CHAPTER II

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INTRODUCTION

India has already become the most privileged destination for Business Process Outsourcing with the boat of success steaming ahead in the global markets. The word which one would simply lisp in the beginning of this century has become the most pronounced and sought after term. Generating revenues, fostering employments, elevating the living standards, an eternal inventory of opportunities all showcase a phenomenon which is no less than the renaissance for our Indian markets. Many researchers have talked about BPOs in their works, highlighted its capability as money making sector, showcased its doom of high employee turnover, sketched out its strengths, weaknesses, opportunities and threats, and also chalked out its dynamics of HR. Other researchers have extensively worked on various perceived attitudes of employees like their satisfaction, motivation, its influence on their tenure, their loyalty, commitment etc. This chapter unfolds all the relevant literature about the BPO industry in India, theories and research works of employee motivation and satisfaction, in order to trace the research gap.

AN OVERVIEW OF BUSINESS PROCESS OUTSOURCING INDUSTRY

Outsourcing has now become an acknowledged, accepted and established business strategy. One of the most familiar forms of outsourcing is
business process outsourcing, i.e., transferring the operational ownership of one or more of the firm’s business processes to an external supplier that, in turn, administers the processes according to some predefined metrics. BPO or Business Process Outsourcing thus refers to the rearrangement of entire business functions to some other service providers, primarily in low cost locations. The service provider may be either self-owned or a third party. This relocation or transferring of business processes to an external provider is essentially to accomplish increased shareholder value.²

Some of the general services provided by the BPOs are Receivables and Payables, Inventory Management, Order Processing, Cash flow Analysis, Reconciliation, Data Entry, Payroll Processing, QuickBooks Accounting, Financial Statement Preparation and Accounting Services. Some of the web based services include live online sales and order entry, E-commerce transaction support, Live online enquiry handling, Web Design/Development. Thus, BPO may comprise both IT management and business operations. Business operations include relocating or transferring functions such as payroll, accounting, billing or even real estate management to a third party. Invariably all these business processes depend on IT, but they are unlike hard-core IT operations such as data centre activities or network administration. An imperative facet of business process outsourcing is its capacity to free corporate executives from some of their day-to-day process management responsibilities and duties. BPO involves business process management and
outsourcing. Business process management utilizes technology aimed at revamping the process, trimming down unnecessary steps, and eliminating redundancies. On the other hand, outsourcing uses proficiency and resources of dedicated external service providers to execute many of these fundamental yet non-core activities. BPO carries out both the functions at the same time, thereby speeding implementation and ascertaining that the intended benefits really hit the bottom line.³

**MARKET SIZE AND GROWTH TREND OF BPO IN INDIA**

The overall contribution of the BPO industry to India’s Gross Domestic Product (GDP) is still relatively small accounting for only 5.4 percent of GDP in 2012-2013, but projections suggest a figure of 12.3 percent by 2014-15. The liberalization of the Indian Telecom sector in 1994 gave an unexpected boost to the ITES/BPO industry. India has turned into a hot destination for global offshore outsourcing companies. The shift of the Indian economy towards more service orientation suggests that in the long term, India will continue to be a major player in the global BPO industry. The number of people directly employed stood at 1.6 million in 2012-13 and it is projected to be 5 million by 2014-15 and indirect employment includes about 1.2 million jobs in ancillary services like transportation, catering, infrastructure, etc. (NASSCOM, Annual Report, 2014).⁴
According to NASSCOM, in 2013-14, India’s information technology and business process management industry added $12-15 billion incremental revenue, to existing industry revenues of $118 billion. During 2013-14, industry’s exports grew 13 per cent at $86 billion, with domestic revenues up 9.7 per cent at Rs. 1,910 billion. NASSCOM reports also stated that the industry added 160,000 employees in 2013, and provided direct employment to 3.1 million people and indirect employment to 10 million people.

Exports by India’s IT outsourcing sector are expected to rise 13-15 percent in 2014-15, as an improving global economy encourages banks and companies to boost spending on technology. NASSCOM has forecasted IT services exports in 2014-15 to rise to as much $99 billion. The increase in growth rate compares with an estimated 13 percent rise in 2014. It also states that the Indian IT and ITES industry is likely to grow to about $300 billion by 2020, focusing on areas like e-commerce, software products and the IT market.\(^5\)

The IT and ITES sector has generated massive employment in the past and continues the trend of providing jobs. Tata Consultancy Services recently hired 20000 fresh graduates from all over India in 2013 and other organizations like Wipro, Infosys, IBM and Dell among others also add highly to the employment rate. After Bangalore – the silicon city of the country, Pune is also on a hiring sphere. The IT and ITES sector are likely to grow 12-15 per cent in 2014-15 and Pune is amongst the top 3 preferred cities for these tech jobs.
With the immense opportunities that the government has to offer to the IT/ITES companies a number of multi-national corporations (MNCs) are investing in India. Companies like HCL Technologies, Cognizant Technology Solutions, Tata Consultancy Services, Accenture, Capgemini, Amazon, Deloitte Consultancy and Microsoft Corporation among others are highly investing in Indian lands. Cities like Hyderabad, Trivandrum, Chennai, Delhi-NCR, Bangalore, Mumbai and Pune together are providing jobs to a huge number of people (Swapna and Sujatha, 2014).\(^6\)

The total IT software and services employment was 2.20 million in 2008-09, as compared to 0.52 million in 2001-02. This represents a net addition of 1.68 million to the industry employee base since 2001-02. The indirect employment attributed by the sector was 8.0 million in 2008-09. This translates to the creation of about 10.20 million job opportunities attributed to the growth of this sector. In 2010-11, the IT software and services added about 2.4 lakh jobs, taking the direct employment number to 2.5 million, a year-on-year growth of 10.4 percent whereas the indirect employment attributed to the sector is nearly 8.3 million. The IT services are the largest employer with 45 percent of the total direct employment. In 2010-11, the IT-BPO industry’s contribution to GDP is 6.4 percent as compared to 6.2 percent in 2009-10. In 2011, about 1.6 million jobs created during the year, but the actual number stood at 1.4 million. In 2011, about 0.36 million jobs were generated as against an expectation of 0.33 million, indicating positive growth towards the end of the year.\(^7\)
BENEFITS DERIVED FROM BPO

BPO benefits i.e. benefits accrued as an end result of outsourcing are numerous. BPO is profitable as it relates to shareholder value and optimizes business performance to accomplish value creation. There has been a marvellous surge in BPO and outsourcing industry in many developing countries like India because of their expert know-how in lessening costs while amplifying service quality. Organizations are progressively relying more on offshore BPO partners for myriad operations. In some cases, organizations are outsourcing their complete global back-office functions, including human resources, to leverage the cost and time advantages. The growing number of global contracts and alliances focusing on BPO service delivery clearly demonstrate the organizations’ beliefs in the BPO value-propositions. BPO suppliers not only help reduce clients’ costs, but also provide expertise, help improve clients’ services, and increase clients’ profits. Client and vendor organizations seeking to exploit the benefits of a BPO relationship need to mutually understand their goals, values, and capabilities before entering into an outsourcing partnership.8

The increasing trend of outsourcing has generated considerable debate as to why firms outsource and various explanations have been offered by scholars. Firms may be driven by the need to reduce costs,9 improve responsiveness to changing market conditions,10 concentrate on core activities, or to achieve a combination of these benefits.11 Traditionally, outsourcing was
a means to lower the costs of production and processes, and even today, economies of scale are cited as a major motivation to outsource.\textsuperscript{12} For example, cost-effective access to specialized skills\textsuperscript{13} and saving on overhead through short-term cost savings\textsuperscript{14} have been mentioned as critical reasons for outsourcing. From another perspective, the emergence of globalization has forced firms to concentrate on their core activities to remain competitive, which has led to the notion that firms should identify and outsource their non-core processes.\textsuperscript{15} A third perspective is that long-term relationships between clients and BPO vendors can help clients enhance their existing competencies and create new ones.\textsuperscript{16}

**Productivity Enhancement**

Of all the benefits accrued by a BPO, productivity enhancement is quite significant. A successful and lucrative outsourced business process saves the executives plenty of time, which otherwise they would have expended in mundane managerial activities rather than strategy formulation. The time thus saved is invested in exploring new areas, accelerating other projects, and focusing on their core areas. This, undoubtedly, leads to productivity enhancement. Companies that outsource their business processes are often able to capture new efficiencies and in the process improve upon their productivity. They are in a better position to reallocate their resources to other important projects. This also helps their employees to increase their efficiency and productivity. In most cases, high-calibre subject experts are brought in to
design and manage these processes. They bring with them increased productivity and years of experience that most companies don't have access to or can't afford on their own. Availability of highly qualified skill pool and faster adoption of well-defined business processes leads to productivity improvements without compromising on quality.17

**Focus on Core Competency**

Another benefit of outsourcing one’s business process is to have the span of focus on the core areas. A firm’s competitive advantage is derived from those capabilities that are unique, inimitable, and non-substitutable. These capabilities constitute the core competencies of the firm. According to the competence approach, a firm may outsource activities other than its core competencies.18 For example, a firm should outsource its IT activities, if IT is not part of its core competencies.19 Business Process Outsourcing gives tremendous help to the companies to concentrate more on the core areas of their business. The most important factor behind the growth in the BPO market worldwide today is an increase in the number of enterprises that are reviewing their internal operations in an attempt to fully understand their true core competencies. In the process, they are able to focus more on their core competencies.20

Companies generally outsource processes to reallocate accountability and control costs. Thus the management is in an improved position to concentrate on core areas, and not keep itself engrossed in other non-core
areas. BPO gives more freedom to the management to focus more time, energy, and resources on building the company's core businesses. It is because the BPOs assume full responsibility for managing the day-to-day back-office operations. Once outsourcing of certain processes takes place, it becomes easier for the company to compare and evaluate the efficiency and effectiveness of services that are being delivered from outside and inside. This decision-making process often includes an evaluation of the cost of owning technology - with its associated support costs, that are not core to the enterprise. This trend is leading to an increased keenness to outsource processes that are considered non-core, yet critical activities. These critical activities include claims administration, HR services and payment services.21

**Cost Savings**

One very important benefit and advantage of outsourcing the business processes is in terms of cost savings. BPO provides quantifiable benefits through improved efficiencies, lower overhead, reduced payroll and benefit expenses, and fewer capital investments. The companies that outsource their work have access to the best of talent and expertise in the BPO field and that too at very low wages. According to Dyer and Singh, “relational rents” are created when partners share, combine, or invest their assets, knowledge, or capabilities, or employ effective governance to lower their transaction costs or improve synergies.22
Various studies have indicated that for every one dollar invested in BPOs across India, the value derived by the US economy is between $12-14. This is what makes the outsourcing to India an irreversible process. It is a reality that the companies which have shifted their BPO work to India have garnered savings of around 40-50 per cent till now. American BFSI (Banking & Financial Services Industry) companies have saved more than $6 billion in the last four years by outsourcing their business to India. It is a simple fact that if a bank shifts work of 1000 people from US to India it can save about $18 million a year due to lower costs in India. Similarly, in the field of pharmaceutical research and development, firms can reduce the cost of developing a new drug, currently estimated at between $600 million and $900 million by as much as $200 million if development work is outsourced to India. In the US/UK 67-72 per cent of costs incurred by call centres are directly linked to man power costs whereas call centres in India spend only 33-40 per cent of costs on man power. This includes spending on training, benefits and other incentives for labour.23

Improved HR

Improved HR is another great advantage of outsourcing business processes. Several market studies have shown that HR outsourcing can lead to cost savings in the range of 20-40 percent for customers. It also leads to improved HR. HR Business Process Outsourcing (HR BPO) is a market that has experienced extensive growth over the past few years and is now set for even more rapid expansion. This is based on the fact that gradually more
companies are looking at outsourcing transactions and processes to create a more strategically focused HR function. Clearly, companies all over the world are getting motivated to outsource their HR processes and transactions to run their HR functions more efficiently, free the HR function to focus on strategic people practices that drive growth and add to the organization’s long term success and facilitate their professionals to add value to their business. Companies today, require complete domestic and global HR delivery through systems and processes that can generate economies of scale to reduce or eliminate their need to make future investments in quickly outdated technology. Companies can save between 20-40 percent of their HR costs, depending on their business priorities and the pace at which they want to move.24

INDIAN BPO SEGMENTS

Business Process Outsourcing in India is organized in many segments. Back-office processing and customer interaction services are among the fastest and largest growing segments that contribute significantly to the Indian BPO market. The main activities or areas covered by the BPOs include customer care, such as remote maintenance, help desk, and sales support; finance and administration, examples of which are data analysis, medical transcription, insurance claims, and inventory management; and HR and payment services including payroll, credit-card services, cheque processing, and employee leasing. In addition, the BPO industry has expanded into engineering and design, animation, market research, network consultancy and
management, remote education, and content development (i.e., digital content, LAN networks, and application maintenance). BPO activities wherever knowledge processing is required are all on the increase. Examples of knowledge process outsourcing (KPO) include intellectual property research, legal and medical research, R&D, analytical services like equity research, information security services such as risk assessment and management, bioinformatics (for example, genome sequencing, protein modelling, and toxicology studies), and procurement and global trade.\(^{25}\) Broadly speaking the Indian BPO industry can be divided into six categories.

1. **Captive Units** set up by global companies that outsource their back-office operations from India.

2. **Indian Third-Party Vendors** that execute transactions and processes for international clients.

3. **Joint Ventures** between international BPO companies and Indian partners.

4. **Indian IT Software Companies** that have added BPO to their service portfolio.

5. **Global BPO Players** who set up call centres in India (for example, Convergys).

6. **Global Consultancies** (such as Accenture) who have been advising their clients on outsourcing and are now leveraging this experience into providing actual BPO service.\(^{26}\)
The most prevalent form of BPOs operating in India is that of either Captive Units or the Third-Party Vendors. The BPO industry is heterogeneous, differentiated by horizontal process domains such as HR, logistics, or finance, and vertical specializations such as medical transcription in the health sector and cheque processing and imaging in banking. Other categorizations also exist. A distinction can be made between onshore and offshore BPO: Onshore BPO refers to outsourcing to a domestic or nearby vendor whereas offshore refers to the vendor from a different country. For example, for U.S. clients, Canada is considered an onshore location, and India is offshore. Another classification is discrete process BPO, comprehensive BPO, and a multi-domain BPO. Discrete process BPO refers to an unmarried-process BPO where the vendor is responsible for only one process, for example accounts payable in banking. In a comprehensive BPO, the vendor undertakes multiple business processes within a unmarried support area, such as HR. Multi-domain BPO is more complex: The vendor supports various clients’ functions across multiple support groups. For example, a vendor may be responsible for HR, finance, and accounting, as well as customer relations. The third classification divides BPO on the basis of type of service. It includes: (1) front-office processing, (2) middle-office processing, and (3) back-office processing. Front-office BPO includes customer service and technical support services; middle-office processing includes services such as banking, insurance,
telecom, transportation, and utilities; back-office BPO supports functions such as HR and finance and accounting.\textsuperscript{28}

**ATTRITION IN BPO**

In a theoretical world, since everything is perfectly set in its place, one can find employees loving their jobs, liking their co-workers, working hard for their companies, getting paid well for their work, having adequate opportunities for career growth; and thus employees never leaving their jobs. However, the reality is a bit harsh; employees often leave their organizations for more money, better career growth, improved working conditions, and enhanced opportunities and so on. This leaving of jobs by employees is termed as employee turnover or attrition. Attrition is defined as a reduction in the number of employees through retirement, resignation or death and attrition rate is defined as the rate of shrinkage in size or number.\textsuperscript{29}

Attrition of employees in a limited measure is desirable for influx of new ideas in any type of organization. It helps organizations to maintain their agility in fast changing environment. It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization. However, if attrition increases beyond a certain level, the gains are transformed into pains. Recruiters explain that high attrition rates significantly increase the investment made on employees.\textsuperscript{30} Significant investments in time and money need to be made for acquiring
employees in any organization. These can never be translated into profit when attrition is high.

Despite the mounting success of the Indian BPO industry, analysts and media reports have started focusing on problems and challenges faced by this sector. According to a study, the number of clients prematurely terminating an outsourcing relationship has gone twofold to 51 percent, while the number of clients satisfied with their offshoring providers has decreased from 79 percent to 62 percent. The issues related to poor infrastructure of reckless start-ups as a source of dissatisfaction in India have also been discussed.\textsuperscript{31} Although outsourcing continues to help western firms save significant sums of money despite such concerns, the problems related to HRM issues are real and growing and have the potential to make India less attractive for BPO. Hence, there is a grave need to address such issues effectively.

Some of the challenges in the industry consist of annual employee turnover rates ranging from 20 to 80 percent and an imbalance in the demand and supply of a skilled and talented workforce. There is also an up-and-coming shortage of manpower at the mid-management level. The basic “cost-effective” model of Indian BPOs appears to be declining as the wages continue to increase annually by 10–20 percent, and in some cases, revenues are decreasing.\textsuperscript{32}

There is an escalating paucity of the appropriate skills gained through the education system, which is short on quality and relevance. Because of
dearth, hiring new talent has become more expensive. In 1999, the average pay packet of an entry-level agent was $160–$180; now it is $450–$500. Due to high attrition rates, every employee who leaves costs the company another $900–$1100 to recruit and train a replacement. Finding the right candidate and sustaining it is now becoming a problem. Years ago, the success rate was of choosing the right candidate was 20 percent.\(^{33}\) Besides this, BPO employees are experiencing problems related to stress, sexual and racial abuse, and dissatisfaction at work.\(^{34}\)

Inside a BPO organization, HR related issues arising at all levels have become significantly alarming and need to be addressed soon. Major HR-related issues standing as problems in the various levels of management include attrition, HR policies, absenteeism, performance appraisal, and manpower allocation.\(^{35}\) In organizing, the major concerns at the lower management level are related to job design and job requirements, like night shifts, monotony, and long hours. At the middle-management level, critical issues were related to HR, organizing, and motivation. Middle-level managers have difficulty in retaining good employees, motivating them to put in their best effort, and keeping them happy. Often, managers are not trained to work with teams and directing and motivating numerous teams simultaneously is challenging.\(^{36}\) Literature also identifies that outsourcing work environment leads to emotional exhaustion, less affective commitment, more resigned attitude towards the job, and higher intention to quit.\(^{37}\)
Issues related to recruiting, training, and sustaining employees in the BPO industry needs attention. In BPO industry, agent level recruitment costs the company approximately five thousand rupees for each employee recruited. This is just the direct cost paid to recruitment agencies. Over and above the direct recruitment cost, an allied cost of training and managerial service is also involved. Each agent’s job is non-productive or partly productive in the organization for nearly the first 2-3 months. He does not contribute anything substantial to the company in that period. Hence, an employee leaving the organization within the first 6 months is a bad investment for the company. Cost of attrition in the BPO industry is 1.5 times the annual salary.\(^\text{38}\)

However, there is another perspective for attrition which is specific to the BPO industry in India. India at the moment is working on low end business processes which do not require quite high skills. The reason for India’s success has primarily been providing low cost high quality labour. Compared to competitors such as Philippines, South Africa, Ireland, India is the only country where there is a balance between the cost involved and the quality provided. For Indian companies to remain successful in future they would have to keep the cost low. Tasks performed by an agent are routine and simple and do not need a sophisticated skill-set. Hence, there is not much advantage in retaining a highly experienced employee. At the floor level operation, an amateur after a nominal training could work with the same efficiency as a 2-3 year experienced
employee. The industry players therefore consider the present attrition as positive because it helps them to operate at a lower cost level.\textsuperscript{39}

BPO is the biggest employment generating industry in India. The young people get lured to big salary and fast money. There is a lot of demand as well as supply for this job. The rate of quitting, however, is far more than the rate of joining. It is a Herculean task to bridge the widening gap between demand and supply of workers in BPO industry. The average attrition rate in the Indian BPO sector varies between 30 and 35 percent.\textsuperscript{40}

Although, it is far less than the prevailing attrition rate in the US, which is around 70 per cent, the challenge is equally alarming. Keeping the attrition levels near to the ground is a major challenge as the demand surpasses the supply of good agents by a big margin. The employees are disillusioned as their salary structures are not well defined. This encourages poaching by other companies who can offer a higher salary.\textsuperscript{41}

Work for fun is normally associated with the BPO industry, often claimed to be its unique selling point. But it has already backfired. The young people are now taking BPO jobs just as a stop-gap arrangement to pass time. Initially, they are blinded by fast money, fast life and fast growth. However, the realities of BPO jobs are just the opposite. The bizarre working hours and monotonous nature of job wear them out very fast. Their hyped up fun transforms into a dull droning job. This exactly is one of the main reasons behind high attrition in BPO industry.\textsuperscript{42}
High percentage of females working in the BPO industry further aggravates the situation. Most women quit after marriage or because of the social strain caused by asymmetrical working hours. The industry is spending huge amounts on training its employees but most of the training is either induction training or process training. Motivational training, though most important, is grossly neglected in BPO. Enormous amounts of money spent on training are simply wasted due to high levels of attrition. According to Sharma, there are massive costs associated with attrition. The following example makes the point clear and demonstrates how alarming can be attrition in the BPO sector.\textsuperscript{43}

Keeping low attrition levels is a major challenge as the demand outstrips the supply of good agents by a big margin. Further, the salary growth plan for each employee is not well defined. All this only encourages poaching by other companies who can offer a higher salary. However, with the global financial meltdown it appears employees prefer to stick to their current jobs as much as possible. In November 2008 BPO attrition fell to 30 per cent.\textsuperscript{44}

An attrition rate particularly in call centres has become legendary. Indeed, the attrition rates in some Indian call centres now reach 80 per cent. This is an extreme figure but the average attrition rates in Indian call centres are up around 30-40 per cent. However, it is interesting to note that the attrition rates in India - and the costs associated - are so high that they can override the benefits of lower wage costs. While wages in call centres in Indian are less
than one-eighth of those in Northern Europe, it has been reported that Hewlett-Packard have found the cost per 'ticket' (the cost of processing a query) has doubled "due to the inability of the staff to resolve customer queries efficiently because of language barriers and inexperience." It is said that this increased cost has made HP's move from Ireland to India "completely pointless," and that it can never recover the (substantial) costs of the move. It is further reported that GE Capital has moved a call centre back to Australia "after staff attrition rates of 70 per cent wiped away any potential cost savings."45

Staff attrition and absenteeism characterize significant costs to most organizations. It is odd, therefore, that many organizations neither measure such costs nor have targets or plans to reduce them. Many organizations appear to accept them as part of the cost of doing business – a sign of increasing job mobility and decreasing staff loyalty perhaps, a matter to be regretted but just 'one of those things.' However, it seems to be one of the areas in which HR can make a difference - and one that can be measured in quantifiable, financial terms against targets.46

Attrition in the BPO industry is twofold. One part of the attrition is where the employee leaves the industry entirely. The other section of attrition is where the employee joins another firm in the industry. Both the sections have separate reasons which need to be identified. The primary reason for people leaving the industry is due to the cause that the industry is viewed as a gap filler occupation. There seems to be a flaw in the way the industry is structured.
The industry has been mainly dependent on youth who take out time to work, make money in the process while thinking of career alternatives. Hence, for this group, BPO is never a long term career but only as a part time job. The easy availability of BPO jobs is only a source of easy money till the time there is no other source of funding. Also the unfriendly working conditions, late night work shifts, high tension jobs acts as a deterrent for people to stick to this industry for long time. In addition, the BPO jobs are not being taken with a positive spirit by the society on a large. Research says that nearly 50 per cent of those who quit leave the industry.\textsuperscript{47}

Regarding the attrition between firms, the principal reason is the unavailability of resources in the job market causing a great demand compared to the supply available. Presently there is no certified institute providing BPO specific training and education. The scarce resource in the market leads to wide scale poaching and head hunting amongst the competitors for the common pool. Due to the immaturity prevailing in the industry, the industry also has not witnessed mature HR processes such as work force planning being implemented by the firms. Usually new projects in the BPO industry, requires a transition stage to be implemented within a short time. The lack of pre-planned recruitment leaves the firms with no option, but to fulfil their immediate requirement by poaching resources working on similar projects in other firms.\textsuperscript{48} To add to it, the industry is characterized by unusual work hours (BPO mostly caters to customers in the West and the time difference could vary from 8 to 12
hours on an average); never-ending night shifts; high work targets; repetitive nature of work; pressure to work on metrics; non-negotiable metrics; irate customers and insufficient holidays. Furthermore, BPO executives are faced with the quality versus quantity conflict. Each factors by itself standalone, contributes to different levels of stress; when combined, they could even be traumatic. Employee motivation soon gets depleted. This ultimately leads to very high levels of dissatisfaction with work and results in employee turnover.49

According to a study, high rate of attrition is due to factors like higher salary expectation, work timings and other career options; adding that there is always a danger of costs increasing while billing rates are declining.50 Even factors like unsatisfactory monetary rewards, discomfited working hours, dull and monotonous jobs add to the high employee turnover rate.51 Many see this space to be an Internet sweatshop where all that the employees are required to do is just mechanically input numbers into excel sheets or, worse still, answer phone calls in the same tone and repeat the same lines at least 100 times a day/night. Talent in this space is generally overlooked, which leaves the deserving few disgruntled with top management and hence fosters attrition.52

The issue is not with the quality or education of the staff - and still less with the investment in technology. It is simply attrition - people do not stay long enough to be taught or to learn the job. The staff may be cheaper but if they cannot do the job, it is a loss. Managing attrition is not just a 'nice thing to do' in Indian call centres. It is the route to their survival. Far from accepting attrition
rates as part of the cost of doing business, it is surely something that all organizations should address, and equally surely it is an area in which HR can take a lead - measure attrition, seek its causes, set out solutions and target performance.\textsuperscript{53}

An employee’s perceived desire to remain with and continue working for the organization the worker is employed by has been defined as organizational commitment. It implies a willingness to remain with the organization, and to continue helping the organization provide the best possible products and/or services to its consumers for the betterment of the organization and each of its workers.\textsuperscript{54} In short, organizational commitment reflects loyalty and willingness to work toward organizational objectives that have been identified by the employer. Organizational commitment is defined as an employee’s level of identification and involvement in the organization.\textsuperscript{55} Meyer and Allen\textsuperscript{56} defined organizational commitment as a psychological state that characterizes the employee’s relationship with the organization with its implications for the decision to continue membership in the organization. According to Meyer and Allen’s three component model of commitment, there are three “mind sets” which each characterizes an employee’s commitment to the organization: affective, continuance and normative commitment. Affective commitment refers to employees’ perception of the emotional attachment or identification with the organization. Continuance commitment refers to employees’ perception of the
cost of leaving the organization to another place. Normative commitment is the employees’ perception of their normal obligation to the organization.

**EMPLOYEE MOTIVATION**

Employee motivation has been extensively reviewed for this research. Literature on the established well-known motivation theories has been reviewed as one of the final results of our study shows intrinsic motivation factors as a significant dimension of employee retention in the BPO industry. Theories of motivation were intricately studied to understand the concept of motivation as an important predictor of employee turnover. Motivation theories have been broadly classified into need-based theories and process-based theories. These theories form the pedestal of all work on motivation. Here these theories have been discussed to understand the philosophy of motivation so as to incorporate the same in the study of employee retention. Johnson and Gill describe motivation in work organizations as “the processes by which people are enabled to and induced to choose to behave in particular ways”. Motivation is therefore coupled with a search for the ways by which members’ job performance and productivity may be enhanced or maintain.

**Maslow’s Hierarchy of Needs**

According to Maslow, view of individual needs, an individual is motivated on a series of human needs, which are arranged in such a way that lower, more basic needs must be satisfied before higher-level needs become activated and these needs motivate an individual when satisfied sequentially.
He saw motivation as a constantly changing desire to fulfil changing needs and believed that human needs occurred in a hierarchy of importance, which he called ‘prepotency’. The hierarchy of needs focuses on five categories of needs arranged in ascending order of importance (Maslow, 1954). Physiological, safety, and social are the lower-level needs in the hierarchy. The higher-level needs are esteem and self-actualization. When one need is satisfied, another higher level need emerges and motivates the person to do something to satisfy it. A satisfied need is no longer a motivator. Only the next level of needs in the hierarchy will act as motivators. Once a level of needs has been satisfied they no longer act as motivators and the individual then directs attention towards the next level of needs in the hierarchy. Whaba and Bridwell did a broad review of the research findings on the need hierarchy concept. The results of their review show that there was no clear evidence showing that human needs are classified into five categories, or that these categories are structured in a special hierarchy. Even though hardly any research evidence was discovered in support of the theory, it enjoys wide acceptance (Whaba M. A. and Bridwell, 1976).

Motivation Hygiene Theory

The Herzberg, Mausner and Snyderman research examined the relationship between job satisfaction and productivity among 200 engineers and accountants. The result of the research was Herzberg’s motivation-hygiene theory of motivation, which suggests that certain factors (motivator
factors) lead to job satisfaction, whereas others (hygiene factors) prevent dissatisfaction but cannot engender satisfaction. Motivator factors are factors that are intrinsic to the job, such as the content of the work itself and the availability of opportunities for responsibility, advancement and recognition for achievement (Herzberg et al, 1959). Hygiene factors are extrinsic to the job and relate to the environment in which the job is performed. Such factors include the organization’s policy and administration, working conditions, salary, supervision and interpersonal relations. Herzberg argued that the extrinsic aspects of work (the hygiene factors) could not provide a source of motivation for people but could, if ‘bad’, provide a source of dissatisfaction and thus demotivate people. Hygiene factors should be seen as the necessary precondition to allow the motivator factors to influence people’s motivation. In a situation in which there were ‘good’ hygiene factors, the employee would be in a state of ‘no dissatisfaction’. The motivator factors, which Herzberg described as “complex factors leading to this sense of personal growth and self-actualization”, would then be able to act on that employee and increase job satisfaction and productivity.

The research conducted by Herzberg has, however, been the subject of considerable criticism in terms of the form of the research itself and the biased selection of the sample. Holloway claims that since the clerical and production workers ‘did not produce the accounts he was seeking, he didn’t sample them’ (Holloway, 1997). Goldthorpe suggests that other types of employee (such as
assembly-line workers) may indeed view work in the way expressed by scientific management and be primarily motivated by financial incentives. A case of workers being primarily motivated by what Herzberg regards as a hygiene factor. The important point to be made from the criticism of Herzberg and from the work of Goldthorpe et al. is that no one theory, be it human relations or scientific management, is likely to apply universally. Different socio-economic groups appear to attach different meanings to, or have different orientations towards, work. While different groups of people may have different attitudes towards work, they are also likely to react differently towards management policies. A model of worker motivation should therefore be able to differentiate between different types of worker and treat the wants, expectations and attitudes towards work as ‘culturally determined variables, not psychological constants’ (Goldthorpe et al, 1969).

ERG theory

ERG theory, developed by Alderfer is a re-working of Maslow’s need hierarchy to align it more closely with the empirical research. In ERG theory there are three groups of core needs – Existence, Relatedness and Growth. The existence group is concerned with providing basic material existence requirements and includes the items that Maslow termed physiological and safety needs. Relatedness needs are the needs for maintaining important interpersonal relationships and align with Maslow’s social need and the external part of the esteem need. Finally, growth needs involve the intrinsic
desire for personal development and include the intrinsic element of Maslow’s esteem category as well as self-actualization needs (Alderfer, 1967).  

**McCelland’s Theory of Needs**

McCellend’s theory of needs focuses on just three needs: achievement, power and affiliation. They are defined as a) need for achievement – the drive to excel, to achieve in relation to a set of standards, to strive to succeed; b) need for power – the need to make others behave in a way they would not have behaved otherwise; and c) need for affiliation – The desire for friendly and close interpersonal relationships. McCellend suggests that people with a high achievement need have a compelling drive to succeed. They strive for personal achievement rather than rewards and have a desire to do something better or more efficiently than it has been done before. They seek situations where they can attain personal responsibility for finding solutions to problems, where they can receive rapid feedback on their performance so they can tell easily whether they are improving or not, and where they can set moderately challenging goals. They receive feelings of achievement and satisfaction from overcoming difficulties and stacles, but they need to feel that their success (or failure) is due to their own actions. McCellend postulates that high achievers will perform best when they perceive there to be an approximately equal chance of success or failure (Moorhead and Griffin, 1995).
Vroom’s Expectancy Theory

Vroom’s expectancy theory suggests that people not only are driven by needs but also make choices about what they will or will not do. The theory proposes that individuals make work-related decisions on the basis of their perceived abilities to perform tasks and receive rewards. Vroom established an equation with three variables to explain this decision process. The three variables are expectancy, instrumentality, and valence. Expectancy is the degree of confidence a person has in his or her ability to perform a task successfully. Instrumentality is the degree of confidence a person has that if the task is performed successfully, he or she will be rewarded appropriately. Valence is the value a person places on expected rewards. Expectancy, instrumentality, and valence are given probability values. Because the model is multiplicative, all three variables must have high positive values to imply motivated performance choices. If any of the variables approaches zero, the probability of motivated performance also approaches zero. When all three values are high, motivation to perform is also high. Vroom’s expectancy theory suggests that both situational and personality variables produce job satisfaction (Vroom, 1982).65

Adams’ Equity Theory

The primary research on equity theory was done by Adams. Equity theory proposes that workers compare their own outcome/input ratio (the ratio of the outcomes they receive from their jobs and from the organization to the
inputs they contribute) to the outcome/input ratio of another person. Adams called this other person “referent.” The referent is simply another worker or group of workers perceived to be similar to oneself. Unequal ratios create job dissatisfaction and motivate the worker to restore equity. When ratios are equal, workers experience job satisfaction and are motivated to maintain their current ratio of outcomes and inputs or raise their inputs if they want their outcomes to increase. Outcomes include pay, fringe benefits, status, opportunities for advancement, job security, and anything else that workers desire and receive from an organization. Inputs include special skills, training, education, work experience, effort on the job, time, and anything else that workers perceive that they contribute to an organization (Adams, 1963).

**Goal Setting Theory**

Goal setting theory, which is largely attributed to Locke, proposes that intentions to work towards a goal are a major source of work motivation. Specifically, it suggests that specific goals increase performance, difficult goals, when accepted, result in higher performance than do easy goals and that feedback leads to higher performance than does non-feedback. It is assumed that, holding other variables constant, the more difficult the goal, the higher the level of performance. However, it is also true that the goal must be accepted by the individual and that easier goals are more likely to be accepted. The task difficulty must therefore be easy enough to ensure acceptance from the employee but difficult enough to encourage a high level of effort. Feedback
helps identify discrepancies between what an individual has done and what they want to do, and therefore guides them as to how well they are progressing toward their goals. Evidence has also shown that self-generated feedback, where the employee is able to monitor his or her own progress, is a more powerful motivator than feedback from external sources, such as supervisors (Locke, 1968).67

**VARIABLES AFFECTING EMPLOYEE MOTIVATION**

Employee motivation is an important factor in employee retention. It is also an important predictor of job satisfaction. Job satisfaction leads to motivation and together they make the employee sustain in a given job. Highly self-motivated, committed, ambitious employees give the most to their company and get the most from their work. But if one is lacking employee motivation in the workplace the effects can be dramatic. Low team morale, lack of initiative, lack of energy, mistakes and high staff turnover are just some of the clues that motivation is an issue.

Positive or negative attitudes held by individuals toward their jobs are known as job satisfaction. In so far as job satisfaction plays an important role in organizations, it makes sense to know what factors contribute to job satisfaction. A great deal of research, theory and practice bears upon this question. Although there are many different approaches to understanding job satisfaction, four particular ones stand out as providing best insight into his very important attitude—the two-factor theory of job satisfaction, the
dispositional model, value theory and the social information processing model (Taylor, 1981).\textsuperscript{68}

For an individual to succeed at his job or an organization to reap the optimum level of performance out of the individual, it is paramount for the individual as well as the organization to incorporate motivation techniques that will encourage the worker to be of maximum utility and minimum cost. To instil that motivation within the mindset of the individual worker, there are certain factors that help in instigating that certain level of motivation that an individual needs to bring out the best of his potential. These factors are further divided into two categories, namely job-content factors and job-context factors (Katz, 1978).\textsuperscript{69}

**Job Content Factors**

Job-content factors are those factors for which the individual is responsible. In other words, those factors that are internally controlled such as achievement, responsibility and the quality of work itself are termed job-content factors.

**Job Context factors**

As for job-context factors, they are those factors, which are externally controlled – that is the organization is responsible for controlling those factors. Such factors include job security, salary, benefits, promotions etc (Arnold, 1976).\textsuperscript{70}
PERSONAL CHARACTERISTICS AND JOB CHARACTERISTICS

The perceived attitudes of the employees are their approach towards a given job on the context of their satisfaction, motivation, involvement etc. These are perceived attitudes because it is merely a perception and is highly personal to an individual. Our research studies employee’s perception towards work, their probability of quitting, their willingness to continue a given job etc. in order to comprehend the dimensions of attrition and retention completely, a set of personal characteristics were considered. These characteristics included gender, age, education, marital status and tenure. These characteristics have different impact on job satisfaction, motivation etc.

The following points describes the personal characteristics and literature with reference to job satisfaction, motivation etc. The ensuing sub section describes about few work related characteristics that are quite instrumental in assessing an individual’s opinion towards job. These work related characteristics were then further translated in the questionnaire to assess the retention factors important for employees’ sustenance (Deci, 1972).

Personal characteristics such as age, gender, marital status, education and tenure are often included in job satisfaction studies to describe the respondents and to establish relationships among the variables. Research evidence often illustrates the presence of relationships between the personal characteristics and job satisfaction, but the evidence tends to be assorted. Sometimes positive relationships are identified and sometimes negative ones.
for the same variables. It also depends on the kind of job chosen, sector, geographical location etc.

**Age**

Varied evidence exists in the literature with reference to the relationship between age and job satisfaction. Herzberg et al., after an extensive review of job satisfaction literature, concluded that the association is best described by a U-shaped function. Initially satisfaction is high, and then it decreases with the increase in age, and eventually, after hitting a low point, increases again with age. Hulin and Smith (1965)\(^2\) indicated that job satisfaction increases in a positive linear fashion with respect to age. As workers grow older, they tend to be more satisfied with their jobs. Older workers have lower expectations than younger workers, and they tend to be better adjusted to the work situation. Quinn, Staines, and McCullough claimed that older workers are more satisfied with their work because they move into better work or more desirable positions across their careers (Quinn et al, 1974)\(^3\).

Saleh and Otis proposed a positive and linear function between age and job satisfaction until the pre-retirement period during which job satisfaction significantly declines. They credited the growing level of job satisfaction to the general adjustment to life, and the declining level of job satisfaction to a decline in health and an obstruction of channels for self-actualization and psychological growth (Saleh and Ottis, 1964)\(^4\).
Gender

Research examining the relationship between gender and job satisfaction revealed three possibilities. First, females are more satisfied than males. Second, males are more satisfied than females. Third, no difference exists between males and females with respect to job satisfaction (Golding et al, 1983). Gruneberg presented several reasons for the inconsistent results of the investigations concerning the relationship between gender and job satisfaction. Males and females might be engaged at different job levels in the same organization. Their promotion prospects might differ, as might pay and the level of need satisfaction in the same job. Women might identify stronger social satisfaction in a position that requires few skills and offers limited promotion opportunities than men do and thus might experience greater job satisfaction than men (Gruneberg, 1979).

Education

A review of job satisfaction studies that included education as a variable indicates that the relationship between education and job satisfaction can be either positive or negative. Carrell and Elbert, for example, reported negative direct effects of education on job satisfaction. They concluded that younger workers, who have a higher level of formal education, may be dissatisfied with performing the routine tasks required in most jobs. They identified many similarities between the two groups, but one of the clear differences concerned the education variable. The expected negative relationship between education
and overall job satisfaction was much stronger for the private-sector employees than the public sector (Carrell and Elbert, 1974).  

Tenure

It is already pointed out that the relationships between tenure, defined as length of service, and job satisfaction was unclear. It is possible that an increase in job tenure can be associated with a decrease in job satisfaction. It is also possible, as evidence provided by Bedeian, Ferris, and Kacmar has shown, that tenure and job satisfaction are positively related (Bedeian et al, 1992).

Work-Related Characteristics

Job satisfaction can be influenced by the work situation. Any aspect of the job and employing organization is part of the work situation. Based on an extensive review of the literature, Vroom identified challenging work, equitable rewards, supportive working conditions, and supportive colleagues as main determinants of job satisfaction (Vroom, 1982).

Nature of work

The work itself is the factor that correlates most highly with overall job satisfaction. Employees’ preference tends to be jobs that let them apply their abilities and skills and represent a diversity of tasks, freedom, and performance feedback. This preference makes work mentally challenging. Challenge has to be balanced. Not enough challenge can lead to boredom, but too much challenge and employees experience frustration and feelings of failure. An
appropriate level of challenge will cause feelings of pleasure and satisfaction (Locke, 1976).80

**Equitable rewards**

Pay and promotion are rewards employees tend to expect for their efforts. Pay and promotion lead to satisfaction when they are perceived as being fair. For pay to be fair, decisions on the amount to pay should reflect job requirements, people’s abilities, and community pay standards. By the same token, employees encounter satisfaction when they perceive that promotion decisions are the result of fair policies and processes (Bruce and Blackburn, 1992).81

**Supportive working conditions**

People want to be comfortable and safe while they work. Appropriate lighting, temperature, and noise level are several aspects that keep people from being uncomfortable, and, therefore, from experiencing dissatisfaction. People want the tangible items that they need to work to perform their job well. In an office environment examples for tangibles are computers, copiers, fax machines, and phones. Furthermore, people prefer cleanliness to dirt and living close to their jobs over living far away (Locke, 1983).82

**Relationship with peers and boss**

Many individuals’ social need can be satisfied through their favourable interaction with both co-workers and managers at work. Sympathetic and helpful co-workers can increase employee job satisfaction. Managers who
interact favourably with employees assist in solving problems are aware of employees’ challenges and are able to communicate effectively and provide constructive feedback periodically. These managerial behaviours can lead to increased job satisfaction for employees (Levine and Tyson, 1990).83

CONCLUSION

The review of the related literature in the area of attrition and retention of employees in the BPO industry indicates that while the efforts have been made separately to examine the issues of attrition and retention, no effort has been made to do a holistic attempt. Moreover, no one has so far attempted to test the recommendations in real life situations, by taking a set of employees from a BPO firm and to check whether the recommendations really work. The present study makes an attempt to fill these gaps in the literature.
REFERENCES


5. Ibid., pp 2-8.


79. Vroom, (1982), op.cit.,


