

Talent Repellents in Business Processing Outsourcing Industry

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Abstract

Over the past decade, the Indian IT-BPO sector has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation. 'People are our greatest asset' is a mantra that companies have been chanting for years. But only a few companies have started putting Human Resources Management (HRM) systems in place that support this philosophy. The issue of employee attrition/turnover has been found to be making huge economic impact on the organizations. High attrition is one of the major challenges faced by IT/BPO sectors. Also it is a noteworthy hidden cost in a business and can amount to as much as six months' salary and there are also other costs such as the negative impact to company's employment brand. The costs of this turnover not only have an impact on organizations but also would affect the morale of the stayers. In this research, a humble attempt has been made to understand the factors causing attrition at various levels of an organization and remediate the phenomenon.

Keywords: Attrition, Job discrepancy, Employer – employee relationships, Ethics

1. Introduction

Employee turnover is an enormous problem for any company and creates negative bottom-line impacts. The costs associated with employee turnover show up in such areas as advertising for new employees and the time and money necessary to screen the applicants, training new employees, lost productivity, decreased accuracy and quality of work among the employees left behind who are upset about their colleague's departure, using expensive contract and temporary employees to do the work until a permanent employee is hired, and the expenses associated with replacing lost business.

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Employee turnover costs can amount to thousands of dollars, annually. It can also prevent companies from pursuing their growth opportunities and acquiring new business & Attrition rate is the rate of shrinkage in size or number.

Types of attrition

- *Market driven* – based on the demand for a particular skill or ability in temporarily low supply (self-correcting in normal markets). The typical initial reaction by employers to market driven attrition is to increase wages, offer better benefits, escape the market by relocation or site migration or relax hiring standards.
- *Workload or stress driven* – on the actual capacity to perform the work required. This is when there are not enough of the right people.
- *Process driven* – variables associated with job design and/or the organization. In some industries and organizations there is a belief that attrition has always been there and always will be there. Addressing this scenario produces the most lasting results.

Attrition cycle & drivers

Typically, in organizations experiencing systemic or chronic attrition, a cycle develops as: Attrition normally brings decreased productivity. People leave causing others to work harder. This contributes to more attrition, which contributes to increasing costs, lower revenue. This often forces additional cost reductions and austerity measures on an organization. This in turn makes working more difficult, causing the best performers with the most external opportunities, to leave.

There are two primary drivers of voluntary attrition. These are, no one likes to feel inadequate and, in most organizations, it is easier to leave than stay and try to alleviate the problem. People feel inadequate when communication is either incomplete or unreliable.

Choices are either absent or insufficient. Often, the challenges in these situations are unclear, unsatisfying or overwhelming. People will give up trying to change things when promises are not specific, not kept or are not fulfilled in a timely manner. Additionally, when expectations are thwarted, changed arbitrarily or unfulfilled, people will lose motivation.

Other common de-motivators are when commitments are unacknowledged, vague or incompatible. Rarely do organizations create environments where employees can meaningfully participate in activities, which will reduce turnover. Attrition is commonly thought of as people terminating employment. Another form of classifying types of attrition is:

- Empty chair attrition: Employees quit and leave
- Warm chair attrition: Employees quit and stay.

“The rate of shrinkage in size or number of employees” is known as attrition rate. It is usually expressed in percentage. An attrition rate also known as churn rate, can be a measure of two things. It can be a measure of how many people leave over a certain period of time or how many employees leave over a certain period of time.

2. Industry profile

Business process outsourcing

In Business Process Outsourcing (BPO), a specific business function is outsourced to a third party service provider. Earlier, manufacturing firms used to opt for business process outsourcing. But nowadays, service oriented firms’ contract operations of a business function to third party service providers.

Classification of BPO

BPO can be classified under two categories: back office outsourcing and front office outsourcing. Back office outsourcing involves business functions like billing and purchasing. Front office outsourcing includes functions like marketing and technology support.

Offshore and onshore

Onshore business process outsourcing is a term used when work is outsourced to a service provider located in the same country. Contrary to this we have offshore business process outsourcing where work is outsourced to a company located in a different country.

Size of BPO industry

According to McKinsey, global business process outsourcing industry is estimated to be worth about \$122- \$154 billion. Major business operations and functions outsourced to third party service providers include retail banking, insurance, finance, accounting and HR, and travel or hospitality.

Top BPO destinations in the world include countries like India, Philippines, Morocco, Egypt, and South Africa. Business operations and functions are also outsourced to China and Eastern European countries. India accounts for about 5-6 percent of total BPO industry. But it holds a lion’s share (63%) as far as offshore division of BPO industry is concerned.

High Attrition is one of the major challenges faced by IT/BPO sectors. Also it is a noteworthy hidden cost in a business and can amount to as much as six months’ salary and there are also other costs such as the negative impact to company's employment brand. The costs of this turnover not only have an impact on organizations but also would affect the morale of the stayers. Prior research has examined the costs of an employee's decision to voluntarily leave an organization. In the ITES/BPO sector, however voluntary turnover is reaching alarming proportions. Employee turnover reflects a company's

internal strengths and weaknesses. All this has a significant impact on the strength of a company in managing their business to gain competitive advantage. It becomes very important to study this questionable nature of large-scale attrition, as India most preferred destination to start ITES/BPO companies. An attempt has been made in this research to investigate on the employee turnover antecedents of ITES/BPO sector in India. The more the people leave an organization, the more it is a drain on the company's resources like recruitment expenses, training and orientation resources and the time.

The business process outsourcing industry in India is growing at a phenomenal pace. Exports were worth \$ 5.2 billion in 2004-05, growing at 44.5 per cent, and are projected to have 41 per cent growth in 2005-06 to \$ 7.3 billion (NASSCOM).

3. Review of literature and research design

3.1. Review of literature

Employee turnover affects the whole organization in terms of productivity (Bernardin, 2009). Turnover is defined "as an individual motivated choice behavior" and has been a widely studied outcome variable in industrial and work psychology literature for over a long period by now. Managing the turnover, hence, becomes an important task. When asked about why employees leave, low salary comes out to be a common excuse (Armstrong Kogan, 2009).

(Borkowski, 2005) say that the organization must first understand what types of things will motivate their staff because what works for one individual may not be a reward that is desirable to another individual. A lack of proper training on the new skills necessary for direct care staff has increased the stress that employees feel and has led to increased turnover and low morale among workers (Larson and Hewitt, 2005). Direct support professionals voices from the frontlines says that additionally, 62% of individuals stated the conduct of other workers, high turnover, and lack of support and recognition, all contributed to an extremely stressful job and providing services to clients served even more difficult (NYSACRA, 2009).

(Mary, 1995) opined that the better the match between recruits and the organization the more likely you are to retain them. According to (Zineldin, 2000), it is a commitment to continue to do business or exchange with a particular company on an ongoing basis. Employee retention refers to the efforts by which attempt of employers is to decrease employee turnovers, training costs, and loss of talent. By implementing lessons learned from key organizational behavior concepts employers can improve retention rates and decrease the associated costs of high turnover.

3.2 Statement of the problem

Over the past decade, the Indian IT-BPO sector has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation. 'People are our greatest asset' is a mantra that companies

have been chanting for years. But only a few companies have started putting Human Resources Management (HRM) systems in place that support this philosophy. The issue of employee attrition/turnover has been found to be making huge economic impact on the organizations. The average costs of replacing today's defecting work force are eating away the profitability of even the healthiest organizations. Karnataka has witnessed exceptional growth in the IT services and product companies proving to be a large employment base for the state's engineering graduates. Bangalore is the choice destination for more than 450 MNCs, 66 global Fortune 500 companies apart from innumerable home grown companies. The IT-BPO industry in Karnataka state in India has become one of the main pillars of the local economy. Karnataka stands first among all the states of India in terms of revenue generated from exports. The achievement has earned Karnataka's capital city, Bangalore the sobriquet of Silicon Valley of India. This is because of the presence of major technology companies in Bangalore and the revenue and employment generated by them. Though most software companies are located in Bangalore, some have expanded in other cities like Mysore, Mangalore and Hubli in Karnataka. This favorable situation has led the researcher to select Karnataka as one of the population base. The biggest problem faced by BPO organizations located in Karnataka today is the increased employee attrition, which varies between 20%-50%. Bangalore has one of the highest attrition rates, next only to Shanghai, particularly in the information technology sector, an attrition survey has shown. An analysis of the talent Neuron Research Survey conducted by Zinnov showed that the other cities having high attrition rates are Mexico City, Budapest, Moscow and Silicon Valley. The population of the study includes the employees working in the BPO sector organizations located in the states of Karnataka. A comprehensive study to identify the critical factors causing high employee attrition in the BPO sector in Karnataka state has been found to be the need of the hour. Also there existed a strong need to make an in-depth study on the factors causing high employee attrition in the BPO sector companies located in Karnataka state. This study is an earnest attempt to make a detailed analysis of the above issue.

3.3 Objectives of the study

- To understand the attrition scenario in ITES sector of Bangalore region
- To study various factors contributing to attrition of ITES sector
- To ascertain the impact of employer – employee relationship on attrition
- To evaluate the infant attrition scenario in ITES sector
- To suggest measures to minimize attrition in the ITES sector

3.4 Research design

Type of research

The study will be descriptive in nature

Population

Employees who are working in ITES sector in Bangalore City

Sample Size

The sample for the study would be limited to 105 respondents.

Sampling Unit

For this study the respondents will be the employees of ITES sector

Type of Sampling

Simple random sampling method will be used for the study.

Tools of data collection

The primary data required for the study have been collected from select employees working in BPO organizations located in Bangalore. Primary data will be collected using a well-structured questionnaire has been developed and pre-testing of the questionnaire has been done. The secondary data related to the study are collected from different sources including text books, articles published in journals, newspapers, periodicals National Association of Software Companies (NASSCOM) websites, Mckinsey study reports company websites, government's IT department sites doctoral research thesis and various other related sites.

Hypotheses stated for the study*Hypothesis 1*

Null Hypothesis (H₀): Gender and attrition are independent of each other

Alternative Hypothesis (H₁): Gender and attrition are not independent of each other

Hypothesis 2

Null Hypothesis (H₀): Income level and attrition are independent of each other.

Alternative Hypothesis (H₁): Income level and attrition are not independent of each other.

4. Data analysis and interpretation*Hypothesis 1*

Null Hypothesis (H₀): Gender and attrition are independent of each other

Alternative Hypothesis (H₁): Gender and attrition are not independent of each other

Chi-Square tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.408 ^a	4	.843
Likelihood Ratio	1.476	4	.831
Linear-by-Linear Association	.200	1	.654
N of Valid Cases	105		

From the above table the Chi-Square value is 1.408, Degree of Freedom is 4 and significance is 0.843. Since significance level is more than 0.05. Thus, null hypothesis accepted that is gender and attrition are independent of each other

Inference

The research infer that the main reason for attrition is not only the gender, there are other reason like salary structure, working culture, reward system, recognition and lack of facilities that can overall contribute to attrition. The other factors that involved are not directly related to gender differences; hence the same cannot be attributed to be a cause for attrition that can be spread out through an organization.

Career growth, compensation and supervision are the most important reasons which contribute to attrition. Due to monotonous nature of the job, employees change their jobs frequently and the average period is two years. In a human resource context, attrition is the rate at which an employer gains and losses employees. Simple ways to describe it are 'how long employees tend to stay' or 'the rate of traffic through the revolving door'. Attrition intent is an employee's conviction to leave his organization. Attrition intent generally results in actual turnover. High attrition can be harmful to a company's productivity if skilled workers regularly leave the organization and the workers population contains a high percentage of novice workers. In addition, the employees who remain in the organization also experience lower satisfaction owing to turnover of their colleagues.

Hypotheses 2

Null Hypothesis (H₀): Income level and attrition are independent of each other.

Alternative Hypothesis (H₁): Income level and attrition are not independent of each other.

Chi-Square tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.465 ^a	16	.062
Likelihood Ratio	23.257	16	.107
N of Valid Cases	105		

Data analysis

From the above table 2.25.2 the Chi-Square is 25.465a, Degree Of Freedom is 16 and significance is 0.062. Since significance level is more than 0.05. Thus, Null hypothesis accepted that is income level and attrition are independent of each other.

Inference

The research concludes from the above table that income is not main cause for attrition. There are other reasons like ambience, quality of work life and motivation.

The research infer that the main reason for attrition is not only the income, there are other reason like salary structure, working culture, reward system, recognition and lack of facilities that can overall contribute to attrition. The other factors that involved are not directly related to income; hence the same cannot be attributed to be a cause for attrition that can be spread out through an organization.

5. Findings, suggestions and conclusion

Findings

- The study has found that 51% of respondents from presidential level 34% of respondents from higher management level
- It is observed that 46% of respondents possess salary between 0-2, 00,000.
- From the survey it is found that, 39% of the respondents said attrition rate is there between 30%-40%.
- From the survey it is found that, 26% of other (operation, quality assurance, IT, administration, training, etc.) departments having highest attrition rate and second most 22% of business transformation and technologies department having highest attrition rate.
- It is observed that 41% of the respondents Agree that attrition affects other process in the organization
- It is found that 47% attrition exists in the Middle Level of management was and 43% Second most attrition exists in the Lower Middle Level of management.
- It is found that 51% of the respondents Agree that Attraction for the better salary packages elsewhere is contributing to the attrition in an organization.
- It is found that 42% of the respondents agree that stagnation in career path is contributing more to the attrition in an organization.
- It is found that 42% of the respondents agree that long duty hours are contributing more to the attrition in an organization.
- It is observed that 37% of the respondents Agree that night shifts is contributing more to the attrition in an organization
- It is observed that 39% of the respondents agree that unfavorable HR policies is contributing more to the attrition in an organization
- It is observed that 33% of the respondents agree that monotonous work which offers no challenge is contributing more to the attrition in an organization.

Suggestions

- As maximum number of employees has left the company for better salary so company should give hike in their salary at regular time interval.
- As per their salary the work load is too much for employees so the company should decrease the work load for employees.
- Conduct "stay interviews," in which managers let people knows how important they are to the company and ask what kinds of things will keep them. Employees should ask for solicit feedback on the work environment.
- Many employees have suggested ethical practices and transparency can minimize the attrition in this survey. So the companies should give attention to the factors which it can improve itself internally.
- Operation, quality assurance, IT, Administration, training departments having high attrition. So concentrate on those departments.

- The companies should conduct regular meetings to know about what exactly employees expect. Organizations should focus on exit interviews.
- Attend to concerns about the uneasy relationship with peers and managers. Cultivate friendly, supportive relations.
- Share information with employees about the company's strategic direction and plans.
- It is observed that 38% of the respondents agree that lack of promotion is contributing more to the attrition in an organization.
- It is observed that 33% of the respondents agree that higher education is contributing more to the attrition in an organization.
- It is observed that 41% of the respondents agree that Insufficient lave is contributing more to the attrition in an organization.
- It is observed that 32% of the respondents agree that physical & psychological is contributing more to the attrition in an organization.
- It is observed that 39% of the respondents neutral that no personal life factor is contributing more to the attrition in an organization

Conclusion

Based on the findings of the study, it can be concluded that most of the employees possess salary of 0-2, 00,000. Other major findings are that attrition exists in the middle level of management. Attraction for the better salary packages elsewhere was a major factor that greatly contributed to high attrition rates in the organization. From this study it observed that operation, quality assurance, IT, Administration, training departments having high attrition. The study also found out that one of the critical parameter is most of the respondents resigned with probation or with six months of association with the employer. Therefore the human resource management failed to identify the core reasons that influenced employees to leave the organization. Lack of competitive reward program greatly contributed to high employee attrition rates in the organization since the organization's reward package was not competitive and also lacks the elements of Totality in its reward system. Finally it can be concluded that the attraction of better salary, lack of rewards, lack of benefits, long duty hours and uneasy relationship with peers and managers are contributed more high employee attrition. Benefits which were given to employees for retention were not satisfactory. Other strategies like alternative work schedule, leave benefits, employee assistance program are not offered to the employees. Career BPO is not viewed as secured in long term basis. Stagnation in the career and long duty hours are viewed as a problem. This is job insecurity in the organization. Working hours are not satisfactory. Other facilities like cafeteria, transport and hygienic food are not available to the employees. Respondents' opinion that communication with the employer is facilitated the organization, job description, ethical practices and transparency, rewards and recognition can minimize the attrition.

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