up Job	0.013	0.05	Rejected
Type of Startup: * Uncertain Future of Organisation is most relevant reason for leaving your Start Up Job	0.257	0.05	Accepted
Type of Startup: * Other Reason is there for leaving your Start Up Job	0.539	0.05	Accepted
Type of Startup: * Adoptability of New System (Technical) of Working"	0.293	0.05	Accepted
Type of Startup: * Timing of Job	0.273	0.05	Accepted
Type of Startup: * Work Life Balance	0.023	0.05	Rejected
Type of Startup: * Work Culture Adoption/Adjustment	0.411	0.05	Accepted
Type of Startup: * Miss-Match between Responsibility and Authority	0.006	0.05	Rejected
Type of Startup: * Other (Attitude/Adoptability Issue)	0.604	0.05	Accepted

Description: From the above Chi-Square test, it can be derived that, there is no association between the type of startup and reasons for leaving job as significant value is > 0.05 for Better Opportunity, very high level of risk in Startup, Uncertain Future of startup, Other Reason, Adoptability of New System (Technical) of Working, Job timing, Work Culture Adoption/Adjustment, and Other (Attitude/Adoptability Issue). But there is association between type of startup and reasons for leaving job as significant value is < 0.05 for Lack of chances of self-development, Work Life Balance, and Miss-Match between Responsibility and Authority.

5. FINDINGS

- **Starting of Startups:** Researcher found that around 1/3 of startups started in Ahmedabad, which is one of the fastest growing cities of India. ¼ of startups setup in Vadodara and Surat, other business hubs of Gujarat state. The remaining 17% started in Rajkot city.
- **Age of Startups:** Researcher found that 42% of startups are 2 years old, 31% startups age lies between 1-2 yrs, 18% are 6 months to 1 yrs old, and 10 are young and only 6 months old.
- **Form of organization of Startup (Identity of Startup):** Researcher found that 42% of startups are being formed in partnership, around ¼ of startup formed as LLP and company. 12% of startups are proprietorship, and 2% are registered as Trust.
- **Types of Startups:** Researcher found that ¼ of startup are supporting social cause, around 1/3 startups are problem solving startups and techno startups, 11% are edtech startups, and remaining 2 % are women-oriented startups.
- **Reasons for Leaving Startup Job:** Better opportunities, and risk level are the most likely reasons for leaving job from startups. However, lack of chances for self- development are likely to be one of the reasons for leaving job from startups. Uncertainty or any other reasons are also one of the reasons for leaving jobs from start-ups.
- From the chi-square test it was found that, there is no association between the type of startup and reasons for leaving job for Better Opportunity, very high level of risk in Startup, Uncertain Future of startup, Other Reason, Adoptability of New System (Technical) of Working, Job timing, Work Culture Adoption/Adjustment, and Other (Attitude/Adoptability Issue). But there is an association between types of startup and reasons for leaving jobs for Lack of chances of self-development, Work Life Balance, and Miss-Match between Responsibility and Authority. It shows that employees are looking for specific kinds of job and responsibilities in startups, and if it was not provided, they will leave the organization.

6. SUGGESTIONS AND CONCLUSION

From the data analysis, it can be suggested that:

- Standard procedure for employee recruitment, training, promotion is utmost required to create Trust amongst the employee towards startups.
 - Proper communication of HR policies amongst all employees brings clarity amongst employees and can create good employee and employer relationships.
 - Based on the nature of startups and the form of Organisation adopted for startup Policies of recruitment needs to be changed by the Startup founders.
 - Retaining employees in the startup is one of the most challenging tasks. Special retention policy for the retention of employees is required for every startup as aspirations of employees of different levels of organizations are different.
 - Different types of training are useful to employees in performing their duties efficiently. Hence, special training needs to be designed for startups employees for effective performance of employees.
- This research was conducted with the objectives to know the employee's turnover and its reasons in startups. Based on data collected and findings researcher conclude that employee's turnover is major issue in startup and its affect startups performance negatively in many ways. Much past research also mentioned that employees prefer to work in a much-settled work environment in comparison to volatile work environment. So, startups need to focus on HR strategies and make moves to retain employees.

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