THE DETERMINANTS OF ATTRITION OF EMPLOYEES AND RENTENTION STRATEGIES WITH REFERENCE TO BUSINESS PROCESS OUTSOURCING (BPO) INDUSTRY

A. Shekar

CHAPTER-I

INTRODUCTION

Today, India is the hottest destination for any company that wants to outsource its business processes. But what can be the reason for India being so popular with the companies worldwide? The attractiveness of India can be contributed to three basic factors: cost, people and environment. India ranks first among a host of desirable nations in terms of cost (which includes employee cost, infrastructure cost, management cost and the tax structure). It beats all its competitors on the people front as well. The people factor is evaluated on the lines of size of the job market, workforce education level, language barriers, past outsourcing experience and employee retention. Breakthrough developments in the information technology, cutthroat global competition, rapid organizational restructuring, emerging market economies and growing realization of the importance of customers were some of the drivers of the new business paradigm. Outsourcing is the byproduct of this paradigm change. In general when a company decides to focus on its core business and outsource its non-core operations such as customer care, finance, payment services, HR, administration, insurance claims and of late content development to vendors or other organizations which deal them, ‘it

* PhD Thesis submitted to Osmania University, Hyderabad for the award of Doctor of Philosophy in Business Management

* Research scholar, Department of business management, Osmania University, Hyderabad
is called business process outsourcing (BPO). Companies are moving their non-core business processes to outsource providers. BPO saves precious management time and resources and allows focus while building upon core competencies. The list of functions being outsourced is getting longer by the day. In the global business scenario, BPO is on top of the list today. The new age work force comprises mostly of knowledge workers, who are techno savvy, aware of market realities, materially focused and who have higher propensity to switch jobs. The challenge of acquiring new talent and retaining the existing talent is only going to intensify.

**STATEMENT OF THE RESEARCH PROBLEM**

The Major challenges being faced by the ITES or BPO industry in India can be classified into internal and external challenges. The internal challenges include shortage of competent managers for the middle and senior management and the high attrition rates. The external challenge is in the form of opposition from the US politicians and the UK labor unions against shifting of the BPO operations by local companies to India. The threat of real competition from other players like Philippines also exists, but doesn’t seem to need our immediate attention. We should look at these issues. Motivation is definitely directing the efforts of employees towards attaining the goals of an organization. There is no organization which has reaped the profits, increased the market share, and increased its brand recall without the motivated employees. It is only the motivated employees which execute the plans into a success. Human capital has always been an extremely important determinant of individual and social progress. In the present scenario, it is instrumental for developing economies in an increasingly competitive, services led, knowledge driven global economy. The degree of responsiveness of the skilled
human resources on the overall development and specifically the economic growth has been well established. Notwithstanding, the known understand the significance of the skilled talent-pool in the knowledge economy and hence in the economic development.

After realizing the significance of BPO business and issues concerned, it is felt that a research effort in BPO with reference to their retention strategies of their employees assumes considerable amount of relevance and significant. Hence a modest attempt is made to review the earlier studies in order to identify the aspects covered in the earlier studies and to identify the gaps if any.

**REVIEW OF EARLIER STUDIES**

Rajesh Kumar and S. Raja Mohan have opined that stress is good for us. We can’t learn to thrive without it. Stress mobilizes our potential. When stress strikes, we respond in five ways. Thriving is finding new meaning in life, growing physically, mentally, emotionally and spiritually. Everyone responds differently to stress. It depends, to some degree, on one’s conditioning and on the amount of adaptive energy we were born with. That is why some people seem to thrive through stressful situations while others quickly reach exhaustion. One should be strong enough or have the strong will power to fight the situation that arises. In this 21st century, problems do not come knocking on the door. A person, who is not prepared to fight against problems, leads to stress, then stress leads to the killing of mind of the person. Pressure is inevitable. We cannot go through life without experiencing pressure and attempting to avoid pressure is not realistic. Pressure needs to be actively managed. Pressure is a neutral force. It can produce either...

---

good or bad outcomes, depending on an individual’s adaptability and coping skills. Pressure can be the stimuli, we need to enjoy our lives and learn new skills, experience excitement and get things done. It can also be the force that causes depression and anxiety, makes us fail to complete tasks, miss deadlines, breakup relationships and become seriously ill. In other words, pressure can either help to raise performance or can cause stress. The same pressure can produce either of these responses and the way we react to pressure, combined with our adaptability, governs the outcome of the stress process. Eliminating pressure is not the solution to avoiding stress. We need to manage pressure.

Saket Jeswani, Sumita Dave and Saket Ranjan Praveer\(^2\) have found that salary/Benefit, Job Task/level of Responsibility, Work Environment, Relationships and sense of Purpose are the parameters that are strongly correlated whereas career developments is partially correlated to these parameters. On the other hand, Autonomy and Work Load are weakly correlated to these factors as well as to each other.

Sunita Chugh and Jyotsna Bhatnagar\(^3\) have noted that HR devotes its energies to the gamut of talent management spanning Employer branding, sourcing, retaining, placing, training and developing, leadership building, etc. Talent management is formal because it includes programmes and activities like forecast plan, constant companion, assessment centres, 360 degree appraisal, professional circles, open competition for, management talent, preparation of talent matrix, talent recognition

programme, mentoring system along with innovative compensation programmes. Talent management definitions abound, both in theory and in practice. But to capture its essence would be to describe it as a process which helps an organization: 1. to retain talent 2. to manage great talent’s expectation of career, growth, designation, band, roles and 3. to plan replacement. Talent management helps in growing business and individuals and 4. To identify the gaps in the talent pipeline in relation to the business pipeline.

J.S. Gunavathy, R. Thenmozhi have highlighted the work life balance and it is an important concern for all employees and organizations in the present scenario. It is heartening to note that though work-life imbalance is an issue for the employees, they are in better control over their work and personal lives. Efforts to increase decision latitude and decrease psychological job demands will reduce work-life imbalance. Organisations have a vital role to play in promoting work-life balance. Popular work-life strategies include family care programmes, employee-friendly benefits, flexible work arrangements, financial and wellness counseling and personal convenience services.

Zafrul Allam and Rezene Habtemariam have concluded that the influence of nature of work and overall organizational climate have got a greater role in predicting the relationship with work and performance.

R.M. Naidu opined that the certitude of competency mapping impacting the strategic aspects of managerial scope is obvious. It definitely envelopes an entire

---

gamut of HR activities and creates pre-determined impact which can ensure a highly fruitful efficacy driven intervention. Many organizations across the world have taken to doing the job the competency way in order to sustain the organization’s competitive advantage.

R. Rani Geetha Priyadarshini has felt that organizations are learning entities and HRD function has an important role to play in that it attempts to build and maintain a learning atmosphere in the organization. They have to necessarily build a proactive orientation and develop mechanisms which would support and utilize the learning of individuals. HRD is considered not just for training but to focus on the supporting learning processes involved in the learning organization, emphasizing on five important facets of HRD, namely training and education, rewards and recognition, information flow, vision and strategy and individual team development. It implies that HRD in learning organizations should adopt a people oriented approach and aim to enhance the effectiveness of individuals to enhance the effectiveness of organizations. In this regard, it becomes vital that individuals have to possess the necessary belief that they possess the capability to perform well and contribute highly to organizations. This could be facilitated by providing them with adequate resources and enhancing their role efficacy and henceforth aid their self efficacy. Organizations excel or regress only when individuals do or do not deliver goods, which happens when they are not confident to perform and not able to perform confidently. As organizations are dynamic in nature, roles which individuals

---


play are also dynamic. Hence if role efficacy is not ensured and self efficacy is not built, it leads to ineffectiveness in individual and organizational performance. It is further emphasized the importance of HRD in expanding individual, group and organizational effectiveness. The importance of relating to the environment in a change context calls for a systems perspective and HR efforts directed to enhance efficacy of roles which would further facilitate the enhancement of individual efficacy.

Chandan Kumar Sahoo and Gangadhar Sahu have opined that employee engagement is a hot topic circulating in corporate circles and being implemented in global corporations, government agencies, and non governmental organizations. Employee engagement is indeed a concept which, if implemented properly, makes a lot of sense. It is a simple idea rationalizing the fact that the engagement and commitment of employees towards their work and organization can make a huge difference. Engaged employees create winning organizations that are more profitable, a fun place to work in and offer superb customer services and other solutions for which the organization exists. The concept is thus making headlines and becoming popular among major world class organizations, be they in private or in public sectors.

Guangping Wang, Peggy D. Lee and Penn state university have suggested that empowerment programs should focus on reaching optimal levels on the individual dimensions to create a balanced combination that will result in the most positive

---


9 Guangping Wang, Peggy D. Lee and Penn state university “Psychological empowerment and job satisfaction”
outcomes. Although all four dimensions of empowerment are important, as spreitzer et al. and many others have suggested, it is essential to achieve balanced combinations to create maximal job outcomes. The meaning dimension appears to have a consistently strong positive effect on satisfaction, which is also consistent with much of the extant research. As such, a program that emphasizes a high level of meaning should generally do well in terms of generating employee job satisfaction. However, at an average level of job meaning, a combination of too high levels of choice, competence, and impact may actually work against employee well-being. Matthew Valle and L.A. Witt\textsuperscript{10} have empirically demonstrated that perceptions of organizational politics and teamwork importance may have interactive effects on job satisfaction. When perceptions of organizational politics were at low levels, teamwork importance was not relevant to job satisfaction. However, among workers reporting moderate-to-high levels of organizational politics, those reporting high levels of teamwork importance were more satisfied than were those reporting low levels of teamwork importance. Managerial efforts to support teamwork behaviors and emphasize the importance of teamwork may increase the levels of job satisfaction among some employees.

A. Data\textsuperscript{11} had noted that changes in earnings affect job satisfaction. What is not answered here or in the literature is the exact mechanism attention to comparisons of the returns to observable than to unobservable skills, the results are mixed about whether workers reference others with similar observable characteristics.


reference all workers, or what. Only with longer panels of data, preferably from several countries, are we likely to be able to disentangle any further the various explanations of patterns in job satisfaction. Limitations on the data have prevented going much beyond examining the impacts of transformations of earnings on job satisfaction. Yet the evidence that the demand for non pecuniary and nonwage pecuniary returns to work is income-elastic suggests that it would be very worthwhile to examine a broader set of economic determinants of satisfaction.

B.K. Punia\textsuperscript{12} has observed that due to the intensity of talent war, the changing corporate relations have become a challenge for the modern organisations. In such type of environment the executives will have to resort to untiring and persistent efforts for employee empowerment. The phenomenon of empowerment will help the organisations in retaining their finest talent. The superior of employees do have certain expectations from the organisations in terms of their empowerment for further development.

Babu P Ramesh\textsuperscript{13} has opined that despite the fact that work in BPOs are characterized with much innovations, flexibilities and freedoms, at the core, denotes a relatively inflexible form of work organisation. This consistency inter alia has resulted in the creation of a new class of workers, with distinct features and differently conceived identity coding even the basic rights at work. The challenge of the researchers, there is to delineate and explore the insecurities and vulnerabilities, which are so veiled in the organizational logic of the firm. It is equally important to explore possible corrective measures or adjustment

\textsuperscript{13} Babu P Ramesh “‘Cyber coolies’ in BPO Insecurities and vulnerabilities of Non-Standard work,” Economic and Political weekly, January 31, Pp. 492-497.
mechanisms that help in tapping the employment potential of the sector, with minimum adverse impacts in the labour markets and overall economy of developing countries, which are emerging as the electronic housekeepers of the west.

Priti Suman Mishra\textsuperscript{14} has observed that keeping people is arguably the most challenging aspect of running a business today. The answer lies in the fact that there is no one set of answers. People are different, so their reasons for doing anything are different. Our study reveals that while salaries, perks, challenges, designations, foreign assignments may drive people for some time; most of the people also seek stability for themselves. Therefore, an HR manager needs to identify and create systems and processes that will retain employees. In order to be able to implement effective retention strategies the first step should be to understand the scope of the retention problem that is unique to one’s organization. The target group, which is crucial to the company’s operations and success, should be identified and the strategies are directed appropriately. It is a paradox that the companies which invest heavily in recruitment and development and make a good job at that, are prone to more risk of poach. A sound sensing and tracking system to assess the volume and causes of attrition by performance level could be useful. The ability to identify good performers, who are prone to leave for any job or management, related issues and timely intervention to address these issues, could be effective.

\textsuperscript{14} Priti Suman Mishra “Increasing rate of attrition in BPO” Management and labour studies Vol. 32 No. 1, February 2007.
Zafrul Allam\textsuperscript{15} has concluded that in case of managers, personal accomplishment was found significantly to relate to job involvement. Personal accomplishment and emotional exhaustion were found significantly to relate to job involvement among clerical staff. The relationship between various facets of job anxiety and job involvement were found to be very low positively related among managers. In the case of clerical staff, out of seven facets of job anxiety, self esteem was found significantly to relate to job involvement and recognition; future prospects and capacity to work were found positively related to job involvement.

Dr R Thenmozhi Mrs. D Gomathy\textsuperscript{16} have observed that the students in India work hard for their career goals and many look at the education they receive as an investment. The BPOs are well received and taken as a stepping stone till they get the opening they feel is really suitable for them. It is not an exaggeration to say that the current youth started perceiving employment in BPO as a career launch pad. Moreover the need for higher education and luxurious living has further triggered the passions of middle class parents that made them to encourage children to opt for placement in ITES due to the financial independence associated with the profession. Looking at the other hand, for the BPO industry, the presence of women in BPOs particularly in call centers has lots of benefits and advantages.

\textsuperscript{15} Zafrul Allam "A study of relationship of job burnout and job anxiety with job involvement among bank employees," Management and labour studies vol. 32 No. 1, February 2007.

\textsuperscript{16} Dr R Thenmozhi Mrs D Gomathy "A study on BPO as a career opportunity among college-goers conducted among women students in Chennai city," Indian economic panorama Pp. 8-10.
and so winning their loyalty and confidence in various forms is the need of the hour.

Dr A Vinayagamoorthy\textsuperscript{17} had observed that CRM is essentially about value. But this is not achieved simply by putting more people on the phones. The business have to offer a broad, integrated range of services: live agents and technology, backed by market analytics and deployed to each to their advantage. CRM implementation is a challenge. Most managers are reluctant to measure parameters to monitor progress before and after a CRM exercise. This is because it could show how well or badly the manager has implemented the CRM programme. CRM has become a senior management issue because it consumes staggering amounts of money and, notwithstanding the success stories, has mostly proved a disappointment. Companies around the world spend $3.5 billion a year on CRM software and that is only a fraction of total expense. Implementation, training, and integration outlays can be three to five times higher. Further, it takes three years to complete the implementation.

Y.P.S. Kanwar, A.K. Singh and A.D. Kodwani\textsuperscript{18} have suggested that the future research can extend the present work by focusing on the antecedents of work-life balance and burnout. In addition, the relationship between work-life balance and burnout needs to be explored in greater depth and in different contexts. Work-life balance and burnout have multiple consequences, especially organizational consequences. Such consequences need further investigation. The present study

\begin{flushright}
\textsuperscript{17} Dr A Vinayagamoorthy “BPO in customer relationship management,” Indian Economic Panorama. Pp. 28-30.

\end{flushright}
was conducted the context of high-tech service industries. However, it is not clear that how the relationships among work-life balance, burnout and job satisfaction will function in a traditional manufacturing organisation. This is one area that requires future research.

J.M. La Rocco, W. M. Pugh and E.K. Eric Gunderson have identified the best predictor of actual retention is stated intent to reenlist. However, simply knowing an individual’s intent does not provide useful information about the decision processes involved. The real question is what are the reenlistment aspects of person and job that interact to influence the reenlistment decision? The usefulness of the discriminate analysis approach lies in achieving better understanding and controlling the dynamics of reenlistment behavior. Finally, the potential usefulness of this methodology for assessing career potential in the other military services and in civilian organizations appears reasonably good in that most of the variables utilized have easily recognizable counterparts in other work settings.

V.G. Dhanakumar and J. Lin Compton have opined that recruitment programmes will have an optimum effect on recruitment for agriculture and rural education and development only if they begin by promoting professional agriculture careers among rural high school students and continue by supporting, culturally and financially, the pre-and post-agriculture education of rural persons. Such support may help to prevent agriculture schools and professional training experiences in metropolitan areas from desocialising these professionals for rural service.

---


20 V.G. Dhanakumar and J. Lin Compton “Staff recruitment and retention: Key to 21st century grassroots development institutions in India” staff recruitment and retention Pp. 52-65.
Recruitment to and retention in, rural areas may often best be accomplished by pursuing those professionals who are truly interested in the rural way of life. Grassroots professionals, who obviously want to live in the city and enjoy that type of lifestyle, should not be actively recruited, for it is obvious they are going to be unhappy.

Paul Goodman and Paul Salipante, Jr\textsuperscript{21} have found that there exists negative association between length of training and retention was not initially supported. However, in combination with counseling, there does seem to be a negative association with retention. When there is no counseling the longer the training program, the less the retention. When there is extensive counseling, there is no negative association. From our theoretical point of view, long training was assumed to generate negative connections from prior schooling experiences and to enhance feelings of distrust about the possibilities of attaining a real job. Counseling, on the other hand, can provide direct reinforcements to strengthen beliefs about the desirability of coming to work. Counseling, then, can counteract the effects of long training. Without counseling, the negative effects of long training occur.

Mohsin R. Shaikh\textsuperscript{22} has observed that the BPO industry in India is poised to grow and will be adding 7\% to India’s GDP by 2010 along with the creation of 8.8 million jobs. This will create shortage of manpower and there would virtually be a war for talent among the organisations. New opportunities created in the market will trigger turnover rates and organisations will have to device suitable strategies to retain the already score talent. Organization has been formulating strategies to retain the

\textsuperscript{22} Mohsin R. Shaikh “The war for talent: Strategies for employee retention in the BPO industry” Indian journal of training and developmentPp.34-42.
employees. However attrition in the BPO industry is there to stay and organisation have to focus on managing the employee flux by determination of optimal turnover rate for their organisation. This calls for proactive strategies right from the recruitment phase till the separation of the employee. However the duration of stay per employee can be enhanced by various interventions aimed at the personal and professional development of the employee.

Shweta Mittal showed that motivation is an important parameter for getting the best performance and retaining the employees in GAIL and Zonal employees clearly needs motivation through different means and there exists de-motivating factors among GAIL Zonal employees which needs to be eliminated as soon as possible for retaining the best people. The common desired motivating parameters in both segments are

1. Financial incentive
2. Boss performance and style of functioning
3. Responsibility and authority
4. Appreciation by Boss in public and ACR

Similarly most common de-motivating factors existing in GAIL are

1. Boss performance and style of functioning
2. Non-appreciation by boss in public and ACR
3. Nature of job profile

---

23 Shweta Mittal “Role of motivation in the retention strategy,” Indian journal of training and development pp. 66-74.
Rakesh Gupta\textsuperscript{24} had observed that rapid ageing of the population in the OECD countries provides India with a significant demographic opportunity, which it must utilize to augment its growth rate. Ageing countries will try to make up for decline in workforce through rise in productivity, redesignating retirement age and some other measures. However, some activities can be expected to shift to countries with more labor force participation such as India. At the same time, the knowledge intensity of the world economy is increasing and the emerging innovation and technology regime implies greater emphasis on R&D, presently at low levels in India. Thus, elevating expenditure on higher education as a percentage of GDP is critical to India’s future growth trajectory. It is important for India to capitalize on the head start it enjoys and expand its human capital further by improving the depth and quality of its talent-pool. The analysis suggests the complex inter-relationship between global and Indian demographic trends on one hand, and off shoring activities due to strong and deep Indian human capital on the other hand.

R. Indradevi and M. Kamalapriya\textsuperscript{25} have recommended employing HR professionals with knowledge of human psychology in call centers. Though few call centers have begun looking for counselors to refer employees’ problems, they actually do not retain them. Many young women in call centers between 18 to 21 years need guidance on physical and mental coordination to cope with a job that requires hyper-alert efficiency. Because of the sexual stigma associated with the job, it doesn’t bring status to women in the society. Establishing an equitable and gender

\textsuperscript{24} Rakesh Gupta "Emerging demographic and talent-pool challenges: Implications for Outsourcing to India”. Management and labour studies Vol. 35 No.2, May 2010.
safe work culture and highlighting the respectability of call centers creates pleasure in the job and increases the motivation for women in call centers.

Ruby Mendenhall, Ariel Kalil, Laurel J. Spindel and Cassandra M.D. Hart\textsuperscript{26} have analyzed the meaning that respondents attribute to their experiences in the “New risk economy” has significant implications as they launch the next generation one that will likely “rent out” their human capital in labor markets that are globally interconnected, and one in which individuals must increasingly take “ownership” in managing their careers and creating personal safety nets. What are the possible implications of these changes for the next generation’s life course patterns? If the next generation masters the “New economy” rules, they could surpass their middle- and upper-middle class parents’ standard of living, given the rewards of flexibility and the lower costs of perpetually switching jobs

**ASPECTS COVERED IN EARLIER STUDIES**

- Stress and its implications for job performance
- The parameters of career development
- Talent management
- Work life balance
- Determinants of performance
- Competency mapping and its impact on the organization
- Organizational learning
- Retention of employees
- Employee empowerment

The role of organizational politics and team work in job satisfaction
The impact of earnings in job satisfaction
Retention of talents
BPO acts as an inflexible form of work organization
Retention strategies in BPOs
Personal accomplishment and job involvement
BPO as a career launch pad
The role of CRM practices
Work life balance and burn out
Reenlisting behavior
Recruitment and retention strategies in rural areas.
Shortage of man power leading to wars for talents
Motivation and its impact on retention
Ageing of labor work force
Need to integrate HR professionals with human psychology.
New risk economy

GAPS IN EARLIRE STUDIES
No serious effort to empirically identify the determinants of the high rate of
job quit in BPOs.
In the arena of BPOs, no thorough and empirical investigation is conducted
on the retention strategies of employees and their efficacy.
No research effort is made to analyze the expectations portfolio of
employees.
In order to fill up the said gaps, the present study entitled “THE DETERMINANTS OF ATTRITION OF EMPLOYEES AND RETENTION STRATEGIES WITH REFERENCE TO BUSINESS PROCESS OUTSOURCING (BPO) INDUSTRY” is initiated with the following objectives and hypotheses.

**OBJECTIVES OF THE STUDY**

1. To identify the problems encountered by the BPOs in India.
2. To analyze the retention strategies adopted by BPOs
3. To examine the factors prompted to opt career in BPOs
4. To discuss the determinants of frequent job quit in BPOs
5. To study the expectations of the employees of BPOs
6. To identify the major determinants of the high rate of job quit in BPO
7. To suggest the relevant measures to strengthen and complement the retention strategies.

**HYPOTHESES**

1. The relationship between the age of the employees and their tendency to quit the BPO organization is assumed to be statistically independent.
2. The relationship between the gender of the employees and their tendency to quit the BPO organization is assumed to be statistically independent
3. The relationship between the position of the employees and their tendency to quit the BPO organization is assumed to be statistically independent.

**METHODOLOGY**

Towards the end of the objectives and hypotheses mentioned, the following methodology is adopted.
SAMPLE DESIGN

Four BPO organizations and 500 employees and 30 executives of BPOs of different strata were selected for the purpose of the study. The sample BPOs includes AEGIS BPO services, Hinduja Global, SERCO and Tech Mahindra.

SOURCES OF DATA

The present study made use of both primary and secondary sources of data. The sources of secondary data include reports from NASSCOM, and the reports from BPOs under study.

The primary data were collected directly from the respondents by administering a pre designed questionnaire/ schedule.

PERIOD OF THE STUDY

This study considers 5 years ranging from 2006 to 2011 financial years and the primary data are collected in the year 2011-12.

SCOPE OF THE STUDY

The present study confines itself to address and explain only the frequent job quits in BPO industry and the reasons and solutions for the said problems. It does not cover the managerial, financial and marketing related aspects of the BPOs under examination.

TECHNIQUES OF ANALYSIS

Simple percentages, graphs, frequency distribution, correlation coefficient, chi-square statistic and other relevant methods are used to measure, estimate and test the significance of the relationships specified in the study.
\[ 6 \sum d^2 \]

\[ R = \frac{1}{n (n^2 - 1)} \]

Where \( r \) = Spearman’s rank correlation coefficient

\( d \) = deviations

\( n \) = number of items

\[ \sum (0_i - E_i)^2 \]

\[ \chi^2 = \frac{\sum (0_i - E_i)^2}{E_i} \]

Where \( \chi^2 \) = chi-square statistic

\( 0_i \) = observed frequencies of the ith class

\( E_i \) = expected frequencies of the ith class