4. A Study On Attrition and Retention of Employees with Reference to BPOs

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ABSTRACT

BPO! One reads the word and myriad of well-groomed youth on calls, fast money, and phenomenal lifestyles seem to flash the mind in a jiffy. That's just the start. One reads it again, contemplates over it, dives into the unveiled afflictions, and gives it a second thought and a completely differing depiction blazes the mind. Lopsided working hours, unimaginable attrition rate, stress and burnout exhibit its ugly side. No matter how the seesaw balances between the pros and cons, the fact remains conspicuous, loud and unchanged. BPO, Business Process Outsourcing, is the mantra of employment, the buzz of present, and the promise of future!

The last decade saw an upheaval in the growth and development of the Indian economy, which was accompanied by the revolution in the technological front and a radical change in the way businesses were done. Instead of being the jack of all trades, the smart organizations have now redefined the way of working and now aim at being the master of their core business. Outsourcing the non-core processes in order to concentrate on the core ones is how the companies prefer to work now.

BPO has become the obvious strategic choice of the companies looking at the visible profits of cost reduction while improving the quality of service, increasing shareholder value etc. (Shah and Sharma 2006). With the boat steaming ahead in the global markets, India has already become the most privileged destination. Hence such an eternal inventory of opportunities simply showcases a phenomenon which is no less than the renaissance for our Indian markets with challenges since their inception.

KEYWORDS

Attrition, Motivation, Opportunities, Performance and Retention.

Introduction:

Today, India is the hottest destination for any company that wants to outsource its business processes. From a negligible size in early 2000 to a gigantic size today, the BPO sector has been growing at an unprecedented rate. In 2003, India accounted for 75 percent of the total BPO offshore delivery value that was expected to increase by 55 percent annually over the next five years (Neale 2004). According to Scholl et al. (2003), India's revenue from BPO operations was expected to grow from approximately $1 billion in 2002 to $13.8 billion in 2007 and its share of supply was projected to be 57 percent of the offshore BPO market. According to Nasscom, the Indian IT-BPO industry (including domestic market) recorded an overall growth of 28 per cent (currency adjusted), clocking revenues of $52 billion in FY07-08 up from $39.6 billion in FY06-07. 2008 was a year of revolution for the Indian IT – BPO sector as it began to re-engineer challenges posed by macro-economic environment, with the worldwide spending aggregate expected to reach nearly USD 1.6 trillion, a growth of 5.6 per cent over the previous year. The BPO exports are up by 30 per cent (in US dollars), registering revenues of $10.9 billion (Nasscom 2009). Indian IT-BPO grew by 12 per cent in FY2009 to reach USD 71.7 billion in aggregate revenue. Software and services exports (includes exports of IT services, BPO, Engineering Services and R&D and Software products) reached USD 47 billion, contributing nearly 66 per cent to the overall IT-BPO revenue aggregate. IT-BPO exports (including hardware exports) reached USD 47.3 billion in FY2009 as against USD 40.9 billion in FY2008, a growth of 16 per cent. Contrary to the sunny side of the story, we have a dark side of the BPO too. With the whirlpool of opportunities, the Indian Business Process Outsourcing sector seems to be on a happy ride. It has emerged rapidly, and its exports have grown from $565 million in 2000 to about $7.3 billion in 2005 (Budhwar et al. 2006).

The flip side of the BPOs revolves around the host of challenges that they have been facing since their very inception. The major challenges being faced by the BPO industry in India can be classified into internal and external challenges. The internal challenges include shortage of competent managers for the middle and senior management and the high attrition rates. The external challenge is in the form of opposition from the US politicians and the UK labor unions against shifting of the BPO operations by local companies to India. One of the most significant internal challenges is high attrition rates. Attrition refers to a gradual, natural reduction in membership or personnel, as through retirement, resignation, or death (National Performance Review 1997). It means not only loss of talent, but also includes the cost of training the new recruits. According to Mehta et al. (2006), of all the challenges posed to BPO organizations at various levels, attrition, absenteeism and motivating employees are the major ones that dominate at the middle level. The attrition rate in the industry has been hovering around 35%, which is quite high for any industry. An average Indian call center employee works with a company for 11 months, whereas an average UK call center employee stays in a company for 3 years. According to some analysts (BPO India 2004), in general, the attrition rate fluctuates between 20% and 40%, while in the best companies, it averages around 15%. As per NASSCOM (2004) report, the outsourcing industry would have a shortage of 262,000 professionals by 2019.

Despite potential for tremendous growth, BPO industry continues to suffer from high level of attrition stemming from factors like high levels of stress and lack of opportunities for growth. Attrition in BPO, though varying from industry to industry has reached an all-time high level of nearly 60% (BPO India 2004).

Attrition in BPOs has terrible effects on the organization. The high attrition costs increase the costs to the organization considerably. They have to combat the amount of disruption due to unplanned exits. 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 high attrition rate also affects the productivity of the organization. Therefore, it is extremely important to curb attrition not only for an individual firm but also for the industry as a whole. Many researchers have worked enormously on the BPO sector, citing its challenges, issues, and opportunities in and around employee performance, employee satisfaction, employee turnover etc.

The Need for This Study:

- Attrition is a burning problem for the promising industry of BPO, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources due to this.
- Dearth of motivation among the BPO employees is one of the bitter truths that is responsible for the attrition in this sector, and it is time we enhanced it in the BPO sector.

Objectives of The Study:

- To identify and rank the factors of attrition in BPOs based on accumulative literature review and secondary data.
- To explore and analyze the dimensions of attrition in BPOs based on primary data collected from field survey.
- To identify and explore the dimensions of employee retention in BPOs based on primary data collected from field survey.
- To develop a regression model for escalating the stay of employees in BPOs and give recommendations for the same.
- To assess the existing level of employee motivation and validate the model by studying the impact of recommendations on a small patch.

Research Methodology:

A survey design was used to obtain the required information. The population for this study comprised of employees working in various BPOs in the National Capital Region. A sample size of 100 was chosen for this study. Simple random sampling technique was used to gather data from the respondents, because of which respondents diverged from every age group, gender, organization, marital status etc. but were restricted only to low and middle level employees, where the attrition is highest. The questionnaire was intricately designed to tap the demographic variables including age, education, gender, marital status, and tenure of the respondents.

It also gathered information about the factors responsible for attrition, the factors that can be employed to retain the employees in a BPO, their overall level of satisfaction, motivation, involvement and life interest and work compatibility. Statistical Package for the Social Sciences (SPSS) version 17.0 was religiously used for the statistical analysis.

Data Analysis:

Table 4.1: Test of Reliability.

Cronbach's Alpha	**0.898**
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.745
Bartlett's Test of Sphericity:	
Approx. Chi-Square	6052.012
Df	210.000
Sig.	.000

Based on the respondents, validity tests were done to check for the validity and usability of the instrument. Cronbach alpha, KMO measure of adequacy and Bartlett's test of sphericity were conducted. Cronbach alpha was calculated to measure the internal consistency reliability of the instrument. The Cronbach alpha came as 0.898 thus the instrument was considered reliable for the study.

Kaiser-Meyer-Olkin test was done to measure the homogeneity of variables and Bartlett's test of sphericity was done to test for the correlation among the variables used. The KMO value 0.745, which is acceptable as a middling value. The Bartlett's test showed significant results hence it was accepted for further study. Table below summarizes the entire result viz. Cronbach alpha, KMO test values, and Bartlett's significance of the instrument. On getting quite meritorious results of the validity, the instrument was floated for data collection.

Summary of Ranks from Secondary Study:

Table 4.2: Summary of Ranks from Secondary Study

Casual Agents / Factors	Rank
Higher salary expectation	0.7(VII)
Lack of security	0.3 (V)
Lack of social interaction	0.3 (V)
Monotonous work	0.8 (I)
Unusual working hours	0.7 (II)

Casual Agents / Factors	Rank
Pressure of perform on metrics	0.5 (IV)
Low Perceived Value	0.8 (I)
Disillusioned employees	0.6 (III)
Stress and Burnout	0.5 (IV)
Lack of Motivation	0.5 (IV)

In order to gain a deeper understanding about the phenomenon of high attrition, and identification of the factors behind it, a lot of literature on BPO. Major causal factors for high attrition in Indian BPO industry identified in this study were based on qualitative research using secondary data. These were compared with causal factors for attrition identified through personal interview with a number of BPO employees in the NCR. There was a close similarity between the two results, authenticating the qualitative research on causal agents for attrition identified in this study. The study ranked low perceived value and monotonous work as number one factor attrition. Rank two was shared by high salary expectation and unusual working hours. Next factor was disillusioned employees; rank four was shared by stress and burnout, pressure to perform on metrics, and lack of motivation. Finally rank five was jointly shared by lack of security and social interaction.

Factor Analysis:

Table 4.3: Factor Analysis

Factor	Item	Factor loading	Factor name
1	Low perceived value	.8622	Dispirited Perceptual Factors
	Lack of equality	.8278	
	Lack of advancement opportunities	-.6494	
	Incompatible policies	.5026	
2	Dissatisfied with working conditions	.7693	Unfavorable working conditions
3	Power and politics	.7974	Hostile Organizational Culture
	Dissatisfied with colleagues	-.4809	
	Lack of team work	.4482	

Factor	Item	Factor loading	Factor name
4	Dissatisfied with compensation	-.8269	Discontented Personal factors
	Personal reasons	.6595	
	Dearth of self-motivation	.6893	
5	Lack of skill variety	.5135	Substandard nature of job
	Monotonous nature of job	.5021	
	Absence of challenge	.8519	
6	Irregular working hours	.3608	Uncongenial organizational support
	Emphasis on quantity over quality	.5456	
	Ineffective supervision	-.4222	
7	Lack of autonomy	-.4471	Low Self-Fulfillment factors
	Achievement not recognized	.8373	
8	Poor mentoring	-.6229	Mystified career path
	Unsure of career growth	.8151	

In order to identify and evaluate the factors behind attrition based on primary data, factor analysis was done. Principal component analysis was the method of extraction. The Kaiser rule for number of factors to extract was applied. 8 factors were extracted viz. dispirited perceptual factors, unfavorable working conditions, hostile organizational culture, discontented personal factors, substandard nature of job, uncongenial organizational support, low self-fulfillment, and mystified career path.

Conclusion:

One of the greatest challenges in today's business world is to keep pace with technological and business growth. Companies spend billions to stay on the cutting edge. As we move ahead in our business, we are unfortunately facing an increased shortage of highly skilled employees. Employee retention is a concern for companies in this dynamic job market. There are extensive employment opportunities for talented professionals. Higher skilled the employees are, the greater the demand for their services. The knowledge workforce is growing faster. The axiom of trimming the fat and keeping the healthy part of the cow continues to be a serious challenge. The cost to replace an employee is becoming more documented and the news is not good for employers. It costs a great deal to replace an employee.

Hiring managers and recruiters know that recruitment is only one component of successfully staffing the enterprise with talent. The hard part is retaining contributors in the organization. Well, the three Rs of employment are Recruiting, Retention and Retraining. This is very much true in the high tech industries. It goes without saying that recruiting efforts and dollars spent will have been largely wasted if a company can't keep its staff. Another important advocacy is the need to begin retention efforts during the interviewing stage. This may sound odd to some. After all, if you haven't even offered a position to an applicant, why should you even be thinking about retention at that time? Frankly, that is probably one of the big mistakes many organizations make. Almost every company tries to sell itself and sell the benefits of joining the organization to applicants and potential contributors. The Researcher suggests that hiring managers and recruiters take the extra time required to design interview questions aimed at eliciting responses to assess long term commitment and/or loyalty. This is difficult to do and will vary depending on the company, it's culture and the type of position.

A growing number of successful companies are taking more than their fair share of the talent marketplace and cultivating high performers in key positions through a very different method. Rather than starting with recruiters, they first look inside to match employee experience and aspirations to the company's evolving strategic needs. This doesn't mean that they ignore external talent. They take recruiting seriously, in large part to achieve ambitious growth targets. But their historically low turnover rates let them spend much less time battling churn and a lot more time outmaneuvering the competition. As the competition for critical talent heats up, organizations must rethink the ways they manage these people. To begin, they must identify the segments of the workforce that drive their current and future growth. Then, rather than focus on metrics and outcomes ("acquisition" and "retention"), they must concentrate on the things that employees care about most: developing in ways that stretch their capabilities, deploying onto work that engages their heads and hearts, and connecting to the people who will help them to achieve their objectives. By focusing on these three things, attraction and retention largely take care of themselves. Furthermore, organizations require improvement for human development and sustainability in terms of flow of internal communication, clarity of organizational policies and objectives, defined performance standards and fair performance appraisal & reward systems, recognition & job security.

Suggestions:

1. Examine existing policies and improve current practices on flexible work arrangements
2. Grant possible work breaks and interval to the employees to get relief from their work
3. Jobs should be more enriched so that employees can feel a sense of satisfaction and pride in their work.
4. Select the candidates who fit the role and train them accordingly and make it as a continuous practice in the organizations, so that the employees perform their role productively.
5. Strengthen Career development and Career progression programs in order to retain employees.
6. Recognize the employees and appreciate their skill and performance which will act as the energy booster to the employees and induces them to achieve higher performance standards.

7. Retention must be intertwined and blended in the organizational strategy formulation. Organizations must maintain a rewarding, encouraging a participative culture in the organization, this definitely pays off to the organizations with having loyal workforce who are skilled, trained and motivated workforce.
8. Help innovate and change the current situation of the industry with respect to market challenges.

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