

A STRATEGIC APPROACH TO MANAGE RETENTION IN BPO INDUSTRIES: A CASE OF INDIA

Abstract

Now a days India has been regarded as one of the most powerful economies of the world. The cost-effective human resource is the main asset of these industries. This paper tries to examine why attrition is a serious problem in BPO industries. It also identifies the effect of turnover rate on both organization as well as individuals. It finds out some strategies for managing retention and finally recommends the solution for reducing attrition rate in these IT industries

Keywords: BPO Industries, IT/ITes Industry, Attrition Rate, Employee Turnover, Retaining Employees.

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I. INTRODUCTION

In India BPO industries are growing into very fast pace. Annually the growth rate of BPO industries in India with a pace of 40-50%. Many people have been employed by BPOs. Now a days one of the crucial problems faced by BPO industries is that of attrition. Leaving an organization is one of the major problems of BPO industries in India. Frequent employee turnover is not good for the health of any organization as well as society. From the organizational view, organization will be incurred a high cost consist of recruitment, training and development etc. Attrition may be caused by various reasons like better opportunity in other company or because of death or retirement or because of family pressure especially in case of women. Before entering into the topic, we have to clearly define what we mean attrition or turn over rate? Turnover rate is defined as the percentage of employees who have left an organization over a period. We can also calculate the retention ratio of the employees of any organization. To put proper emphasis on avoidable turnover, unavoidable portion of the turnover should be distinguished from it. In an avoidable-unavoidable mix, retention management is a real challenge to the organization.

Now a days a significant business concern is employee's attrition and employees absconding. This may a bigger problem than attracting new prospectives towards the organization.

A comprehensive study has been conducted by Manpower Inc.(2006) on 30000 employees from 23 different countries found that a significant percentage(90%) of organization faced challenges in recruiting the right talent for their needs.

According to another survey conducted by Axelrod, Handfield-Jones and Walsh, (2001) found that organizations were experiencing growing challenges is not only recruiting but also retaining skilled employees.

These finding highlight that talent acquisition and retention are essential for business to remain competitive and successful, and these studies emphasized on the importance of addressing these challenges in workforce.

Employee attrition, or the turnover of employees, is indeed a significant concern for organizations in various industries, especially in knowledge-driven sectors. High attrition rates can have several negative impacts on a company's competitive advantage and overall performance. The statistics you provided offer insights into attrition rates in the IT/ITes and BPO industries:

1. IT/ITes Industry:

- **Attrition Rates:** The attrition rates in the IT/ITes industry are estimated to be in a wide range, typically between 20% and 80%. This range indicates that attrition rates can vary significantly depending on factors such as the specific company, location, job role, and economic conditions.
- **High-Skilled IT Services:** High-skilled IT services tend to have a lower attrition rate, estimated at around 15%. This could be because specialized skills and knowledge are in high demand and may lead to more stable employment.

2. BPO Industry (Business Process Outsourcing):

Attrition Rate: On average, the BPO industry experiences a relatively high attrition rate of around 40%. This industry often involves customer service, data entry, and other repetitive tasks, which can lead to higher turnover due to the nature of the work.

The high attrition rates in these industries can be attributed to several factors, including intense competition for talent, employee expectations for career growth, and the sometimes challenging working conditions. Employers in these industries typically invest in various strategies to mitigate attrition, such as offering competitive salaries, career development opportunities, employee engagement programs, and improved working conditions.

Reducing attrition and retaining talented employees is critical to maintaining a competitive advantage in knowledge-driven industries, as losing experienced and skilled workers can impact productivity, customer service, and overall business performance. Therefore, organizations in these sectors often focus on talent retention as a key part of their human resources strategies.

The tangible costs of employee attrition would be the cost of training new employees, the recruitment and selection costs, adjustment time, possible product and/or service quality problems, costs of agency workers/ temporary staff (Morrell, Loan-Clarke, and Wilkinson, 2004a), the cost of training, the cost of loss productivity, the cost of lost knowledge and the cost of the position remaining vacant till a suitable replacement is found. (Sharma 2007).

The main objective of a study focusing on turnover is to understand the causes and implications of employee turnover within an organization. This paper is also trying to throw light on the different retention strategies has been adopted by many Indian BPOs and finally also try to suggest a solution about this problem.

II. HOW EMPLOYEES TURNOVER AFFECT TH ORGANISATION

In spite of the fact that every manager in any organization is well aware of turnover related problems, but a careful review of the major consequences of the incidence will put retention in a true standpoint.

1. **High Financial Cost:** From the financial point of view, turnover has a big impact on the economy in terms of both direct and indirect cost burden. The executives should understand the cost of turnover which is possible if the turnovers can properly be translated into numbers.
2. **Survival is an Issue:** The success and failure of an organization in a highly competitive market scenario, largely depends upon retention of genuine employees having critical skills and talent.
3. **Productivity Losses and Workflow Interruptions:** In case of an abrupt turnover, a productivity gap has been imposed by the exiting employee, which not only create problems for the specific set of job, but also hamper the team work at both horizontal

level (within team) and vertical level (among other teams performing the same flow of work).

4. **Service Quality:** The quality of the customer service gets highly affected by the rate of turnover. In the age of customer satisfaction, it creates a huge negative impact to the organization with high turnover rate.
5. **Loosing Expertise:** The problem in knowledge industry is manifold. The departing employee, having a critical skill and expertise, that is required for working with specific software and completing a vital step for a specific process in an important project will lose the entire product line.
6. **Administrative Problems:** In most of the organizations, turnovers generate a huge administrative effort, both in terms of additional paper work and also in terms of valuable time spent in addressing and discussing the issues related to employee turnover.
7. **Job Satisfaction of Remaining Employees:** Employee turnover has negative impact on the remaining employees, not only in terms of the sharing workload of the unfinished part of job of exiting colleague, but also, due to the distraction caused by the departure among the existing team members.
8. **Image of the Organization:** An organization with a high employee turnover rate develops a negative image in the market. From the HR point of view, if such type of image once created, it is difficult to change such image, particularly in recruiting channel.

III. NEGATIVE IMPACT OF TURNOVER ON INDIVIDUAL

1. **Losing some Employee Benefits and Seniority:** Departing employees may lose all benefits that are related to his /her past job. Starting new job in a new organization will lose the vested interest in benefits the employee created in the previous organization.
2. **Mental Stability Affected with the Transition and Change in the Job:** Job change has been identified as one of the important stressors of life. Anxiety and stress are associated with the change of the job, though, it is a desired change.
3. **Financial Difficulties:** In case of job change without any immediate employment creates financial difficulty to the person. In case of voluntary turnover, short break may occur.
4. **Career Problem:** Employee turnover due to work performance creates tremendous pressure on the mindset of the employee. It takes out the self esteem and self confidence of the employee and shatters the employee moral.

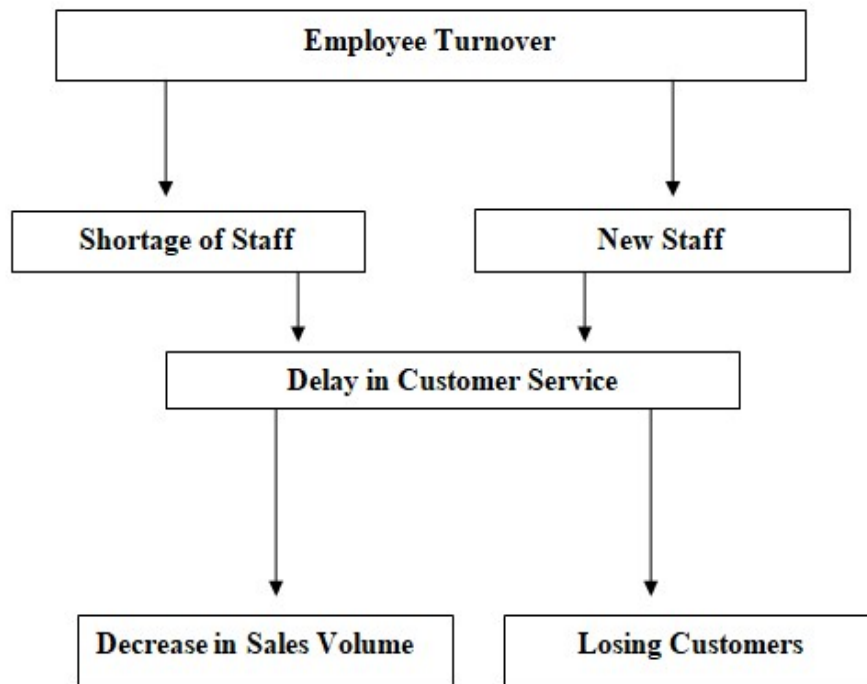


Figure 1: Consequences of Employee turnover on customer service can be presented in the following diagram (*Source: Prepared by the author*)

IV. ATTRITION IN INDIAN BPO INDUSTRY: CAUSES AND CONSEQUENCES

The availability of labour at a cheaper rate compared to other developed countries has made India as one of the most favorite offshore destinations to the developed countries. For the last half-a-decade, the growth of the Indian BPO/ITES has touched the level in between 50 to 60 percent. The NASSOM figure tells that in 2003-04 the sector has secured a growth rate of 46 percent with revenue of UD\$ 3.6 billion, which is 44 percent higher than the previous year's revenue of UD\$ 2.5 billion (2002-03). The industry's contribution to the export sector is also significant and is supposed to increase in the future.

The major problem the BPO industry is facing now finding out quality professional due to the alarming attrition rate of around 50 percent. According to the analysts, the attrition rate is lower (about 15 percent) in top BPO companies but more or less to most of the firms it varies within the band of 20 to 40 percent. As per the NASCOM report, by 2012, estimates a shortage of 262000 professionals in BPO industries. The common factors are working period, salary structure, other career opportunities and increasing costs at the time of lower billing rate. Though the attrition rate of 45 to 50 percent is an important area needs serious attention and thought, but the industry captured about 74,000 people. The attrition rate has declined from to 25 percent from 33 percent in the previous year (statistics provided by National Resources Development Network).

Table 1: Attrition Rates in Different Countries

Attrition rates in different countries	Percentage
US	42
Australia	29
Europe	24
India	18
Global Average	24

Source: Times News New York (2003)

Identifying the most important issue related to excessive employee turnover and retention is very difficult. The employers should always caring about the employees specific needs related to job.

If employers are able to meet the need of the employee, an employee stays. Without having a strong need, the employee would not decide to leave an organization, rather would try to cope with the working environment.

The relationship between job satisfaction and employee turnover is a well-established and widely studied topic in the field of organizational psychology and human resources. Numerous research studies have explored this relationship, and several important findings have emerged:

1. Internal Causes:

- Monetary rewards
- Repetitive work
- Duty hours
- Work place Environment
- Stagnant career
- Lesser training and development facilities
- Wrong recruitment policy and process
- Wrong deployment of resources.

2. External Causes:

- Shortage of Supply
- Shortage of expertise
- Career forecast

The attrition rate is lower in non-voice process compared to voice process. With the development of the industry as a full BPO player in the outsourcing market, the attrition rate will further go down. Rightly pointed out by the study conducted by Singh (2003) that despite of sufficient salary and other facilities the average attrition rate is quite high in BPO industry (Shelly Singh 2003). Generally the employees of the industry always have two or three job offers with competitive payment package and in times it becomes difficult to resist. Though the location-wise change in job gets its support in terms of a 10 to 15 percent increase in salary, but the relocation of family and house is a major discouraging factor of attrition. The job of a call center personal is of telephone operator type, therefore, it is almost difficult to shift from one field to other field.

Also the nature of job in a typical BPO company is psychologically very stressful. The working hours are artificially created which affect the natural system of the human body. The odd work timing affects the family life of the employee.

V. PRESENT STRATEGIES ADOPTED TO RETAIN HUMAN CAPITAL

Human capital retention is an important issue to the companies who are in the outsourcing business and experience very high attrition rate. In a companies like Global Vantage and Daksh Services, out of 150 employees, only 5 get promoted as team leader. Therefore, these companies prefer cash incentives for retaining employees. Many big companies like GE, Wipro and Spectramind are offering now a days are offering various diploma/degree courses in the area of management for their young talented employees. Some organization arranges regular career counselling for the existing employees and also discusses their future career development for controlling attrition.

In case the registered employee leaves during his or her course then he or she has to discontinue the course. Some companies also give accommodation facilities or some security benefit like Medi-claim etc. In spite of these benefits that are given through innovative strategies people still leave BPO at a faster rate and retaining them has become a real challenge for HR managers. The major question is regarding the type of retention strategy and how could that become effective.

- 1. Strategies Set: Retaining Employees:** If the employee satisfied with their job then some sort of attraction towards organization increases. There are some important parameters of job satisfaction. The significant first one is the emotional reaction for the situation that is there in the office and secondly, job satisfaction talks of the proportion of work done corresponding to the expectation. As for example, if organization employee sees that he receives less compared to other employee, working in an organization but performing less then it is a de-motivating factor to him/her and would help to develop negative attitude to his/her organization and towards his/her colleagues.

Under these circumstances attrition rate is high. So there is a relationship between the employee's attitude and turnover .Employees need a work environment that they like and find appropriate. To satisfy this need, organizations can address a variety of solutions that focus on critical issues as leadership, culture, job satisfaction and life balance. Job satisfaction and organizational commitment will able to reduce the turn over intentions. This can be increased in the following way:

- 2. The Application of EEE Model:** Exposure, Experience and Education are three things which are vital to any employee in any industry. If organization taken care of these needs of employees, employee feel motivated.

An employee always expects that the organization give him some sort of freedom in completing his job that means organization give employee good exposure related to his work. Also employee needs to get a good experience working in the company from its top management and co workers. It has been find out that some employee aspire for higher education to increase their knowledge base. So organization should look after these needs of the employees.

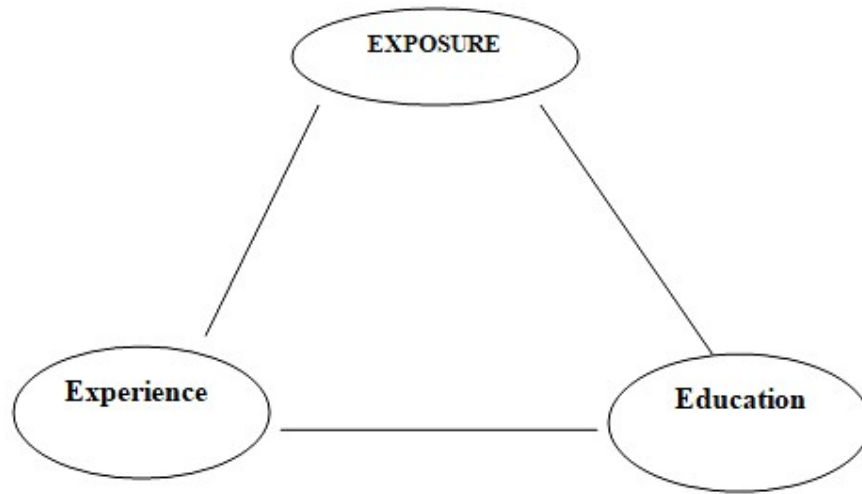


Figure 2: Application of EEE Model (Source: Prepared by author)

Table 2: Job Satisfaction

Category	Obligations	Remedy
Work Happiness	Experience work related happiness	Designing job according to employee's obligations
Work environment design	Creating a work environment that is both efficient and enjoyable	Develop a aesthetically designed workplace for improving the professionalism as well as productivity among the employees.
Security	To feel safe at work	Always maintain certain workspace safety measures
Job security	To have a secure job, to feel confident about employment continuity	Maintain a viable workforce stability and security process.
Culture	To be a part of an environment that upholds individual values ,principles and dignity	Develop and sustain a culture that provides individual values and respect
Work Life Balance	To work in a climate that supports a balance between work, family and personal interests	Create family support and life balance programmes.
Diverse	To be recognized as individuals regardless of differences	Build and support a fair and equitable diversity programme.

Source: Prepared by the author

- 3. Organization Commitment:** Organization commitment is the relative strength of the individual's identification with and involvement in a particular organisation. It consists of three factors:

- A strong desire to remain a member of the organisation;
- A strong belief in and acceptance of the values and goals of the organisation;
- A readiness to exert considerable effort on behalf of the organisation.

The factors that are responsible for increasing organisation commitment among employees are:

Strategic Level:

- Supportive business strategies;
- Commitment from senior leadership is highly valued
- A strong representative from HR should present at the time of decision-making process and raised their view.

Human Resource Policy Level:

- Staffing based on employment stabilization:
- Investment made for skill development for the employees
- Contingent compensation that reinforces cooperation, participation and contribution.

Work Place Level:

- Selection based on high performance:
- Broad task design and teamwork
- Employee involvement in problem solving
- An environment characterized by collaboration and confidence.

An IRS survey (IRS, 2004) established that the following were the top five influences on employee satisfaction and commitment and employee satisfaction:

- Relationship with manager-63 percent.
- Relationship with colleagues-60 percent.
- Quality of line management-62 percent
- Recognition of contribution-56 percent
- Leadership: visibility and confidence-55 percent.

VI. CONCLUSION

Future of our BPO organisations are in danger if they are not able to control the attrition rate. At the end they will lose competitive advantage globally.

It is very easy to attract employees through goodwill of the organization, market performance, fair practice of recruitment and job assignment. But it is very difficult to retain these employees. Every organization should more concentration on job satisfaction and organization commitment. These can be increased by considering five factors. These are:

- Job satisfaction
- Better remuneration
- Career Development
- Supervision
- Relationship with colleagues

The above factors are helpful for high level of employee retention . So BPOs need to understand that now. A long term plan for relationship needs to be established between employers and employees. More over employees in BPO industry require more personal space and continuous career growth plan. Above all HR manager plays an important role to select the right kind of employees. The BPO industries should immediately concentrate on retention strategy which may be very costly. But this is necessary for benefiting the country as a whole. When organizations are not able to guarantee long term employment they are able to increase employee loyalty by supporting their employees' employability. Organisations can help employees to improve their employability skill for their career development. They can arrange training, assignments that help build employment skills. Organisation can provide training for employees in new skills and coordinate the training to offer certifications and licenses. The educational incentives such as tuition assistance, workshop training, free time to attend classes can be introduced for real help. In exchange for the employability security that an organisation can provide its employees, employees will work harder and remain with the organisation longer. It should remember that organizations that want to provide employability should concentrate on increasing the roles and responsibilities of its employees. The movement from job security to employability security can be taken care off through the steps like introduction of new supervisory skills, real time employee communication infrastructure, internal performance reporting, employee education upgradation, new and innovative compensation schemes and enhanced cost accounting potentials

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