Responsible Leadership Helps Retain Talent in India

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Abstract The role of responsible leadership—for each leader and as part of a leader's collective actions—is essential to global competitive success (Doh and Stumpf, Handbook on responsible leadership and governance in global business, 2005; Maak and Pless, Responsible leadership, 2006a. Failures in leadership have stimulated interest in understanding "responsible leadership" by researchers and practitioners. Research on responsible leadership draws on stakeholder theory, with employees viewed as a primary stakeholder for the responsible organization (Donaldson and Preston, Acad Manag Rev 20(1):65–91, 1995; Freeman, Strategic management: a stakeholder approach, 1984; Mitchell et al., Acad Manag Rev 22:853–886, 1997; Phillips and Freeman, Stakeholder theory and organizational ethics, 2003. We define and operationalize responsible leadership from the perspective of employees and their views of the actions of their leaders.

Drawing on a comprehensive survey of 28 Indian and global organizations operating in India, we report the results from 4,352 employees on the relationship between responsible leadership, their pride in and satisfaction with their organization, and retention 1 year later. Strong associations were found among these variables suggesting that responsible leadership—employee perceptions of the support they receive from managers, the HR practices, and corporate socially responsible actions—may be an overarching construct that connects them to the organization.

Keywords Responsible leadership · Pride in the organization · Satisfaction with the organization · Social responsibility · Stakeholder culture · Employee retention · Turnover

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Introduction

Organizations and their leaders are increasingly including a broader group of stakeholders in their planning and decision-making. Although the literature on leadership is vast, only recently have scholars sought to integrate leadership with ethics and corporate responsibility. As Doh and Stumpf (2005) point out, scholarship on leadership, ethics, and corporate social responsibility (CSR) has evolved somewhat independently. And, despite the proliferation of literature on effective leadership, little research has been devoted to the relationships among leadership practices, ethical behavior, and corporate social responsibility.

One definition of a leader is "someone who occupies a position in a group, influences others in accordance with the role expectation of the position, and co-ordinates and directs the group in maintaining itself and reaching its goal" (Raven and Rubin 1976, p. 37). More recently, a

"responsible leader" has been defined as one who creates a culture of inclusion built on solid moral ground (Pless and Maak 2004). Following Avery and Baker (1990) and Pless and Maak (2004), we view leadership as a process of inclusion to attain group, organizational, and societal goals. This includes the social-relational processes of individual managers and collectivities (organizational actions determined by the upper echelon) that actively involve diverse stakeholders so as to function consistently as an ethical and socially responsible organization (Phillips and Freeman 2003).

The ethics and governance crises of the first decade of the 21st century, and the related economic downturns in 2000–2002 and 2008–2010, have challenged many tenets and assumptions about the role of corporations in society and the foundations of the capitalist system. Businesses and their leaders have understandably become the targets of widespread criticism and are blamed for many of the ethical and economic failures of the 2000–2009 decade. Yet throughout this period, some organizations and their leaders pursued a more inclusive form of management that considered it relevant and important to be respectful of the needs and well-being of a more diverse group of stakeholders (Phillips and Freeman 2003). Scholars have explored some of the characteristics of leaders and organizations under the umbrella of responsible leadership (Doh and Stumpf 2005; Maak and Pless 2006a; Waldman and Galvin 2008). This research has argued that leadership must incorporate ethics, corporate responsibility, and conscious and conscientious stakeholder relations (Doh and Stumpf 2005). Employees are a critical stakeholder group that has borne much of the costs of questionable ethical decisions and poor economic choices. Of the "primary" stakeholder groups—shareowners, employees, customers, communities, and suppliers—employees are the most critical to the functioning of business—with its leaders and their collective actions serving as the model of behavior employees are expected to follow. Management's effectiveness in addressing the well-being and retention of the organization's workforce is at the heart of responsible leader behavior and the subject of this article.

We focus on responsible leadership from the perspective of employees and their assessment of their organizations' inclusiveness of diverse stakeholders, fairness of HR practices, and the managerial support they receive to perform effectively. Specifically, we suggest that in the context of employee perceptions and talent retention, responsible leadership includes the firm having: (1) a stakeholder culture which supports acting in an ethical and socially responsible manner, (2) human resource (HR) practices that are fair and inclusive of all employees, and (3) managerial support for the development and success of employees.[1] Responsible leadership is an inclusive concept whereby employees perceive their organization as having an ethical and proactive stakeholder perspective toward constituents outside the organization and the employees themselves. Based on a comprehensive survey of Indian and global organizations operating in India, we report the results from 4,352 employees from 28 companies on the relationship between responsible leadership, their pride in and satisfaction with the organization, and retention (or turnover). Based on the moderate to strong associations observed, we identify implications of our findings for the study and practice of responsible leadership and talent retention for firms operating globally.

Responsible Leadership and Talent Retention

Talent retention is a *sine quo non* for achieving competitive success (Barney 1991; Colbert 2004) because undesired turnover has a negative impact on an organization's profitability and survival (Cascio 2000). Without responsible leadership committed to a business strategy which addresses the development of talent and its retention, the long-term viability of a firm is tenuous. While talent retention is viewed as a critical element of a firm's business strategy with employees being a key set of stakeholders, the specific practices that result in retaining the more effective employees, particularly young professionals and new managers, remain elusive for many companies (Guthridge et al. 2008). Nowhere is this challenge more acute than in dynamic emerging markets (Ready et al. 2008), with India being a prime example. As Indian-based companies grow and Western companies continue to enter, expand, and hire professionals in India—often capitalizing on outsourcing opportunities, lower labor costs, and relatively high skill levels—high levels of turnover constrain opportunities for further growth (Guthridge et al. 2008).

An important topic for inquiry posed in the *Call for Papers* for this special issue of the *Journal of Business Ethics* is the motivation for responsible leadership behavior. Although motives are many, this paper empirically addresses the motive of retaining the talent that the organization attracts and develops, one of the foremost concerns of firms operating in rapidly growing markets. Pless et al. assert that it takes responsible leadership to build and sustain businesses that benefit multiple stakeholders, and foremost among these stakeholders are employees. If employees do not perceive the company as exhibiting responsible leadership, their pride in and satisfaction with the organization are likely to decline relative to the time at

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[1] We use the word "retention" rather than "turnover" to reflect what is generally accepted language when referring to professional and managerial employees. 85% retention is the same as 15% turnover.

which they were hired. Thoughts of leaving and intentions to quit are more prevalent; many may leave given opportunities elsewhere.

Pless et al. argue that emergent views of responsible leadership (e.g., Doh and Stumpf 2005; Maak and Pless 2006a; Waldman and Galvin 2008) link it with corporate social responsibility. Doh and Stumpf (2005) propose that responsible leadership and governance includes three critical components: (1) values-based leadership; (2) ethical decision-making, and (3) quality stakeholder relationships. Given a focus on the HR management dimensions of responsible leadership, we operationalize responsible leadership in the context of talent management and retention as reflecting three specific elements. First, for employees to view their organization as exhibiting responsible leadership, they must believe that the company acts in a socially responsible manner with respect to its many stakeholders. We refer to these perceptions of CSR as the stakeholder culture component. Second, employees must believe that their organization actively manages its employees as talent. We refer to this as the HR management component. Third, employees must believe that their immediate managers attend to their well-being and lead by example in a responsible way. This is the managerial support component.

The last two of these components, HR management practices and managerial support, have been the focus of the HR management research. The first, the stakeholder culture component, adds what is becoming essential to the emergent view of responsible leadership. Only when employees perceive that their company acts responsibly with respect to its many stakeholders is the organization considered to have responsible leadership. We view all three as necessary components for employees to experience their company as having responsible leadership. This view is consistent with the HR literature and the emerging responsible leadership literature. In the following sections, we review the literature relevant to the three components of responsible leadership practice with respect to talent retention.

The Stakeholder Culture Component of Responsible Leadership

There is a burgeoning interdisciplinary literature on the antecedents and consequences of corporate social responsibility (e.g., Crane et al. 2008). Many scholars have examined whether socially responsible firms outperform companies who do not meet the same social criteria (see Orlitzky et al. 2003 for a review). The most consistent finding is that "virtuous" firms are often rewarded in the marketplace for being socially responsible (Margolis and Walsh 2003; Orlitzky et al. 2003). One common thread is the role of CSR in building and enhancing firm

reputation—defined as the opinions about an entity which result in a collective image of it (Bromley 2001). Research suggests that a good corporate reputation can increase current employees' motivation, morale, and satisfaction (Branco and Rodrigues 2006; Riordan et al. 1997).

Roberts and Dowling (2002) conceptualize reputation as a perceptual representation of a company's past actions and future prospects—describing the firm's overall appeal to key constituents compared to leading rivals. The role of institutionally conferred reputation has recently been identified as an important construct for the study of CSR (Orlitzky and Benjamin 2001). A special issue of *Corporate Reputation Review* (e.g., Barnett and Hoffman 2008) focused on the interdependence of corporate reputations and CSR. In that issue, Barnett and Hoffman argued that CSR of one firm may affect its own reputation and that of others with which it competes.

One specific way that an employer's CSR reputation can support its competitive position is via its practices and the signals these send to current and prospective employees. Both academic and practitioners have investigated how CSR reputation affects a firm's desirability as a place to work and the pride, satisfaction, and retention of individuals once employed at that firm. Turban and Greening (1997) investigated the relationship between organizations' CSR, attractiveness as employers, and the firms' overall reputation. They found that organizations' CSR is positively related to their reputations and attractiveness as an employer. Further, reputation correlated with community and employee relations, environment, and product quality. They conclude that CSR initiatives may give companies competitive advantage in attracting and retaining employees.

Albinger and Freeman (2000) analyzed the link between CSR and attractiveness of employers, arguing that CSR increases reputation which may positively influence job seekers, especially if they link that CSR reputation with their own personal values. They posit that CSR should be attractive to job seekers with wide choices since CSR reports may not be available to some, or those with few choices may have less education or "need a job now," so they do not have the luxury of exploring CSR. They found a strong correlation between CSR reports and attractiveness to job seekers of high and medium level positions; however, no support for CSR and attractiveness to job seekers of lower level positions.

Collier and Esteban (2007) examined CSR and employee commitment, arguing that CSR leads to employee motivation and commitment. They suggest that commitment depends on: an "ethical culture" (encompassing culture and climate/atmosphere), how ethics is embedded in the organization, integrated CSR policies (which arise from complying with government or external requirements), and employee perceptions of company

image, their self-identification with the company, and the ethical/moral behaviors of senior leadership. They conclude that employee commitment arises from aligned personal-corporate values and vision, and a stakeholder culture that embeds, nurtures, and implements ethics throughout (Phillips and Freeman 2003).

Similarly, Bhattacharya et al. (2008) suggest that a company's CSR activities comprise a legitimate and increasingly important way to attract and retain good employees. They suggest that CSR serves as a point of differentiation among employers and that it reveals the values and culture of a company, "humanizing" it as a contributor to society. They suggest CSR can be considered a part of an "employee value proposition" and that effective internal marketing of a firm's CSR reputation can help solidify employee perceptions of an employer's legitimacy.

Valentine and Fleishman (2008) explored the employees' perception of CSR and whether ethics programs and CSR positively impact work attitudes and job satisfaction. They hypothesized that ethics programs are associated with greater perceived CSR activity and job satisfaction, and that perceived CSR activity mediates a positive relationship between an ethics program and job satisfaction. Coldwell et al. (2008) reviewed the literature on CSR and employees, concluding that fit between individual ethical orientations and corporate ethical reputation generates positive attitudes and behaviors among potential recruits and that misalignment generates negative attitudes and behaviors among them. Similarly, compatibility of individual ethical orientation and current organizational ethical culture supports positive attitudes and behaviors in employees and incompatibility generates negative employee attitudes and behaviors.

In the practitioner literature, there are many third-party CSR and corporate citizenship rankings and ratings undertaken by journals, financial institutions, and other interested organizations. Among these include, inter alia, Fortune's "Most Admired,"(which includes a social responsibility ranking)· "Best Companies to Work For," Business Ethics Magazine's Annual Business Ethics Awards, the rankings and ratings by mutual funds, and the social responsibility indices that provide guidance to investors regarding the social performance of firms. Research has shown consistency across the various *Fortune* rankings—including the CSR assessment in the "Most Admired" ranking and the "Best Companies to Work For" assessments (see Love and Kraatz (2009) for a review). These rankings provide employees with a source of information to assess a firm's social responsibility reputation and stakeholder culture.

H1 The greater the employee perception of the employer having a positive stakeholder culture, the higher employee retention.

The HR Management Component of Responsible Leadership

Empirical research suggests that fair and effectively implemented HR practices have positive effects on employees and company performance, at least in Western countries (Arthur 1994; Collins and Clark 2003; Delaney and Huselid 1996; Delery and Doty 1996; Ferris et al. 1998; Guthrie 2001; Huselid 1995; Ichniowski and Shaw 1999). When firms apply HR practices that respond to their external environment and leverage their internal capabilities, they can achieve superior performance (Huselid 1995; Lado and Wilson 1994; Wright and McMahan 1992). Devanna et al. (1982) argue that HR management is a key element in strategy implementation. Schuler and Jackson (1995, 1999) highlight HR activities, such as performance appraisals and development programs, as essential to managing people so as to achieve organizational goals. What is not as clear is whether these practices yield similar employee and organizational outcomes in developing and emerging economies (Parker et al. 2003).

While HR strategies have been developed by organizations facing undesired turnover of their new professionals, the degree to which HR practices and "one company" programs work across cultures remains an important question—and the costs of ineffectiveness can be great (Devanna et al. 1982; Huselid 1995; Schuler and Jackson 1999; Wright and McMahan 1992). There is a need for empirically based analyses on the effects of HR practices and the extent to which they need to be differentiated when dealing with the development and management of new professionals across regions and cultures. To implement a talent management strategy successfully, organizations must understand the key success factors to talent retention across the regions in which they operate, and then identify the drivers that are most relevant to a region. Because undesired turnover and talent gaps due to the poor management and development of professionals reduce the likely organizational return on investment in people, the causes and consequences of these factors are of great interest to HR professionals and top management. There is also a need to empirically investigate the relevance and operation of constructs critical to these issues in non-Western cultures (Luthans et al. 2006).

Recent research on one or more of the BRIC countries (Brazil, Russia, India, and China) suggests differences in HR practices are significant in their effects on employees. Gong and Chang (2008) investigated HR management in the Chinese context, comparing the presence of HR practices and their impact on performance by different ownership and governance structures. They found that the provision of career opportunities in domestic private firms and Sino-foreign joint ventures was similar to that in

wholly foreign-owned firms, but greater than that in state-owned firms, and such provision was positively related to employee organizational commitment, citizenship behaviors, and firm performance. In addition, they found that the provision of employment security was greater in state-owned versus non-state-owned firms. Employment security was positively related to employee organizational commitment, but not to citizenship behaviors or firm performance. Similarly, Ngo et al. (2008) examined HR practices in China to assess their impact on firm performance and the employee relations climate. The levels of adoption of HR practices were lower in state-owned enterprises than in foreign-invested enterprises and privately owned enterprises. HR practices were found to have positive effects on financial performance, operational performance, and the employee relations climate. The moderating effect of ownership type was significant for financial performance only.

Singh (2004) surveyed 82 Indian firms and found a significant relationship of two HR practices—professional development and reward systems—with perceived organizational and market performance. A Corporate Executive Board (2006) study on HR practices included 58,000 employees from 90 member organizations and 10 countries. The study reported the percentages of respondents rating various practices in their top five for enhancing their psychological commitment to their organization. Top practices in India were: people management (14%), recognition (20%), development opportunities (29%), and meritocracy (10%). For the United Kingdom they were: people management (17%), recognition (18%), development opportunities (31%), and meritocracy (16%). For the United States they were: people management (8%), recognition (7%), development opportunities (18%), and meritocracy (12%). People management, recognition, and development opportunities were more important to employees in India and the U.K. than in the U.S., with meritocracy least important in India.

A recent survey of executives in India indicates a strong belief that robust HR practices in employee development are critical to building and sustaining a workforce needed to capitalize on business opportunities (Malkani et al. 2007). HR practices that build workforce talent will determine whether or not companies are successful in harnessing India's demographic dividend (Knowledge@Wharton 2008). For HR practices to yield tangible benefits to the firm they must be designed, executed, and perceived to be effective (Delery and Doty 1996; Sparrow and Budhwar 1997).

Consistent with this literature, Budhwar and Debrah (2009) suggest that future research focus on factors that contribute to the efficient management of knowledge workers. Globalization and competitive pressures are pushing organizations in India to adopt Western systems. There has been a trend from collectivism to individualism in India. With this shift, the HR practices component of responsible leadership becomes an even more important element for effective talent management.

H2 The greater the employee perception of comprehensive and formal HR practices, the higher employee retention.

The Managerial Support Component of Responsible Leadership

There is an important interpersonal dimension to responsible leadership. Responsible leaders mobilize, coach, and reinforce employees to achieve objectives in an ethical, respectful, and relationally intelligent way (Maak and Pless 2006b). If employees perceive that their leaders' values and principles are consistent with their actions, that they walk the talk, then they will attribute integrity and legitimacy to the leader, and with this trust (Pless and Maak 2004). Furthermore, a service orientation, whereby leaders nurture the development and growth of followers and care about their well-being, is at the core of responsible leadership. In times of change, the role of the leader as coach cannot be underestimated (Maak and Pless 2006b). Furthermore, to be considered responsible, a leader will need to act from an inner sense of obligation to do the right thing with respect to the well-being of employees. One of the primary ways leaders demonstrate responsibility is through leading by example (Waldman and Galvin 2008).

Bhatnagar (2007) concluded that mentors can enhance employee engagement, suggesting the important interpersonal role of leaders. Research has demonstrated the importance of interpersonal relationships for the experience of intrinsic rewards (Gomez and Rosen 2001), and in linking people to their job and organization (Mitchell et al. 2001). A meta-analysis of the mentoring literature found that mentoring relationships were associated with subjective outcomes such as career satisfaction (Allen et al. 2004).

Managerial support might be especially important in India, where researchers have argued that the Indian work culture requires transformational leadership—called the nurturant-task leadership style (Sparrow and Budhwar 1997). Macey and Schneider (2008) argue that the presence of transformational leadership will directly affect employee engagement. Sparrow and Budhwar suggest that in India leaders need to have an interpersonal, social, and even spiritual orientation. These attributes of effective leaders fit well with current conceptions of responsible leadership as involving servant leadership whereby leaders are engaged in a purpose larger than themselves (Maak and Pless 2006b).

H3 The greater the employee perception of positive managerial support, the higher employee retention.

In summary, employee perceptions of a strong stakeholder culture, inclusive HR practices, and positive managerial support—as important components of responsible leadership from the employee's perspective—are hypothesized to positively relate to employee retention. Responsible leadership should be especially relevant for professional and managerial employees in emerging economies, since these employees are in demand and have the most employment opportunities.

The Mediating Effect of Employee Pride in, and Satisfaction with, the Organization

The literature suggests a psychological process whereby responsible leadership will lead to employee pride in the organization, and, in turn, retention. For example, as noted previously Turban and Greening (1997) found that organizations' CSR is positively related to their reputations and attractiveness as an employer. Further, reputation correlated with employee relations. They concluded that CSR initiatives may give companies competitive advantage in attracting and retaining employees. Branco and Rodrigues (2006) argue that a social responsibility reputation increases employees' morale, commitment, and loyalty, contributing to one's pride in the organization. Similarly, Bhattacharya et al. (2008) state that there is growing evidence that a company's social responsibility activities comprise a legitimate, compelling and important way to attract and retain good employees. They note CSR contributes to an employee's identification and pride in the company. Their research suggests responsible leadership should engender outcomes such as high levels of commitment, greater morale, job satisfaction, feelings of well-being, and a sense of pride. In their research, they cited a consumer goods organization survey showing that employee engagement in CSR led to pride in the organization, which was negatively associated with an intention to leave.

H4a Employee pride in the organization mediates the relationship between responsible leadership and employee retention.

The literature further suggests a psychological process whereby responsible leadership will lead to employee satisfaction with the organization, and, in turn, retention. Riordon et al. (1997) noted research has shown that social performance and corporate image is related to the attitudes of the organization's employees. In their research, Riordan et al. (1997) studied corporate image using a six-item measure of the employees' general image of the organization. As an example one item was "Generally I think Company X is actively involved in the community." They found corporate image to be directly related to job satisfaction, and job satisfaction to be negatively related to intentions to leave. Corporate image was found to be both directly and negatively related to intentions to leave, and indirectly and negatively related to intentions to leave through job satisfaction. With respect to the managerial support component of responsible leadership, a meta-analysis of mentoring literature found mentoring relationships were associated with subjective outcomes, such as career satisfaction (Allen et al. 2004). Research consistently suggests the greater employee satisfaction with the organization, the less the intention to leave (Hom and Kinicki 2001).

H4b Employee satisfaction with the organization mediates the relationship between responsible leadership and employee retention.

Methods

Sample and Survey Administration

This research is part of a study of the leadership and HR practices, employee motivation and satisfaction, and retention in Indian companies conducted by a global HR/talent management consultancy, in collaboration with a faculty team from a well-ranked business school (Stumpf et al. 2009; Tymon et al. 2010). Based on the Consulting Firm's target client and prospect list, it identified over 100 possible firms in the private sector for inclusion in the study. A group of 35 firms was selected for study to yield a roughly equal distribution for the companies' geographic scope—1/3 each multinational (MNC), international, and national—and industry: 1/3 each from information technology (IT), manufacturing, and services (financial and business processing). Responding firms/business units had the following representation: MNC 12, international 10, national 10; IT 12, manufacturing 11, services 9. The companies included both Indian subsidiaries of foreign firms and indigenous firms.

Each company identified a senior manager as a sponsor to oversee the study. A random sample of employees from each business unit and function was identified by the sponsor who then invited employees via e-mail to voluntarily participate. Employees were directed to the survey by an e-mail from an independent vender, LearningBridge.com, a web-based survey design firm. Individuals were assured the confidentiality of their responses.

A survey was obtained from 4,811 employees out of the 9,301 randomly identified and invited (54% response rate).

An additional 220 people provide limited data and 672 people logged on to the survey web site, but did not provide any responses. Employees could indicate "not applicable" if they had no knowledge of a leadership or HR practice in their organization. 4,352 (47% net response rate) out of 4,811 responded to all questions.

Twelve companies had response rates above 66%; 4 below 30%. 2,723 (63%) of these respondents were "new professionals" as defined as respondents who had less than 5 years of service with this employer; were from 21 to 40 years old; were in professional, individual contributor, team leader, supervisor, or manager roles; and had at least a college degree.

Retention and Employee Performance and Potential

A potential confound in this research is the reason for each employee's departure. To the extent that the turnover was involuntary (being fired or let go due to performance or economic reasons), the role of responsible leadership, pride in the organization, and satisfaction with the organization are likely to be mitigated. To address this, each company sponsor was asked to provide an archival performance rating and potential for advancement rating for each employee who was asked to participate in the survey—collapsed into a three point scale: "1" = development needed or potential lacking, "2" = acceptable performance or potential, and "3" = exceptional performance or potential. This 3-point scale was used in order to make meaningful comparisons across companies. Twelve operating entities provided both ratings, eleven provided only performance ratings, and one provided only potential ratings. Those who did not provide performance or potential data indicated that it was against company policy to share such information. Performance ratings were available for 5,433 employees (2,254 of which responded to the survey); potential ratings were available for 2,598 employees (1,303 of which responded to the survey). As for performance and potential ratings and turnover, the following was observed: for those who were rated "1" or "2" in performance, 19.0% left within a year; for those rated "3" the turnover rate was 19.6%. Of those rated "1" or "2" in potential, 20.9% left within a year; for those rated "3" the turnover rate was 20.5%. These ratings provide some evidence as to the "quality" of the employees who remained versus those that left within a year of the survey. The distribution of performance and potential ratings was skewed to the right, with less than 12% rated "1" (low) on performance or potential, and 33% or more rated "3" on either performance or potential. 31.7% of those with both performance and potential ratings were rated "3" on both; another 18% were rated high on either performance or potential and acceptable on the other. The individuals participating in this research had acceptable to exceptional performance and potential, and the performance and potential ratings of those who remained were similar to those that left.

The availability of performance and potential data on employees that did not respond to the survey permitted us to examine whether a non-response bias might exist with respect to these variables. Specifically, were the respondents different in their performance or potential ratings than non-respondents? Through interaction effects coding within multiple regression analysis, it was possible to assess which companies, if any, had a response bias in respondents based on performance and potential ratings (Cohen and Cohen 1983). No response biases with respect to performance or potential were observed—there were no significant differences in performance or potential ratings for survey respondents versus non-respondents. This finding does not preclude other possible non-response biases.

Employee Sample Characteristics

The employee sample had the following demographic characteristics: (1) 4% had been with the firm for less than 6 months, 17% for 7–18 months, 24% for 19–35 months, 20% for 3–5 years, and 35% for more than 5 years; (2) 67% were between 26 and 50 years old; (3) 17% were female; (4) 7% were in administrative positions, 38% in professional/ individual contributor positions, 28% were supervisors/team leaders, and 26% were managers; (5) 35% had no direct reports, 42% supervised 1 to 12 others, 11% supervised 13–25 others, and 12% supervised 26+ employees; and (6) 3% had doctorates, 31% master's degrees, and 62% had university degrees. As these demographic factors (length of service, age, gender, responsibility level, number supervised, and education level) may affect the relationships of interest, stepwise multiple regression analysis was used to determine their effects on intention to leave and turnover.

Measures

All survey items were either standard items used in previous research, or created items intended to become part of composite scales (Stumpf et al. 2009; Tymon et al. 2010). The created items were developed through collaboration between the academic team and HR experts in India.

Because of some uncertainty associated with obtaining retention data at time 2 from all those sampled at time 1, retention was measured in two ways: the employee's intention to leave (time 1) and actually leaving up to a year later (turnover, time 2). While both measures are reported below, the focus is on turnover as this measure is directly applicable and can be generalized to other multi-country studies.

Sample items for the study variables are as follows: (1) Stakeholder Culture (Responsible Leadership Component)—This organization takes an active role in its community. This organization responds well to a diverse group of stakeholders. (2) HR Practices (Responsible Leadership Component)—Our performance appraisal programs are effectively used to retain the best talent. Our organization believes that all employees deserve to be actively managed as talent. (3) Managerial Support (Responsible Leadership Component)—My immediate manager gives me the support I need to do my job well. My immediate manager is good at developing people. (4) Pride in the Organization—I am proud to work for my organization. I am confident in this organization's ability to "do the right thing." (5) Satisfaction with the Organization—I would recommend my organization to my friends/colleagues as a great place to work. Overall, I am satisfied with my organization as an employer. (6) Intention to Leave—I intend to leave my current position within the next year. I plan to work at a different organization within a year. (7) Retention (turnover) was assessed 12 months after completion of the survey by determining if the respondents were still affiliated (coded 0) or no longer affiliated (coded 1).

The 24 survey items are noted in Appendix. They were analyzed using principle components factor analysis with Varimax rotation forcing a 6-factor solution. Items were responded to on a 7-point scale (1 = strongly disagree, 2 = somewhat disagree, 3 = slightly disagree, 4 = neither agree nor disagree, 5 = slightly agree, 6 = somewhat agree, 7 = strongly agree). All items except one were retained in their "expected" factor based on the simplicity and magnitude of the factor loadings, see Appendix, Table 3. The 6-factor solution accounted for 77% of the item variance. In two instances a retained item loaded above .40 on two constructs; however, the highest loading was on the intended factor. Scales were formed as the simple average of the designated items.

Analyses

Hypotheses 1, 2, and 3 were H1: The greater the employee perception of the employer having a positive stakeholder culture, the higher employee retention; H2: The greater the employee perception of comprehensive and formal HR practices, the higher employee retention; and H3: The greater the employee perception of positive managerial support, the higher employee retention. These three hypotheses were tested using simple correlation analysis. Two additional hypotheses state that employee pride in the organization (H4a) and satisfaction with the organization (H4b) mediate the relationship between responsible leadership and employee retention. Three conditions of a mediating variable are: (1) significant direct effects of the independent variable with the mediator, (2) significant direct effects of the mediator with the dependent variable, and (3) a decreased or near zero relationship of the independent variable with the dependent variable once the effects of the mediator are taken into account (Baron and Kenny 1986). Because the hypotheses focused on responsible leadership, not the three components, a composite index was calculated as the simple average of the three components.

As noted in the methods descriptions above, this research involved a large number of employees and many companies. As such, there are research questions that can be explored beyond those hypothesized. Several exploratory analyses were undertaken where previous research and theory were not available to support specific hypotheses, yet the findings might inform future research. Specifically, (1) Do the demographic variables meaningfully correlate with any of the study variables, and if so, are these relationships important to interpretation of the results? (2) What is the relative empirical importance of the three components of responsible leadership—do one or two components account for all the variance in other study variables? These two questions were addressed with stepwise multiple regression analyses. (3) Are turnover rates predictable based on employee perceptions of their company's responsible leadership actions and does this vary by company? (4) Are there moderating effects of pride in the organization and/or satisfaction with the organization separate from the mediating effects hypothesized? Multiple regression analysis with interaction coding was used to explore this question (Cohen and Cohen 1983).

Results

Positive Stakeholder Culture, HR Practices, Managerial Support, and Employee Retention

Study variable means, standard deviations, correlations, and Coefficient Alpha estimates of internal consistency are noted in Table 1. All study variables had acceptable internal consistency estimates of reliability and demonstrated a factor structure consistent with the content of each formed scale (see Appendix, Table 3). The strong correlations among the five independent variables (r's of .43 and higher) suggests that common method variance may detract from a clear interpretation of results. A high correlation between the two dependent variables—intention to leave and turnover ($r = .70$)—supports the efficacy of using intention to leave as a proxy of turnover.

Each of the components of responsible leadership—a positive stakeholder culture, HR practices that are fair and inclusive of all employees, and managerial support for the

Table 1 Means, standard deviations, correlations, coefficient alphas among the independent, mediating, and dependent variables

Variables	Stakeholder culture	Human resource practices	Managerial support	Responsible leadership	Pride in the org.	Satisfaction with org.	Intention to leave	Turnover
Stakeholder culture	.83							
Human resource practices	.62**	.90						
Managerial support	.48**	.51**	.94					
Responsible leadership				.95				
Pride in the org.	.74**	.56**	.43**	.68**	.82			
Satisfaction with org.	.69**	.68**	.55**	.76**	.76**	.81		
Intention to leave	−.28**	−.37**	−.30**	−.38**	−.35**	−.48**	.82	
Turnover	−.25**	−.34**	−.28**	−.35**	−.30**	−.46**	.70	na
Mean	5.43	4.52	5.38	5.21	5.94	5.47	3.68	.198
Standard deviation	1.15	1.58	1.40	1.14	1.00	1.29	1.64	.399

Coefficient Alphas in italics along main diagonal. A composite Responsible Leadership measure was calculated as the simple average of the means of stakeholder culture, HR practices, and managerial support

** $p \leq .001$; $N = 4{,}251$

development and success of employees—was significantly correlated ($p < .001$) with intention to leave (r's of −.28, −.37, and −.30) and turnover (r's of −.25, −.34, and −.28) as shown in Table 1. These results provide direct support of hypotheses 1, 2, and 3.

Mediating Effects of Pride in the Organization and Satisfaction with the Organization

Employee perceptions of their employer demonstrating responsible leadership were hypothesized to affect their pride in the organization and satisfaction with the organization, and that these mediating variables directly affect retention (negatively with intentions to leave and turnover). The first two conditions necessary to support a variable as a mediator were satisfied as noted in Table 1: (1) Significant and meaningful relationships between responsible leadership (a composite of stakeholder culture, HR practices, managerial support) and pride in the organization ($r = .68$) and satisfaction with the organization ($r = .76$), and (2) Significant and meaningful relationships between the mediating variables (pride in the organization, satisfaction with the organization) and intention to leave ($r = −.35$ and −.30) and turnover ($r = −.48$ and −.46).

The third condition requires regression of the dependent variables on both the mediator and independent variables to obtain the partialled effects of the independent variable on the dependent variable. To explore the mediating effect of pride in the organization and satisfaction with the organization on the relationship of responsible leadership with

employee retention separate stepwise multiple regression analyses were performed following the procedures outlined by Baron and Kenny (1986) and Cohen and Cohen (1983).

As shown in Fig. 1, relatively little support was found for hypothesis 4a for the mediating effect of pride in the organization. To the extent that pride in the organization is a mediator, the partialled coefficients would have decreased substantially. The decrease was small (but significant) for both intention to leave (P14.2 partialled direct effect = −.27 compared to $r = −.38$) and turnover (P15.2
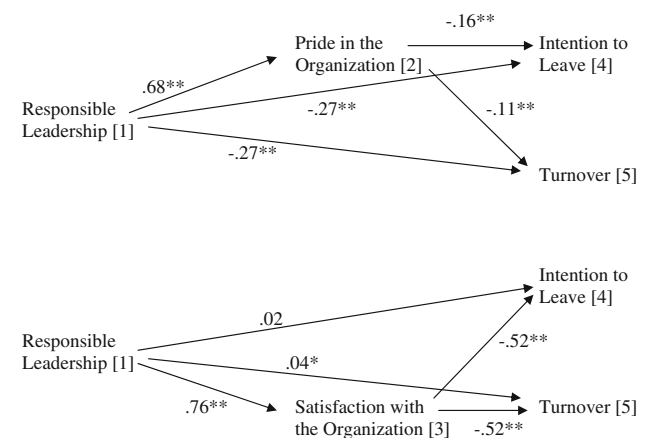

Fig. 1 Mediating effects of pride in the organization and satisfaction with the organization on the relationship of responsible leadership with talent retention. $N = 4{,}251$. Coefficients reported are partial betas with all preceding variables partialled. P12 signifies the path between variable 1 and variable 2. P14.2 signifies the path between variable 1 and variable 4 holding constant variable 2. *$p < .05$, **$p < .001$

partialled direct effect $= -.27$ compared to $r = -.35$). The indirect effects via the mediator were relatively small for intention to leave (product of P12 and P24 $= -.11$) and turnover (product of P12 and P25 $= -.07$). Since the direct effects decreased relatively little and the indirect effect via pride in the organization as a mediator was small, hypotheses 4a received only limited support.

Strong support was found for hypothesis 4b for the mediating effect of satisfaction with the organization with employee retention. The decrease was large for both intention to leave (P14.3 partialled direct effect $= .02$ compared to $r = -.38$) and turnover (P15.3 partialled direct effect $= .04$ compared to $r = -.35$). The indirect effects via the mediator for intention to leave (product of P13 and P34 $= -.40$) and turnover (product of P13 and P35 $= -.40$) were large. The relationship of responsible leadership with employee retention appears to be through its effect on one's satisfaction with the organization, and it is this satisfaction that affects retention.

Predicting Intention to Leave and Turnover Including Demographic Effects

Given a large and diverse sample, we undertook additional analyses to more fully understand the role of responsible leadership on talent retention with respect to six demographic variables: length of service, age, gender, responsibility level, number supervised, and education level. The results of regression analyses used to predict intention to leave and turnover are presented in Table 2. All Betas (standardized regression coefficients) reported in step 1 have all other demographics partialled. While half of the demographic variables were significant in predicting intention to leave and turnover, their cumulative effects were small—their inclusion in the regression equation resulted in an increment of only 2.5% of the accounted for variance in intention to leave, and 1.2% of the accounted for variance in turnover. Yet, the results support the following: intentions to leave and turnover were higher for those with a greater length of service, younger employees, and males.

To explore the relative weight of each of the five study variables, they were entered to yield a multiple R^2 of .25 for intention to leave, and .23 for turnover. As expected based on the mediator results reported above, the strongest predictor of intention to leave and turnover was satisfaction with the organization (Betas of $-.47$ and $-.52$, respectively). Once one's pride in the organization and satisfaction with the organization were taken into account, the employees' perception of a stakeholder culture had the

Table 2 Regression summary of fully partial betas for intention to leave and turnover

Regression equation	Intention to leave		Turnover	
	Beta	t	Beta	t
Step 1: control variables				
Length of service	.14	8.2**	.11	6.2**
Age	−.16	−8.8**	−.10	−5.4**
Gender (0 = male, 1 = female)	−.05	−3.5**	−.05	−3.6**
Responsibility level	−.01	−0.3	−.01	−0.4
Number supervised	−.04	−2.3	−.01	−0.8
Education level	−.02	−1.4	.01	0.7
Regression step 1	R^2	F	R^2	F
	.025	20.7**	.012	9.6**
Regression equation	Beta	t	Beta	t
Step 2: study variables				
Stakeholder culture	.13	6.0**	.14	6.5**
Human resource practices	−.11	−5.5**	−.09	−4.3**
Managerial support	−.05	−2.8*	−.04	−2.2
Pride in the organization	−.01	.3	.06	2.5*
Satisfaction with the organization	−.47	−19.3**	−.52	−21.2**
Regression step 1 plus step 2	R^2	F	R^2	F
	.254	131.4***	.230	116.3***

$N = 4{,}251$; * $p \le .01$; ** $p \le .001$

greatest unique effect of the three responsible leadership components; however, the relationship was positive, not negative as might be expected. This positive coefficient means that once the effects of stakeholder culture on pride in the organization and satisfaction with the organization are taken into effect, the remaining shared variance with intention to leave and turnover is positive.

Responsible Leadership, Employee Turnover Rate, and Company Turnover

To explore the predictive power of employee perceptions of responsible leadership on retention, the responsible leadership composite measure was used to identify three near equal mutually exclusive and exhaustive groups: low responsible leadership (means below 4.91, coded 1), moderate responsible leadership (coded 2), and high responsible leadership (means above 5.82, coded 3). These categories permitted segmenting the 32 corporate entities into low (12), medium (9), and high (11) levels of responsible leadership as perceived by their employees. Using this measure, the turnover rates were calculated for both employee retention (ignoring company) and average within-company turnover rate. Figure 2 presents the employee retention rate and average within-company turnover rate for high, medium, and low levels of responsible leadership. 36.8% of the employees who rated their organization as low in responsible leadership were no longer at the firm a year later. In contrast, only 8.5% of
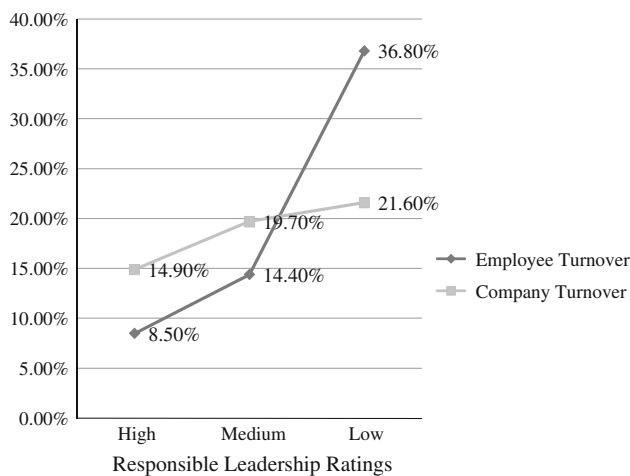
those who rated their firm as high in responsible leadership left within the year. The within-company turnover rates follow the same pattern with an average turnover rate for the companies perceived by employees to be low in responsible leadership of 21.6% with an average of 14.9% for those companies perceived to be high in responsible leadership.

Potential Non-Linear Effects of Responsible Leadership with Pride in the Organization and Satisfaction with the Organization

To examine whether pride in the organization and satisfaction with the organization had a moderator (or non-linear) relationship with responsible leadership and turnover (Baron and Kenny 1986), interaction terms were constructed as the product of responsible leadership with pride in the organization, and the product of responsible leadership with satisfaction with the organization (Cohen and Cohen 1983). As an exploratory analysis, turnover was regressed on both these variables and their interaction term. Pride in the organization and satisfaction with the organization were observed to interact with the composite responsible leadership construct. The results are presented graphically in Figs. 3 and 4, with the regression equation containing the interaction term, along with separate regression equations for low (coded 1), medium (coded 2),

Fig. 2 Responsible leadership, employee turnover rate, and within-company turnover. Employee turnover rate (% who left within 1 year) $N = 4,352$; Company turnover (annual turnover rates within the company) $N = 32$; Responsible leadership: High (mean $= 6.3$, SD $= .33$), Medium (mean $= 5.4$, SD $= .25$), Low (mean $= 3.9$, SD $= .83$); Pearson Chi-Square for Employee Retention was 413.6, $p < .001$; $\eta = .31$ and for Company Turnover was 26.2, $p < .001$; $\eta = .08$
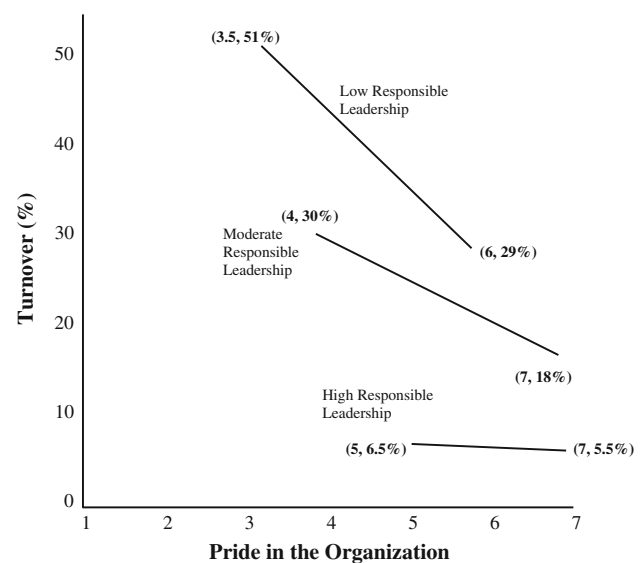

Fig. 3 Interaction effect of responsible leadership and pride in the organization with retention (turnover). Turnover $= 1.198 - .368$RL $- .137$ Pride $+ .044$ Pride $\times$ RL $(R^2 = .12)$. Linear equation for low Responsible Leadership: Turnover $= .83 - .09 \times$ Pride (Pride mean $= 5.2$, SD $= 1.21$), Linear equation for medium Responsible Leadership: Turnover $= .46 - 04 \times$ Pride (Pride mean $= 6.1$, SD $= .60$), Linear equation for high Responsible Leadership: Turnover $= .09 - .005 \times$ Pride (Pride mean $= 6.6$, SD $= .46$)
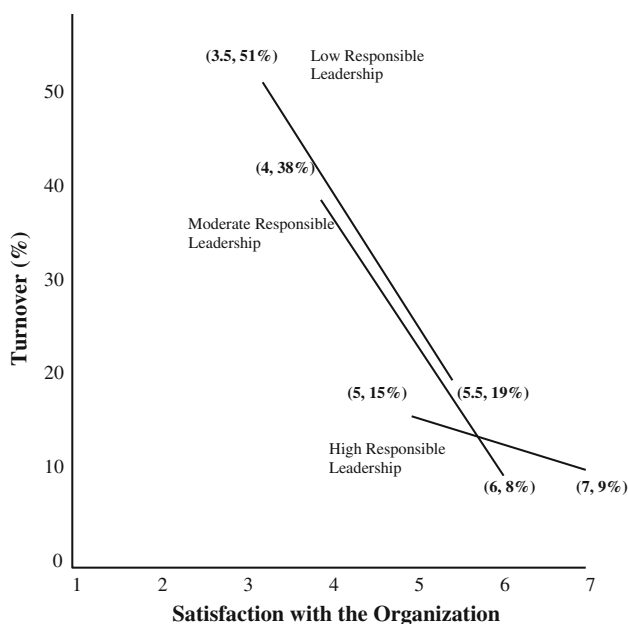
Fig. 4 Interaction effect of responsible leadership and satisfaction with the organization with retention (turnover). Turnover = 1.335 − .087RL − .216 Sat + .017 Sat × RL (R^2 = .22, F = 403.0). Linear equation for low Responsible Leadership: Turnover = 1.07 − .16 × Satisfaction (n = 1,418; satisfaction mean = 4.4, SD = 1.21), Linear equation for medium Responsible Leadership: Turnover = .98 − .15 × Satisfaction (n = 1,358; satisfaction mean = 5.5, SD = .74), Linear equation for high Responsible Leadership: Turnover = .30 − .03 × Satisfaction (n = 1,485; satisfaction mean = 6.2, SD = .5)

and high (coded 3) responsible leadership and the mean levels of pride and satisfaction reported below the figure. Having more pride in or greater satisfaction with one's organization (x-axis) is associated with retaining people as all three curves slope downward to the right—indicating lower levels of turnover. The size of this effect (slope of the three lines) varies significantly ($p < .001$) based on the level of responsible leadership experienced.

For pride in the organization, the lines representing three levels of responsible leadership vary significantly each from the other in slope and intercept ($p < .001$). For employees perceiving a low level of responsible leadership, any increase in their pride in the organization would be predicted to have a major effect on their staying with the organization for at least another year. The effect is somewhat less for those perceiving a moderate level of responsible leadership. Change in pride in the organization is predicted to have little or no effect on the retention of employees who already perceive the organization as high in responsible leadership.

For satisfaction with the organization the high responsible leadership varies significantly in slope and intercept from the other two ($p < .001$). Here there is no significant difference in the predicted effects of an increase in

satisfaction with the organization for employees perceiving low or medium responsible leadership—in both groups greater satisfaction with the organization would greatly increase their retention. For employees perceiving high responsible leadership, any increase in satisfaction with the organization would have a more limited effect on retention.

Contributions, Limitations, and Implications

Our results reinforce and underscore the critical role of responsible leadership for the retention of employees. Support was found for an employee perspective of responsible leadership based on three components. Responsible leadership includes the firm having: (1) a stakeholder culture which supports acting in an ethical and social responsible manner; (2) HR practices that are fair and inclusive of all employees; and, (3) managerial support for the development and success of employees. These components individually and collectively were related to the employees' pride in the organization, satisfaction with the organization, and retention. Importantly, it is employee satisfaction with the organization that strongly mediates the responsible leadership—retention relationship, and this relationship may not be linear.

Discussion

In our study, four times as many employees left who rated their organization as low in responsible leadership compared those who rated their firm as high in responsible leadership (36.8 vs. 8.5%). The average within-company turnover rates follow the same pattern but are less strikingly different (21.6 vs. 14.9%). These results suggest that there may be both individual and company effects—retention is both an individual and within-company decision. One interpretation of this finding is that companies that are high on responsible leadership will only get the full benefit of it in terms of employee retention if their actions are perceived by employees as meaningful ("high" based on our measures). In order for this to be accomplished, employers must successfully communicate and demonstrate their values and actions to employees. These values and actions are reinforced by employee pride and satisfaction with the organization in predicting both intention to leave and turnover.

Being perceived as exhibiting a stakeholder culture, having fair and egalitarian HR practices, and having leaders who are good role models and support the development and success of their employees were significant and meaningful correlates of intention to leave and

turnover (r's ranged from $-.25$ to $-.35$). Among these three components of responsible leadership, employees perceiving a greater stakeholder culture had the greatest unique effect in predicting intention to leave and turnover once pride in and satisfaction with the organization were considered. However, the unique effect once the mediating variables were taken into account was in the direction opposite to what might be expected. A "perfect" mediating variable would lead the direct effect between those variables it is mediating to be zero, not a reverse in the co-variation in the relationship. Demonstrating a stakeholder culture included employees believing that the company takes corporate social responsibility seriously (e.g., commitment to one or more social causes), takes an active role in its community, takes ethics seriously, and responds well to a diverse group of stakeholders. It may be that once the effects of these stakeholder cultural factors have enhanced the employees' perceptions of pride in the organization and satisfaction with it, some employees may then perceive the organization being overly focused on non-profit making social actions—and are more willing to leave as a result. Yet, the overall results support making responsible leadership attitudes and behaviors (among others) visible to employees as a way to increase retention.

Implications for Research and Practice

There is ample research of other correlates of employee pride in and satisfaction with the organization not studied in this research (e.g., organizational commitment, compensation). Attending to such variables to increase employee pride and satisfaction is also a viable strategy to increase employee retention. Yet, if one is either unable or unwilling to affect such variables (e.g., raising compensation), the strong effects of responsible leadership with pride in the organization and satisfaction with the organization in predicting turnover provide an alternative strategy. Having employees perceive responsible leadership somewhat reduces the effects of increases in pride in the organization, or employee satisfaction with the organization on employee retention. The worst situation to be in is having unsatisfied employees (means below 4.0 in this research) and moderate or low levels of responsible leadership as the employee retention rates were observed to approach 50% annually (see Fig. 2). One might speculate a rather devastating effect on employee health and well-being for work groups experiencing this level of turnover.

Our research contributes to the literatures on responsible leadership and HR management by extending many findings from Western organizations to organizations operating in India, and in offering a definition and operationalization of responsible leadership within the context of what employees' value in their employer, its HR practices, and

their leaders. In addition, it contributes to broader discussions about the role of CSR, reputation, and stakeholder perceptions and support of the organization (Barnett and Hoffman 2008).

Limitations

This research was a large, longitudinal survey study involving 9,301 randomly identified employees and 32 corporate entities operating in India. To be clear, however, our sample is not random in the traditional sense and may not be representative of the population of firms, although the sample of employees within firms was random. The high employee response rate (4,352 employees with complete data, 46.8%) reduces the concern when conducting survey research that those who respond are different with respect to the study variables than those that did not respond. Yet, non-responders could hold different views than those that did respond. The high intercorrelations among some study variables raises questions as to whether or not each construct was being interpreted as "separate" from the others in the minds of the respondents. Constructing a responsible leadership construct and focusing on turnover assessed a year later reduces the confound associated with interpreting the unique effects of highly correlated independent variables.

Conclusions

Research investigating the relationships among the study variables has rarely been conducted in India. This study offers evidence of the important effects of responsible leadership and its structural components in a major emerging market country. The analysis also provides the basis for future research on this topic of growing scholarly and practical importance.

Appendix: Responsible leadership survey dimensions and items

Stakeholder Culture (Responsible Leadership Component)

> This organization takes an active role in its community.
> This organization takes ethics seriously (e.g., is committed to ethics training).
> This organization responds well to a diverse group of stakeholders.

This organization takes corporate social responsibility seriously (e.g., has a clear policy that reflects its commitment to one or more social causes).

Human Resource Practices (Responsible Leadership Component)

Our performance appraisal programs are effectively used to retain the best talent.

Our compensation programs are effectively used to retain the best talent.

Our organization believes that *all* employees deserve to be actively managed as talent.

Our organization's program for high potentials helps in talent retention.

The company has a formal "high potential" program—people know what they need to do to get into it and to advance within it.

Managerial Support (Responsible Leadership Component)

My immediate manager leads by example.

My immediate manager gives me the support I need to do my job well.

My immediate manager is effective.

My immediate manager is good at developing people.

Pride in the Organization

I am proud to work for my organization.

I speak highly of my organization's products and services.

I am confident in this organization's ability to "do the right thing."

I am proud of this organization's reputation.

Table 3 Factor loadings of study variables

Actual item number	Factor component					
	HR practices	managerial support	Pride in the org.	Stakeholder culture	Intention to leave	Satisfaction with org.
VAR28	.235	.240	.177	**.743**	.060	.221
VAR32	.295	.211	.369	**.626**	.113	.005
VAR35	.284	.222	<u>.427</u>	**.570**	.083	.031
VAR40	.228	.067	.249	**.780**	.051	.217
VAR61	**.792**	.242	.148	.171	.142	.166
VAR62	**.818**	.185	.119	.149	.130	.152
VAR63	**.728**	.201	.250	.238	.140	.164
VAR64	**.840**	.183	.183	.204	.134	.161
VAR65	**.802**	.184	.155	.231	.092	.150
VAR27	.199	**.855**	.104	.148	.073	.095
VAR30	.168	**.865**	.107	.110	.109	.141
VAR34	.194	**.884**	.157	.139	.108	.104
VAR41	.250	**.848**	.134	.156	.108	.152
VAR25	.195	.186	**.648**	.217	.149	.381
VAR36	.146	.121	**.855**	.177	.092	.062
VAR37	.293	.167	**.659**	.356	.126	.215
VAR43	.170	.092	**.643**	.379	.079	.336
VAR39	.314	.206	<u>.443</u>	.351	.155	**.483**
VAR44	.323	.321	.276	.152	.242	**.611**
VAR45	.272	.175	.233	.159	.348	**.638**
VAR46	.367	.224	.374	.281	.221	**.605**
VAR26	−.147	−.113	−.096	−.082	**−.807**	−.207
VAR38	−.109	−.078	−.083	−.022	**−.847**	.010
VAR42	−.140	−.114	−.102	−.090	**−.835**	−.231
% of variance	17.7	15.3	13.0	11.6	10.5	8.6

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Coefficients in bold loaded above .40 on the expected factor and were included in that dimension. The underscored coefficients under the Pride in Organization heading (VAR35 and VAR39) were NOT included in Pride; they were included in the factor receiving the highest loading. VAR45 was deleted from the scale as its content was ambiguous as to whether is was a satisfaction or intention to leave item

Satisfaction with the Organization

I would recommend my organization to my friends/colleagues as a great place to work.
Overall, I am satisfied with my present job.
I expect to be a part of this organization two or more years from now (subsequently deleted from the scale).
Overall, I am satisfied with my organization as an employer.

Intention to Leave

I am actively looking for alternative employment.
I intend to leave my current position within the next year.
I plan to work at a different organization within a year.

Retention (Turnover)

Retention was assessed 12 months after completion of the survey by determining if the respondents were still affiliated (coded 0) or no longer affiliated (coded 1) (Table 3).

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