

Attrition and Retention at BPO Companies in Chennai: An Analytical Study

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Abstract

The tremendous escalating of Attrition rate in BPOs has dreadful effects on the organizational performance. The elevated attrition rate raises the costs to the organization noticeably. In spite of its incessant development, the industry faces some inconvenience or issues which are peculiar to this industry. The most significant problems are the cultural and human issues which make the human resources managers terrible in solving the issues related to the same. If the situation continues, then it may leads to huge attrition in these sectors. According to an industry specific analysis of the Associated Chamber of Commerce and Industry of India (ASSOCHAM), the BPO industry is facing serious challenges as shortage of skilled and educated workers as the attrition rate in India's BPO sector has raised phenomenally at the rate of 55 percent with a significant visible movement in mid and senior management levels. The reasons for huge attrition are many like people related problems include stress, shortage of required skills, Hike in salary, Lake of career growth opportunities in the company, Irregular working hours, Health problems due to imbalance in work timings, Pressure from peers & family, To pursue higher education, Monotony of the job etc. The BPO industries need find the strategies to solve these problems and retain the talents by adopting suitable strategies. The foremost objective of this research is to identify the root causes of attrition in BPOs, analyzing the level of employee satisfaction, motivation, involvement and commitment, also find out the ways to manage attrition in the companies. In this study, the view of 600 employees of BPO Companies in Chennai was taken for the analysis. The tool used for collecting the data was a structured questionnaire. For the analysis, chi-square and percentage method were used.

Key words: BPO, attrition or employee turnover, retention, stress, and work life balance

1. Introduction

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.

1.1 Meaning of Attrition

Attrition is nothing but, "it is the rate of shrinkage in the size or number". In another words, "it is reduction in numbers usually as a result of resignation, retirement or death." It can be calculated by the formula:

Total no. of resigns per month (Whether voluntary or compulsory)

Attrition Rate % = -----

(Total no. of employees at beginning of the month + Total no. of new Joinees – Total no. of resignations) x 100

1.2 Reasons for High Attrition Rates

ITES & BPO industries provide more employment opportunities to the youngsters especially to the fresh candidates at the entry level. For a fresh graduate, it pays about 2.5 times as much as other job openings in the labour market. Also they offer extra facilities to their employees to retain them in the organization for a long time. In spite of that many of them are leaving the organization for many reasons.

Generally Attrition arises in the organization for any one of these main three reasons:

- ❖ Death of the employee
- ❖ Retirement
- ❖ Better opportunity in some other company

But, in ITES & BPO industries the reasons are as many as follows:

- ❖ Hike in salary
- ❖ Lack of career growth opportunities in the company
- ❖ Irregular working hours
- ❖ Health problems due to imbalance in work timings
- ❖ Pressure from peers & family
- ❖ To pursue higher education
- ❖ Monotony of the job

1.3 Cost of Attrition

Attrition causes heavy losses to the organization, not only in terms of man power also in monetary terms. For example, if one employee leaves the company for any reason, the cost can be close to Rs. 60,000 or approximately equal to 2 months salary. There are various costs associated with the attrition rate. These costs can be in terms of monetary or in terms of time wasted. Some of these costs are such as Recruitment Costs, Training Costs, Low Productivity Costs, New Hiring Costs, and Low Sales Costs etc.

1.4 Ways to Control Attrition Rates

In order to avoid the losses out of high attrition, we need to manage the employees in an effective manner. It is very important for the ITES & BPO Companies because if they are not able to control the attrition rates they would loosen their competitive edge in the global market. To face this challenge, the company can adopt different strategies like Building long time relationship with the employees, follow best HR Practices, Diverse workforce, Applying EEE (Education, Exposure and Experience) Model, Career Advancement, best Performance Management practices, Motivational Training, Bonding System, QWL Methods etc.

2. Review of Literature

2.1 Employee Turnover or Attrition Rate

Human Resources Management by H. John Bernardin, Tata McGraw-Hill Company 4th Edition 2009, Page Number-274, says that, Employee turnover affects the whole organization in terms of productivity. Turnover is defined by (Campion, 1991) “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. Human Resources Management Practice by Michael Armstrong Kogan Page Private Company 10th 2009, Page Number-196, says that, When asked about why employees leave, low salary comes out to be a common excuse.

Borkowski, N.(2005) Organizational behavior in healthcare. Jones and Bart let publishers 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 lead to increased turnover and low morale among workers (Larson and Hewitt, 2005). NYSACRA (2009) Direct support professionals voices from the frontlines, Albany, N.Y. 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. Wal-Mart (1999). Low employee turnover conducted research on new hire attitudes in 1999, aiming to reduce employee turnover by 50%. The critical link between orientation and employee turnover was highlighted in this research. Marx, Mary (1995, December), Keeping your best employees, Journal of Property Management, 26-29 says that, “the better the match between recruits and the organization the more likely you are to retain them.”

2.2 Retention

Retention is defined by Get Les Mckeown's, Personnel Management, Edition-2, Page No.205, employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their drivers needs. According to Zineldin 2000, p. 28 in an article “Customer satisfaction and retention: the experiences of individual employees”, it is a commitment to continue to do business or exchange with a particular company on an ongoing basis. According to John W.Newstorm, Organizational Behaviour, Edition-11, Page No.305, 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. Strategic

Human Resources Management by Armstrong and Angel Baron Jaico Book House, 2nd Edition 2008Page Number-256, says that, Employee Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. According to Dr. Harry Bond, Training and Development, Edition – 2, Page No. 53 explains that, Employee retention refers to various policies and practices which let the employees to stick to an organization for a longer period of time.

2.3 Business Process Outsourcing (BPO)

Ashish Chand, (2004) in his article, page. No 100, says the terms ‘outsourcing’ and ‘contracting’ are often used interchangeably. This, however, is a common mistake that many people make. Although the terms seem similar, they are, in reality quite different from each other. *N M Shanthy* and *E Naveen Kumar*,(2007) portrays the process of evolution of the BPO concept and its transformation into KPO in recent times. David Landes in his book, *The Wealth and Poverty of Nations* (1998, Norton) traces the origin of outsourcing to 13th century Europe. *Jaya Krishna S*, (2007) aims to sensitize the respective professionals/community with the concept and value of ‘multi-sourcing,’ *Rajmanohar T P Sivarajadhanavel* (2007) traces the evolution and growth of the outsourcing industry from manufacturing to service. It delves into the practice of outsourcing related to manufacturing, BPO, and KPO business process transformation.

3. BPO Industry in India

India is one of the leaders in offshore development. Texas instruments is the first company which established its subsidiary in Bangalore starting from 1985. The annual growth of software exports of average 40% during the 1990’s promoted India as one of the leading software exporters. BPO industry is one of the fastest growing industries in



the country. It generates a huge amount of jobs in the country. Gradually, India emerged as a global hub for it outsourcing along with countries like china and Canada, due to availability of highly qualified skill pool and faster adoption of well-defined business processes. Government's active cooperation in creating the necessary business environment along with improvements in infrastructure has catalyzed the growth of the BPO industry. The business process outsourcing industry has grown dramatically over the last ten years. The BPO providers are mainly in Asia Pacific region while the clients are mainly in the developed countries.

KEY HIGHLIGHTS

* In 2012-13, export revenues are expected to grow by 11-14% and domestic market by 13-16%

* Indian IT-BPO revenue estimated to cross \$100 billion in 2011-12

* In 2011-12, exports are expected to be at \$69 bn and domestic market at \$32 bn

* Technology spends are expected to grow over 4%

* India's share in global sourcing was at 58% in 2011, up from 55% in 2010

* The industry expected to employ over 200,000 employees in 2012-13; currently employing over 2.8 million professional, with over 2,30,000 jobs being added in 2011-12

In NASSCOM Strategic review for 2012, Nasscom estimated the software services and BPO revenues of Indian companies are likely to cross \$101 billion this year. Of this, about \$69 billion will come from exports, a growth of 16.3 per cent growth over the previous financial year. The domestic IT services revenues expected to grow at 16.7 per cent in year 2012 at \$32 billion. "There will be short-term ups and down," Nasscom president Som Mittal said, adding "on the long-term, the industry is on track." The industry can meet the vision 2020 target of touching \$225 billion by 2020.

According to NASSCOM Report (2012), the statistics of the BPO industries as below:

Source: Business standard Reporter, New Delhi **February** 9, 2012

4. Scope of the Study

The study enables the researcher to find out the attrition rate in the BPO companies. Also the study helps to identify the reasons for attrition in BPO Companies. It paves the way to study the impact of turnover antecedents on the ITES/BPO employees' decision to stay with the organization. The study enables the researcher to know the Organizational commitment of the employees. The researcher could know whether the alternative job availability moderate the effect of organizational commitment or not.

5. Hypotheses of the Study

H1: There is a relationship between work life balance of employee's with their turnover intention.

H2: There is a significant relationship between opinion of employees and HR executives of BPO on the reasons for attrition.

H3: Assumption that job satisfaction is negatively related to turnover intention.

H4: There is no significant difference between the opinion of HR executives and employees on the candidate profile expectations of BPO Companies.

6. Need and Importance of the Study

The attrition rate has risen drastically to 55% during the last four months (December-March), with a significant movement in middle and senior management levels, according to a recent report by the Associated Chambers of Commerce and Industry of India (Assocham). According to the study, the BPO-ITeS sector has emerged as having the highest attrition rate of 65% during the last two years, giving a serious jolt to India's prospects as the most sought-after BPO destination in the world. This study analyses and forecast the attrition rate at BPO in detail. The study helps to identify the rate of attrition in BPO Industries at Chennai for the last three years i.e. from 2010 - 2012. Also the study tries to find out the reasons for high attrition in those industries. The study suggests the strategies to be followed in the organisation to retain the talented workforce for a long period.

7. Objectives of the Study

- ❖ To analyze the attrition rates of BPO Companies with respect to Chennai city during the period of 2005 - 2015.
- ❖ To find out the reasons for attrition in BPO Companies in Chennai.
- ❖ To identify whether the employees of BPO Companies are able to manage their work and personal life.
- ❖ To compare the opinion of HR Executives and employees of BPO on the reasons for attrition.
- ❖ To suggest the ways to reduce attrition rate in BPO Companies of Chennai.

8. Research Methodology

The research methodology followed by the researcher is Analytical and Descriptive type of research. Exploratory studies help in understanding and assessing the critical issues of problems. It is not used in the cases where a definite result is desired. These studies are conducted for three main reasons, to analyze a problem situation, to evaluate alternatives and to discover new ideas. Exploratory research can be conducted using both qualitative and quantitative techniques. Some important exploratory techniques that are secondary data analysis, experience surveys and focus groups. The instrument used for collecting the data is questionnaire. Questionnaire is widely used and important method to collect primary data for any research. Each questionnaire was distributed among employees of BPO Companies and collected. Both the primary and secondary data has been collected. The primary data was collected through questionnaire by surveying the mentioned sample unit. The secondary source consists

of readily available files and documents on BPO Companies in Chennai. The sample size chosen for the study is 600 employees and 30 HR Executives of BPO companies in Chennai. Sampling techniques used was Simple Random sampling for selecting the 30 Companies from the list through lottery method. Convenience sampling is been used for selecting the 600 employees of BPO from all 30 companies. The statistical tools used for the analysis are as percentage analysis, Rank correlation, and Z test.

9. Findings on Demographic Variables

Table no.9.1 – Table shows demographic variables of respondents

S. No	Particulars	No of Respondents	%
Designation	HR Executives	379	63.16%
	Customer Relationship Manager	132	22%
	Project Leaders	89	14.84%
Experience	below 1 year	8	26.67
	1 yr to below 2 yrs	13	43.33
	2yrs to below 4 yrs	7	23.33
	4yrs to below 6 yrs	2	6.667
	6 yrs and above	0	0

Source: Researcher's data.

The chart depicts the findings of demographic variables as below. The respondents belong to various designations like HR executives, Customer Relationship Manager and project leaders. Not only the HR executives involve in the recruitment process, Projects leaders and Customer Relationship Managers also takes part in the process. No employees are working more than six years in the organization.

Table 9.2: Findings on Rank Correlation in the Opinion of HR Executives and Employees of BPO on Reasons for Attrition

<i>Reasons</i>	<i>Rank1</i>	<i>Rank2</i>	<i>R1-R2</i>	<i>(R1-R2)^2</i>
Work Timings	1.63	1.64	-0.01	0.0000
Mental Stress	3.30	3.29	0.01	0.0002
Low Career Opportunities	4.23	4.23	0.01	0.0001
Higher education	4.47	4.47	0.00	0.0000
Family Pressures	5.07	5.06	0.01	0.0000
Nature of Work	2.17	2.19	-0.02	0.0005
				0.0009
R2				0.999974762
				0.9999495244

Source: Researcher's data.

There exists a high positive relation ($R= 0.9999$) in the opinion on reasons for attrition among the executives who involves in recruitment process and the employees of BPO Companies.

Table 9.3: Findings on Work-Life Balance of BPO Employees

<i>Dimensions</i>	<i>Opinion</i>	<i>%</i>
Strongly Agree	140	23.33
Agree	320	53.33
Somewhat Agree	104	17.33
Disagree	17	2.83
Strongly Disagree	19	3.17
Total	600	100

Source: Researcher's data.

It is clearly evident from the above table that, around 76% of the respondents says that they are able manage their personal as well as work life. Only 24% of them were finding difficult to balance their personal commitments with work life.

Table 9.4: Rank Correlation in the Opinion of HR Executives and Employees of BPO on Candidates Profile Expectations

<i>Aspects</i>	<i>Rank1</i>	<i>Rank2</i>	<i>R1-R2</i>	<i>(R1-R2)^2</i>
Qualification	1.83	1.80	0.03	0.0009
Communications Skills	1.53	1.51	0.02	0.0005
Experience	2.93	3.06	-0.12	0.0152
Attitude	5.00	4.94	0.07	0.0042
Willingness to work in night Shifts	3.93	3.98	-0.04	0.0017
Personality	5.57	5.63	-0.06	0.0038
				0.0264
R2				1

Source: Researcher's data.

There exists a high positive relation ($R= 1$) in the opinion regarding the ranking given by the executives who involves in recruitment process and the employees of BPO Companies regarding the Candidates Profile Expectations of BPO Companies.

10. Suggestions and Recommendations

In order to avoid attrition, the companies need to carry out strategic selection and training procedures to recruit the right type of candidates at the right time. They could recruit the people through effective recruitment sources. So that they can reduce attrition rate and recruitment costs like Costs of advertisement, agency costs, employee referral costs, and internet postings costs etc. The companies could implement knowledge management system in the organization. Knowledge Management is the process through which organizations generate value from their intellectual and knowledge based assets. The primary goal of Knowledge Management is to provide the right knowledge at the right time to the right person. The companies could create some more levels in the hierarchy. The career advancement in the ITES & BPO sectors is very limited because only few personnel hierarchical levels are there in these sectors like: agent, team leader, supervisor, Center Manager. They could follow flexible work options like Flexi Time, Flexi Place, Alternative Work Schedule, Part time Employment, Compressed Work Week, Job Rotation, Job Enlargement etc. in order to boost the satisfaction level of the employees.

11. Conclusion

BPO Companies in Chennai are providing more employment to the youngsters and it continuously offers the same in the forthcoming years too. Though the nature of employment is quite different from other sectors, the employees of BPO are satisfied with their employment in many aspects. Though the attrition rate is relatively high in BPO/ITES sector the employers and HR managers of these sectors need to identify the effective strategies and execute those strategies for retaining the talented workforce in turn they could reduce attrition rate. Fundamental changes are taking place in the work force and the workplace that promise to radically alter the way companies relate to their employees. Companies that understand what their employees want and need in the workplace and make a strategic decision to proactively fulfil those needs will become the dominant players in their respective markets. Management also needs to consider other aspects like secure career, benefits, perks and communication. The attrition battle could be won by focusing on retention, making work a fun place, having education and ongoing learning for the workforce, and treating applicants and employees in the same way as one treats customers.

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