PERSPECTIVES ON ADDRESSING HIGH EMPLOYEE ATTRITION IN BPO INDUSTRY- A CASE APPROACH

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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, in addition to becoming the global brand ambassador for India. Business Process Outsourcing (BPO) is the delegation of one or more IT – intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. One of the major problems faced by BPO sector is the increased employee attrition. Employee attrition is a reduction in the number of employees through retirement resignation or death. The present average attrition rate in this sector is 20-45 percent which is still a challenge for the HR managers. The objectives of the study includes: study the factors causing high employee attrition in BPOs, study the difference in perceptions of the causes of high employee attrition in BPO's, identify the critical& non-critical factors, identify the stress related, compensational and non-compensational factors, which causes high attrition in the above sector, suggest workable for addressing the high employee attrition caused by the above factors, suggest retention strategies for effective and efficient management of BPOs. The study has been conducted choosing a sample of 110 BPO employees working in Bangalore and Manipal chosen from a population of 1150 employees. A well designed self administered questionnaire has been used mainly for collecting the primary data. The collected data has been tabulated and descriptive analysis has been done using various statistical tools such as percentage bars, pie diagrams, etc. After analysis, the factors have been grouped under the Critical and non-critical factors, Stress related factors, Compensational factors, Non-Compensational

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Factors. The grouping and the study of the factors under stress related, compensational and non-compensational categories will lead to an in-depth understanding of the problem.

Key Words: *Business Process Outsourcing, Employee Attrition, Critical and Non critical factors.*

Introduction

India has enormous opportunities emerging from globalization and consequent lowering of tariff barriers. Information Technology has given India formidable brand equity in the global markets. Indian BPO companies have a unique distinction of providing efficient business solutions with cost and quality as an advantage by using state of art technology. Through joint efforts of Government and the Industry, software development and IT enabled services have emerged as niche opportunities for India in the global context.

Enterprises today are focused on identifying new opportunities and innovations to sustain and maximize growth. Human Capital is the most crucial resource on which the Information Technology &Information Technology Enabled Services (IT&ITES) depends.

Concept of Business Process Outsourcing (BPO)

Webster's Universal Dictionary meaning: "Outsourcing" is: "A company or person that provides information; to find a supplier or service, to identify a source".

Outsourcing is a journey of two organizations seeking jointly to overcome predictable challenges" says William B. Bierce, and Kennerson, P.C

Business process outsourcing (BPO) is the delegation of one or more IT – intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. It is the long term

contracting out of non-core business processes to an outside provider to help achieve increased shareholder value. Nakkiran S, John Franklin D (2005)].

Outsourcing is made up of two words – 'out' and 'sourcing'. Sourcing refers to the act of transferring work, responsibilities and decision rights to someone else. We must source out work because there are others who can do it cheaper, faster, better and because we have other, more important, demands on our resources. It will be futile for a manager to expel efforts booking a business trip, as it involves intricacies such as finding flights, booking hotel rooms, reserving a rental car that, need not be remunerated at the manager's salary. Every minute a manager spends on this administrative task is a minute taken away from doing his or her real work. The organization will run at a loss by having a manager conduct the administrative task rather than sourcing it to an individual who is costing the organization less in terms of salary. Hence costs, both real (the salary) and opportunity (the time, attention and effort), are important determinants in the sourcing decision. Besides efficiency, outsourcing also helps get work done more effectively.

Components of outsourcing:

Project
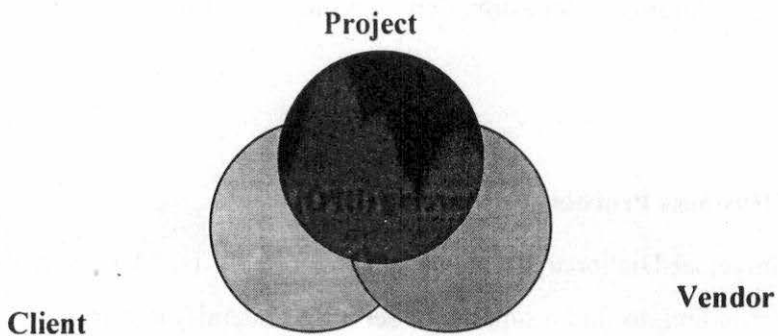
Client

Vendor

The Client

A client is the person or organization that would like to outsource a given project. Normally, this entity is thinking about utilizing outsourcing as a strategic tool.

The Vendor

The vendor is the service provider who will take over and conduct the outsourced work. Vendors come in many shapes and sizes. For instance, a vendor can be an external organization

The Project

The third component is the actual work being outsourced. In the past, the most common form of such work was manufacturing or labor-intensive projects. Today, however, there is move towards the outsourcing of more complex forms of work, such as software development or R & D., Mark .J. Power, Kevin. C. Desouza, Carlo. Bonifazi (2008).

Out sourcing is not a new phenomenon. Adam Smith wrote about it 200 years ago. The theory of 'Cost Advantage' and Michael Porter's 'Value chain concept actually paved the way for BPO. According to McKinsey study (2004) giant US pharmaceutical firms can reduce the cost of developing a new drug currently estimated at between US $ 600 million and US $ 900 million by as much as US $ 200 million, if development work is outsourced to India. The trend of outsourcing customer support services (also called as call centers) to India began in 1998, when GE established a facility in Noida. The two major attractions of India were the potentially huge size of Indian market, and the availability of an educated, skilled, English speaking scientific and technical talent at competitive wages.

Indian BPO Export position from 2008-2011

Financial year	Exports (USD bn)	Domestic (INR bn)
FY 08-09	47.1	590
FY 09-10	49.7	662
FY 10-11 (outlook)	56-57	761-775

Source: www.nasscom.org

Benefits derived from BPO are productivity improvements, focus on company's core business, achieve cost reductions, gain greater internal flexibility, achieve world-class standards/benchmarks, achieve revenue enhancements, gain access to advanced technology, meet changing customer demands, obtain outside expertise, maintain competitive edge, improved service quality, improved performance, profitability & shareholder value. V. Anandkumar &Subhasish Biswasb (2008).

Research Issue:

The Problem of Attrition

The BPO Industry in India is growing at a phenomenal pace. According to McKinsey study (2004), India now accounts for 28% of IT and BPO talent among 28 low cost countries.

Employee attrition is a reduction in the number of employees through retirement, resignation or death. A Nasscom Associates survey (2004) says that the cost of attrition in the industry is 1.5 times the annual salary. The loss of key employees, even in small numbers, can be devastating to a company. The costs of unplanned attrition can be catastrophic for a company's well-being. The average costs of replacing today's defecting work force are eating away the profitability of even the healthiest organizations. Not only does attrition hamper the growth of business, it also creates an organization with no values. A comprehensive study for addressing the high employee attrition in the BPO organizations located in Karnataka by focusing on the identification of the attrition factors has not been done in the recent past. Hence, an attempt in this direction is the need of the hour, given the attrition rate of 20-45 percent.

Objectives of the study:

The present study has been done with the following objectives.

- Assess the nature and state of employee attrition in BPOs/Call Centers.
- Study the factors causing high employee attrition in BPOs/Call centers.

- Study the difference in perceptions of the causes of high employee attrition in BPO/call centers
- Identify the stress related, compensational and non-compensational factors.
- Identify the critical& non-critical factors which causes high attrition in the above sector
- Suggest workable / suitable measures for addressing the high employee attrition caused by the above factors.
- Suggest retention strategies for effective and efficient management of BPOs.

Literature Review:

The dynamic nature of human resource management in IT &ITES sector has inspired many researchers to study the various issues related to the high employee attrition in BPO industry. Many studies have been conducted on studying the nature and state of high employee attrition in BPO industry and also in addressing the serious attrition problem.

The article Mike (2009) says that Staff attrition (or turnover) represents significant costs to technology and business process outsourcing (BPO) companies. High attrition rates drive up training costs, and increase human resources, recruiting, and productivity costs. They also increase the prospect of customer service complaints or quality problems, and create substantial continuity problems for longer-lived projects.

The Article Radhika (2008) explains that 40 % attrition happens in first 120 days of hiring. The cost of replacing a front-line employee, even by conservative estimates, is roughly 0.41 times his/her salary .She says that your best bet therefore would be to curb attrition not fuel it where it hurts the most! "Develop 'retention matrix' to keep track of and continue to reward your best performs," Research conducted by Chaudhuri (2007) shows that the causes of turnover in the Indian software industry are unchallenging work environments, long working hours, limited career growth, less promotional opportunities, lack of proper leadership, non attractive compensation packages, job opportunities elsewhere and poaching of talent by the competitors. Indeed, voluntary turnover,

popularly termed 'job hopping', has been a persistent problem for human resource management practitioners.

The *research paper* www.docstoc.com/docs (2009) describes the *causes* of job hopping in the Indian *BPO* sector which have been rising disastrously due to the *high attrition* rate in the *BPO* industry. The Article Vivek Kumar (2008) says that the present salary package in BPO industry is not as lucrative as compared to other industries.

Research Methodology:

The study has been conducted choosing a sample of BPO employees working in Bangalore and Manipal. A sample size of 110 was selected from employees of 3 BPOs namely Cambridge Integrated Services, Axes Online Private Limited, OCWEN Financial Services Private Ltd., located in Bangalore and two call centers namely International Business Machines (IBM), Daksh located in Bangalore and Manipal Informatics Ltd. Manipal. The population of the study includes 1150 employees chosen from 3BPOs and 2 Call Centers and the sample size is 110 selected on the basis of convenient sampling technique. A well designed self administered questionnaire has been used for collecting the primary data.

Also personal discussions and deliberations with employees within the level starting from entry level to team leader have been conducted for this purpose. Responses on each factor have been taken for all the 30 factors with the chosen sample of 110

The secondary data has been collected from different sources namely websites, articles and journals and text books. The data has been tabulated and descriptive analysis has been done using various statistical tools such as percentage bars, pie diagrams, etc. Likert type 5 point scale (summated scale) was used to convert qualitative nature of the data into quantitative type. The summated scale consists of a number of statements which express either a favorable or unfavorable attitude towards the given object to which the respondent is asked to react. The respondent indicates his agreement or disagreement with each statement in the instrument. Each response is given a numerical score,

indicating its favorableness or un favourableness, and the scores are totaled to measure the respondent's attitude.. Each factor response is tabulated and descriptive analysis of each factor has been done.

Data Analysis:

The primary data collected by administering the Questionnaire has been codified and tabulated. Descriptive analysis has been done using various statistical tools such as percentage bars, pie diagrams, etc.

Each factor response is tabulated and descriptive analysis of each factor has been done. After analysis, the factors have been grouped under the following heads:

1. **Critical and non-critical factors**
2. **Stress related factors**
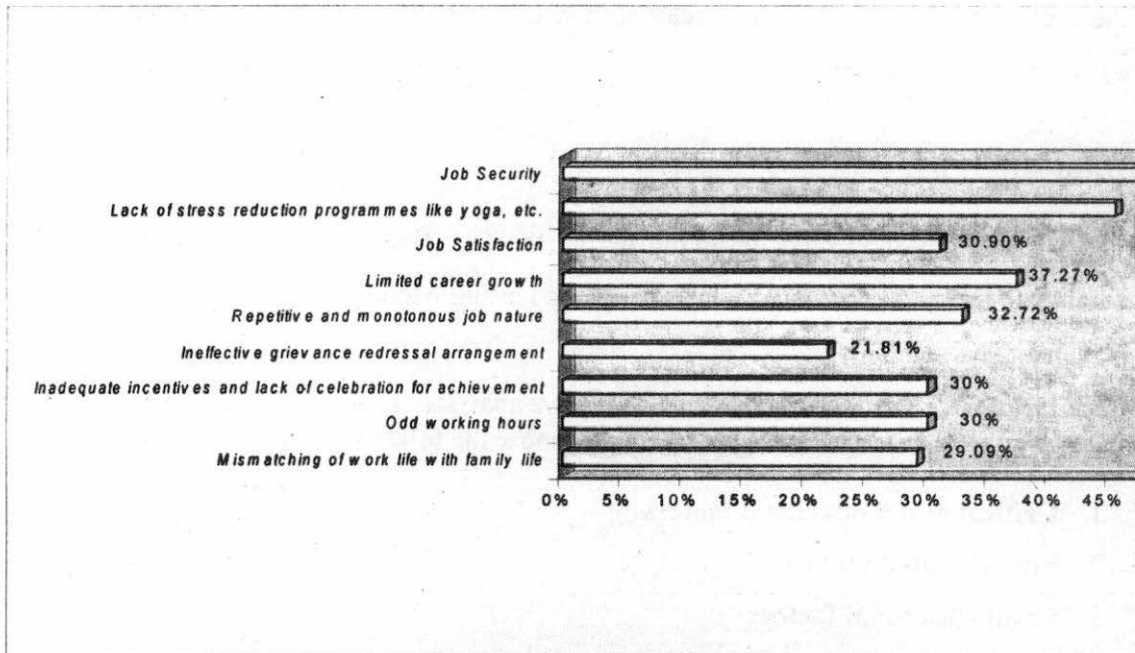3. **Compensational factors**
4. **Non-Compensational Factors**

1. **Critical and non-critical factors:**

   Based on the opinion of the respondents (percentage) the factors causing high attrition has been grouped into critical factors and non-critical factors.
   - ➢ Critical factors

     - Job Security
     - Lack of stress reduction programmes like yoga, etc.
     - Job Satisfaction
     - Limited career growth
     - Repetitive and monotonous job nature
     - Ineffective grievance redressal arrangement
     - Inadequate incentives and lack of celebration for achievement
     - Odd working hours
     - Mismatching of work life with family life

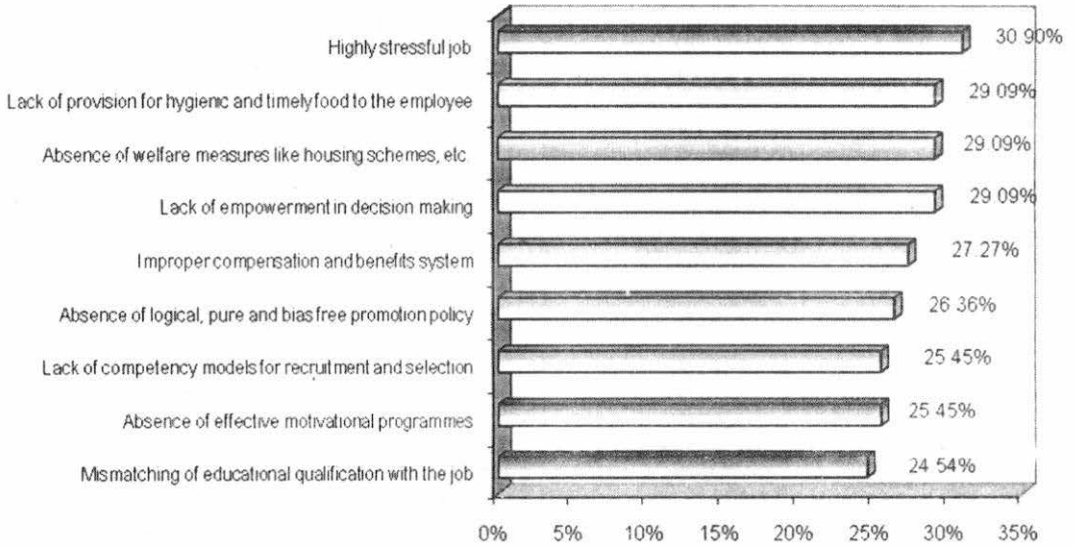**Diagrammatic presentation of critical factors:**

Source: Survey Data

> **Non-critical factors**

- Mismatching of educational qualification with the job

- Absence of effective motivational programmes

- Lack of competency models for recruitment and selection

- Absence of logical, fair, and bias free promotion policy

- Improper compensation and benefits system

- Lack of empowerment in decision making

- Absence of welfare measures like housing schemes, etc.
- Lack of provision for hygienic and timely food to the employee

- Highly stressful job

Diagrammatic presentation of non-critical factors:

Highly stressful job	30 90%
Lack of provision for hygienic and timely food to the employee	29 09%
Absence of welfare measures like housing schemes, etc	29 09%
Lack of empowerment in decision making	29 09%
Improper compensation and benefits system	27 27%
Absence of logical, pure and bias free promotion policy	26 36%
Lack of competency models for recruitment and selection	25 45%
Absence of effective motivational programmes	25 45%
Mismatching of educational qualification with the job	24 54%

Source: Survey Data

2. **Stress related factors:**

The study leads to the grouping of the following stress related factors, which causes high employee attrition.

- ♦ Odd working hours
- ♦ Repetitive and monotonous job nature
- ♦ Absence of stress reduction programmes.

Diagrammatic presentation of Stress related factors:

30%

45.45%

32.72%

- □ Odd Working Hours
- ▩ Repititve & monotonous job nature
- □ Absence of stress reduction programmes
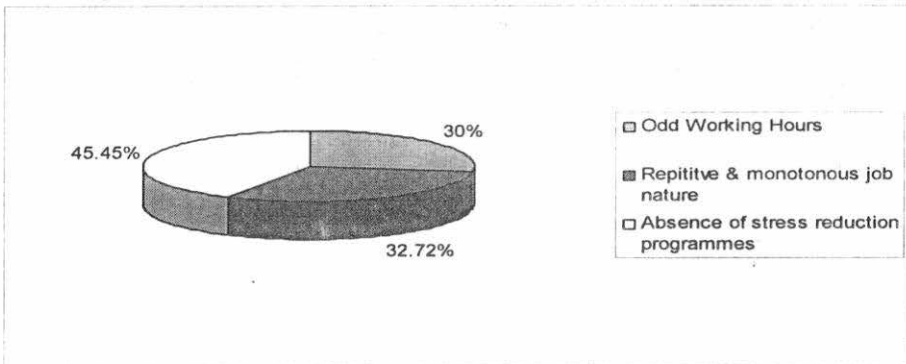
Source: Survey Data

3. Compensational factors

The study leads to the grouping of following compensational factors:

- Inadequate incentives and lack of celebration for achievement
- Improper compensation and benefits system
- Lack of fair, bias free promotion policy
- Absence of welfare measures like housing schemes etc

## Diagrammatic presentation of Compensational factors
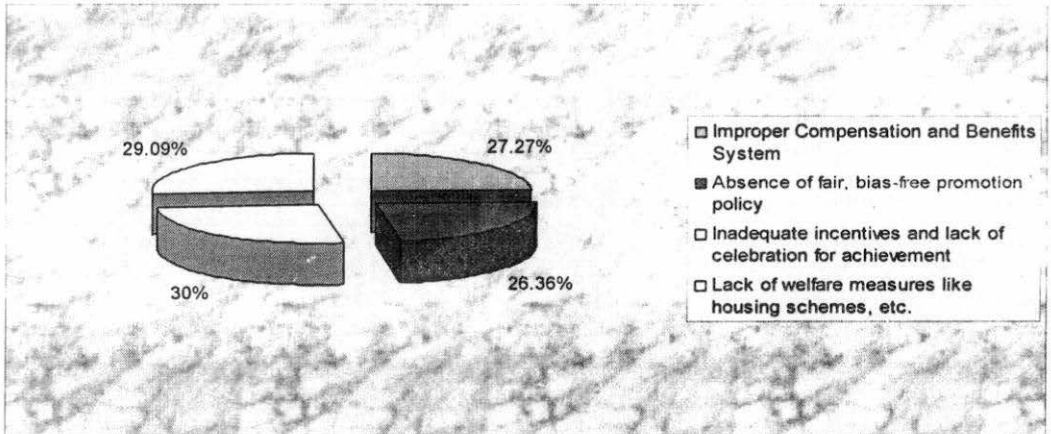
Source: Survey Data

4. Non-Compensational Factors:

The study leads to the grouping of the following non-compensational factors:

- Lack of job security
- Lack of Job satisfaction
- Limited career growth
- Improper redressal arrangement
- Improper selection methods,
- work life – imbalance,
- Mismatch of education al qualification
- Lack of provision for hygiene food
- Lack of empowerment in decision making
- Lack of effective motivational programmes

Diagrammatic presentation of Non-compensational factors
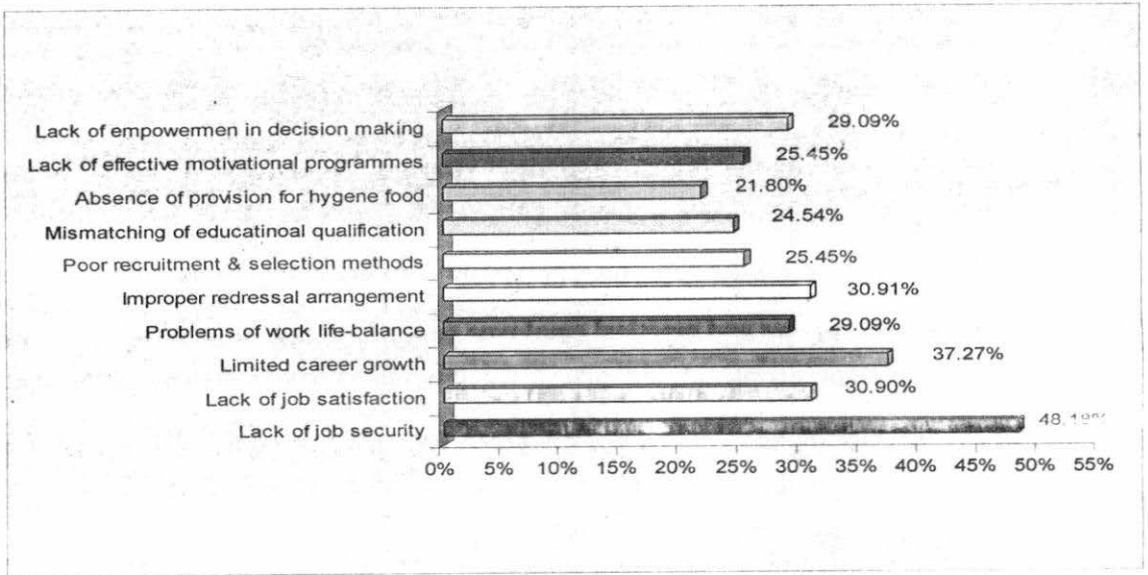
Source: Survey Data

Conclusion:

- The problem of addressing high employee attrition in BPOs / call centers can be solved successfully by considering the critical and non-critical factors identified in the study.

- The grouping and the study of the factors under stress related, compensational and non-compensational categories will lead to an in depth understanding of the problem of high employee attrition.

- The study gives a warning signal to the BPO industry managements and call centers to pay immediate attention on addressing the high employee attrition.

- Business Process Outsourcing leverages process driven efficiencies in terms of organizational excellence, responsiveness & branding, financial efficiency and customer relationship.

- The findings will enable the researchers to make an in-depth study on the employee attrition in BPOs by analyzing the attrition factors under specific titles such as critical, non critical factors, stress related, compensational factors, etc.
- Manage attrition through smart people management tools and scientific approach rather than creating collaborative intra industry agreements.

Suggestions:

- Based on the study the following suggestions may be adopted for the effective reduction of the employee attrition in BPOs.
- Bring in Innovative and practical employee policies pertaining to flexible working schemes.
- Select the right people in the first place through behavior based testing and competency screening.
- Communicate goals, roles and responsibilities so that people know what is expected of them and feel a part of the crowd.
- Work-life balance policies would have a positive impact on attracting high caliber recruits.
- Demonstrate respect for employees at all times, treat them well and provide dignity of job.
- Reach out to the families of the potential candidates with sustained and focused messages in the media about the excellent prospects in the BPO industry.
- Outsource the Exit Interviews process to external consultants to get a realistic and unbiased feedback. BPO must concentrate on becoming an 'employer of choice.
- Encourage humor and laughter in workplace to deal with stress which will ensure that the employees are happy which gets reflected in their services especially critical in voice based transaction.
- Feeling valued by their manager in the workplace is a key to high employee motivation and morale.
- Using psychometric tests to get people who can work at night and handle the monotony.

- Granting compassionate and urgency leave.
- Providing health care for self, family and dependents etc should be adopted.
- Work-life balance policies would have a positive impact on attracting high caliber recruits.
- Look for talents within the organization and encourage them.
- Hiring should result in only 'stress hardy' candidates being chosen for the job.
- Implement organizational culture measurement tools like Adversity Quotient (AQ).
- Recognize and celebrate their success.
- In company presentations to potential candidates, encourage the employees to share their experiences.
- Only 5 out of 150 employees become team leaders in a year, hence cash incentives are one way to keep the employees happy. IBM Daksh shells out about Rs 4,000 bonus per month to almost 85% of its workforce.
- Draw lessons from the Indian Army, for their command and control leadership where the troops are highly skilled, motivated and morale is high.

Practical Implications:

BPO industry is considered to be the most sensitive of the knowledge industries when it comes to encouraging and motivating the employees. Business Process Outsourcing leverages process driven efficiencies in terms of organizational excellence, responsiveness & branding, financial efficiency and customer relationship. The findings will enable the researchers to make an in-depth study on the employee attrition in BPOs by analyzing the attrition factors under specific titles such as critical, non critical factors, stress related, compensational factors, etc. HR Strategists at the corporate level of the BPO industry have a huge challenge before them and their approach has to be proactive and they have to develop innovative employee retention strategies. The next generation of Business Process Outsourcing has emerged as a priority for businesses looking to better options in managing their application portfolios.

Limitations of the study:

The study was limited to only 3 BPO firms in Bangalore and two Call Centers one in Bangalore and another one in Manipal. Inability to meet all the respondents personally and lack of co-operation in answering sincerely were the other limitations.Also data analysis focused mainly on descriptive analysis.

Five Key Words

Business process outsourcing, IT Enabled services, Employee attrition, Critical and non critical factors, Stress related and Compensational factors.

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