CHAPTER III

HR Systems and Policies in Indian ITES-BPO Industry
3.1 Introduction

In the previous chapter, the growth of ITES-BPO Industry in India and its HR requirements were discussed. In the present chapter, the researcher presents an overview of the HRM systems and policies in the Indian ITES-BPO industry. The existing literature contains few empirical studies conducted in India that highlight the nature of human resource management (HRM) systems relevant to the ITES - BPO sector and much of the literature that is available on the Indian ITES-BPO industry speaks only about the never-ending problem of high attrition rates of the industry. Since the literature on HRM practices in the Indian BPO industry is scant, the researcher has adopted a mixed-method approach (comprising of interviews of managers, self-completing questionnaires and secondary sources). Our direct sources of information were the ten HR managers of the sample BPO firms who agreed to be interviewed. Access to these BPO HR managers was secured through contacts and networking techniques. During the interviews, the managers provided qualitative data on the firms’ HRM practices and elaborated on their experiences with these practices. Apart from the qualitative information being used in this chapter, the participants also completed a questionnaire related to the effectiveness of a number of HR practices and policies, presented later in chapter V of this thesis. The present chapter focuses on the nature and structure of work and organization of Indian BPOs, as well as the strategic role played by HRM in such organizations. The findings highlight the way specific HRM practices such as recruitment, training and development, performance appraisal and compensations, rewards and recognition, career development, employee turnover and retention are implemented.
Many Indian entrepreneurs, and especially the Indian government, are realizing the importance of the boom created by the ITES-BPO sector in the country, and hence, are taking steps to foster it. The government now provides a more conducive regulatory environment for global corporations with incentives like the ten-year tax holiday and rebates in custom duties. India has a new IT law that aligns it with 11 other countries in compliance with common e-commerce rules that allow for legally valid paperless transactions and legal transfers. The government has ended its monopolies on long distance and internet bandwidth. Such facilities and resources are encouraging firms to create BPOs in India (Long, 2004). In the midst of such economic developments, the nature and role of the HR function is also changing and evolving (Saini & Budhwar, 2004).

The personnel function in India originated in the 1920s, when concern for labour welfare in factories resulted in the Trade Union Act of 1926 that gave formal recognition to workers' unions. The Royal Commission of 1932 recommended the appointment of labour officers and the Factories Act of 1948 laid down the duties and qualifications of labour welfare officers. Such developments formed the foundation of the personnel function in India (Saini & Budhwar, 2004). However, the influence of social contacts, caste, relationships and politics on Indian HRM policies and practices remains prominent (Sparrow & Budhwar, 1997). This creates an interesting tussle between existing strong social traditions (such as the importance of social contacts and one's affiliation to a particular group) and the pressure to move to modern professionalism (i.e., pressure to formalize and rationalize management systems).
HRM practices need to be consistent with a systematic and rationalized employment system. For example, the adoption of formal testing of job applicants, job evaluation, training needs analysis, training evaluation and performance-related pay are activities associated with highly structured systems. To a great extent, such an approach is clearly observable in Outsource Contact Centers (OCCs) operating in developed nations (Budhwar et al., 2006). Batt and Moynihan (2002) summarize OCC work under three categories, namely, mass production, professional services and hybrid mass customization. Such a categorization seems to be valid for BPOs operating in India as well.

However, less research evidence exists regarding structured employment systems in Indian organizations where rules about practices such as recruitment, training, promotions and lay-offs are ad hoc and are subject to easy manipulation by employers (Venkata Ratnam, 1995; Sparrow & Budhwar, 1997). Furthermore, social, cultural, economic and political factors exert a strong influence on Indian HRM policies and practices (Budhwar & Sparrow, 2002). At times, selection, promotion and transfer are based on ascribed status and social and political connections. So there is a strong emphasis on collectivism - family and group attainments take precedence over work outcomes (Kanungo & Mendonca, 1994; Budhwar & Khatri, 2001). Similarly, Sharma (1984) reported that staffing is primarily governed by familial, communal and political considerations. Motivational tools are more likely to be social, interpersonal and even spiritual. In such conditions, the employees' orientation emphasizes personalized relationships rather than performance (Kanungo & Mendonca, 1994). These matters suggest that Indian HRM systems are less formal and rationalized. On the other hand, multinational companies, for many reasons (such
as control and co-ordination), may adopt global standardized policies and practices in their subsidiaries around the world (Bjorkman, 2004). Given the sector's rapid growth and the involvement of a large number of both national and multinational firms and a significant impact of BPOs operating in India on the global economy, understanding the nature of the HRM systems of BPOs operating in India is crucial. The present chapter seeks to assess the status of HRM practices of BPOs operating in India and the researcher has drawn equal number of samples from both Indian and foreign MNCs (five each) and also both captive as well as third-party firms - the most prevalent types of Indian BPOs.

3.2 Work and Organization

Generally, BPO operators (especially those working in call centers) work in large offices on workstations placed in cubicles and are connected to a telephone/computer system. They wear headphones in order to talk for long periods and most of the information needed during a conversation is displayed on their computer screens. The operators must interact with the customers in a specific format. They must follow the required instructions and are under constant observation. All the BPOs adopt strict quality control mechanisms such as call monitoring, testing calls for accent and language, conversation content and client satisfaction. Some organizations have Six-Sigma control charts and most have regular audits. The BPOs use both remote call listening-in and team leaders and supervisors on the floor to check and monitor every operator's performance.
On average, the ratio of operators to supervisors is 12 to 1. The usual work shift is eight hours (of course, raised by one hour making it nine hours because of recession), during which each operator gets a one-hour or one-hour-and-fifteen minute break, which includes lunch/dinner and two tea breaks. Their log-in time is also monitored. The firms, usually, do not provide much flexibility at the workplace except for arranging work in different shifts or changing shifts on request in a few cases and giving a week off. Clear targets, long sittings, monotonous work, and at times, abusive clients make the operators' work very challenging. The emerging picture of Indian BPO operators is similar to their OCCs counterparts in developed countries; they seem to be adopting a tightly controlled structure that is cost-efficient, bureaucratic and has a customer-oriented philosophy which results in monotonous activities carried out by operators on "graveyard shifts" (to serve UK/U.S. clients at late hours) with usually timed bathroom breaks (Budhwar et al., 2006). Media reports denote such BPOs as the "new-age sweatshops" and people working in them as "cyber coolies" who are fresh graduates, lacking core competencies and having little chance of climbing the corporate ladder (Babu, 2004; George, 2005).

All the firms, more or less, have a similar organizational structure consisting of four to seven vertical levels of management with different designations. In a way, the organizational structure of most BPO companies is fairly simple: it includes both vertical and horizontal divisions. Third party call centers or BPOs are organised vertically according to projects for specific clients, and employees do not usually switch between projects because they have been trained for the specific function. Each client's project is usually located on a separate floor or in a distinct space and employees have access only to their own areas and also usually interact only with
other employees in the same project. As a result, they tend to identify more with the customer rather with their actual employer. Captive centers, on the other hand, are organised according to functions. In a large captive unit of an American company, for instance, there are five ‘queues’ into which customer calls are routed to operators, hence five different functions or processes, each controlled by a different division. In these companies as well, employees are trained to perform particular functions and usually do not shift between ‘queues’ (unless the company has a deliberate policy of job rotation on request as a retention strategy). This is because changing to a different queue, function or project would require retraining. While the broad vertical structure comprises different projects or queues, within each there are a number of separate teams, usually consisting of ten to twenty members. The teams are not differentiated by function or specialisation, rather their purpose is to allow close management of the workers and the work process and to create a sense of identification and ‘bonding’ among employees.

While the specifics vary, the organizational structure is broadly the same across companies. Typically, at the lowest level are the entry-level ‘floor’ workers, who are designated as ‘executives’, ‘agents’ or ‘representatives’. These designations are usually further specified, based on the type of work or project, yielding job titles such as ‘customer service executive’, ‘tech support executive’, ‘telesales executive’ and so on. These floor-level workers belong to teams of about eight to twelve members, each one led by a team leader (TL or ‘coach’). The growth can be very rapid in a BPO company and it is possible for an executive to become a team leader (or another position in between agent and TL) with one or two years of experience, which means that there is little difference in age and experience between the leader
and his/her team members. Getting promoted to the position of team leader or trainer is highly desirable because it means that one does not have to take calls any more (or at least not so many), but only supervise those who do. Above the team leader there is a position such as 'manager operations', who looks after several teams and, in turn, reports to the project or program head, who is responsible for the entire project or function. Above this level there may be another layer of program managers, each of whom handles a number of clients or functions and on top several vice-presidents responsible for different functions, reporting to the CEO. Thus, there are just five to six levels in the organisational hierarchy, but these may be sub-divided into additional designations in order to create an illusion of rapid promotion.

All the firms have an HR department, and the average HR department has 20 employees. HR Manager is the most used designation in the BPOs followed by GM (HR) and Director (HR). The top HR personnel are given an average of 20 days' training annually. Most HR departments have roughly three layers: Vice President, HR Manager and Executives. Information related to HRM is regularly communicated to the top director who can be CEO, COO, or CMD of the firm. Most companies hold a regular fortnightly or monthly meeting between the top HR manager and top directors in which information related to recruitment, HR targets, key HR metrics, attrition, satisfaction, surveys and market trends is shared.

Against the established norms of traditional Indian companies where HR still plays a very reactive role (Budhwar & Sparrow, 1997), there is a clear emphasis on allowing the HR function to play a strategic role in the BPO firms. All the firms have an HR strategy (written or unwritten) and a corporate policy for HRM. Furthermore,
HRM is represented at the board level and integrated into the corporate strategy from the outset and the contents of the HR strategy are translated into clear work programs. The BPO firms report that their HRM function has become more proactive over the last five years. These results are comparable to those firms operating in western nations, especially in Europe (Brewster & Hegewisch, 1994; Brewster et al., 2004) and confirm the growing strategic nature of HRM (Schuler & Jackson, 1999). Now there is more concern for employees which can be attributed to the problem of retention in the country. The HR function now has been given special emphasis while planning, recruiting, projecting requirements, quality check, training and growth of manpower.

### 3.3 Recruitment

The BPO firms have adopted a formal and structured approach to recruitment of the employees (Bushwar et al., 2006). Typically, employees are recruited both from within and outside the organization at all levels. The responsibility for the recruitment process is shared by both the HR manager and the operations manager. Due to the high attrition rates and the fact that many employees quit their jobs within a year or two, BPO companies continually have to recruit and train new workers in bulk and their recruitment procedures and practices are designed to capture large numbers with minimal cost. The companies recruit workers using a mixture of approaches: direct advertisement, campus recruitment, employment consultants, headhunters (known as ‘business partners’) and employee referrals (for which they are given cash incentives) (Nakkiran & Franklin, 2004; Upadhya & Vasavi, 2006; Tiga & Kumar, 2003). In order to fill their requirements, these companies are heavily represented at job fairs,
they hold frequent walk-in interviews in different cities and visit college campuses. ‘Freshers’ are usually recruited both from campus and through referrals, while experienced people are sourced from consultants, headhunters and referrals. The companies or their agents visit college campuses to make presentations and invite applications. They also hold recruitment drives (Also see Boxall & Purcell, 2003; Chiamsiri, 2005). Large employment agencies handle ITES recruitments as well as IT; in addition there are independent call center training centers that provide recruitment as well as training services to BPOs.

While screening procedures vary from company to company, candidates are usually put through several rounds of tests (on an average, a candidate goes through four levels of interviews). The first step is to screen the resume, to check if the candidate has the right (or wrong) kind of education and job experience. Next, there is usually a group interview to assess English and communication skills, followed by a personal interview to determine whether they are suitable for the industry, will stick to the job and are willing to work on night shifts; a written test that usually consists of English grammar, language ability, comprehension and logical, analytical and mathematical skills; a voice test; a telephonic test; and sometimes ‘simulation’ test in which candidates have to listen to actual calls and rate how they were handled. Other skills such as use of computer and keyboard or general knowledge of customer service norms may also be tested. The order of the tests depends on the priorities of the company. For instance, a call center may check the voice and communication skills first and send only those who clear those tests for the subsequent rounds. During the personal interview, the candidate is also given a ‘reality-check’: They are told about the training bond (and usually, they have a probation period of up to six
months), shift timings and monotony of the job. To eliminate those who might be likely to quit soon after the training period, the interviewers attempt to apprise the candidates of "all the possible difficulties that they might face in this kind of work … still there are people who join for fun and later realize that it is tough and then quit".

One manager said that they aim to recruit people who will stay in the job for at least a year or eighteen months, and that they take only six or seven out of every hundred applicants.

Successful candidates are given an offer letter and usually asked to join the company immediately. The next stage is the training program, which almost all new recruits – even those with experience in the industry – must undergo.

Despite the large number of graduates from Indian universities, BPOs have started to experience problems in finding personnel. The HR managers do report some bad recruiting experiences. Advertising openings in newspapers or magazines tends to result in too many applications with little potential and selecting candidates from a large candidate pool is both time-consuming and costly. Another serious problem is that of acquiring a new employee after a formal job offer has been made. At times, after getting the appointment letter, the candidates do not accept but instead use the offer as leverage to get a different job or higher compensation in their preferred organization. Due to the similarity of popular Indian names, another dilemma arises when the same candidate's name and profile comes to an organization from two or three different consultants. In such a case, the HR manager has difficulties determining if these are different candidates with the same name or the same candidate who has been making the rounds at different placement agencies.
The literature on Indian HRM practices suggests a strong influence of social relations, informal networks and one's caste and religion on recruitment practices (Budhwar & Sparrow, 2002). However, our study shows that this does not seem to be the case in the Indian BPO industry. In fact, companies are looking for referrals from present employees. Moreover, they use rigorous procedures to select the most appropriate and qualified candidate from the referred applicants. This approach is helping BPO firms to acquire more competent employees.

3.4 Training and Development

Like the recruitment practices, training and development activities are also both formal and structured in the BPO firms. Apart from the in-house training facilities, external training consultants are also used. The main areas of training identified by BPOs are the entry-level voice training, entry-level process training, interpersonal skills and products and work systems training. In addition, induction process and an emphasis on voice and accent are other key training areas (Also see Nakkiran & Franklin, 2004; Subramanian, 2005; Suri, 2006; Sengupta et al., 2007). The time devoted to the on-the-job and the off-the-job training given to agents varies dramatically in the BPO firms from a few days to two months, depending on the process/project. Usually, the training programs are divided into 'pre-process' and 'process' segments of two to three weeks each. 'Pre-process' training imparts general skills and knowledge such as 'accent neutralization', English comprehension and spoken English skills, American or British culture, communication skills and customer service. A typical training package consists of eighty hours of pre-process training (eight hours a day for ten days) – twenty hours each of accent, culture,
grammar and customer service. Process training is more technical and is concerned with the specific processes and the work for which they have been hired. The training is tailored to the specific project or function and in accordance with the customer's specifications. The training sessions are also designed to impart work-related skills and discipline, apart from the specific skills and knowledge related to the job. In addition, poor performers are given a regular update. Callaghan and Thompson (2002) report that a similar approach is adopted in outsourcing centers operating in the United Kingdom. The HR managers also report that a number of captive units send selected personnel from different functional areas overseas for training (mainly to the United Kingdom and the United States). The goal is to train and make the staff aware of the culture, philosophy, values and the "way of doing things" of their BPO.

Typically, the employee's training needs are systematically analyzed. A needs assessment is conducted as part of the quarterly performance appraisal. Methods identified for assessing training needs include supervisor requests based on performance and quality feedback, appraisal results and the monitoring by the training department, training audits and supervisor requests based on analysis of projected business. Training effectiveness is evaluated through systematic performance tests and informal feedback from managers. Some centers conduct weekly skills tests and tend to rely on trainers from both inside and outside the company.

Despite the formal approach to employee development, the HR managers report some problems with the training programs. First, some companies do not have a sufficient training budget. Second, HR managers also report the scarcity of training experts in some specific areas (such as quality control and new interventions). Third,
some employees are highly selective about training programs and will take into account whether a particular training program will enhance their resume and market value. Accordingly, either they find some way to avoid training or, if they are required to go, they do not attend seriously. At times, HR managers are under pressure to train a specific number of employees in a given time period. However, on a particular day they might not be able to meet their target as the employees needing training may be on a different shift or not available. Budhwar et al. (2006) quote the comments of an HR manager from a UK-based BPO which sums up the training scenario of BPOs operating in India: “I think overall our basic approach is very pragmatic, more based on ground realities, but somewhere a less than satisfactory experience exists in terms of post-training effectiveness, because professionally, purely from an HR point of view, I would like to see a very strong link between the need identification, offering the training and the most effective solutions in place for a person to be effectively doing that. This is an aspect that you may not be able to get all the time. There is very little which can be offered in terms of what may be tools or methods or techniques to measure post-training effectiveness and in any case most of the time the operational pressures are there.” Furthermore, the HR managers report that with the growing shortage of skilled workers in foreign languages, training in foreign languages must become a priority of Indian BPOs. There is a large potential demand for foreign language professionals in Indian BPOs, but only a few Indians qualify in this area. This will create a supply-side constraint (Jayachandran, 2005) - something to be seriously considered by both trainers and relevant institutes.
3.5 Performance Appraisal and Compensation

All the BPOs in India have a formal and structured approach to the performance appraisal system and they have a structured format and a clear set of parameters for appraisals (Budhwar et. al., 2006). In the BPO processes, there are two basic types of performance parameters – quantitative measures (such as Average Handling Time - AHT, number of calls completed) and quality measures (Nakkiran & Franklin, 2004; Upadhya & Vasavi, 2006). Most BPOs have an individual-based performance appraisal system, though some also go for a group-based system. Performance appraisals in all the BPOs always emphasize results. Thus, targets are fixed for each metric and the performance of individual workers and of teams is evaluated against these targets. In addition to the quantitative measures, the quality of work performed is tracked and evaluated and these assessments are fed into the performance appraisal process. Quality measures include parameters such as tone of voice, language (grammar), accent, problem-solving, customer satisfaction, etc. Almost all the firms use some kind of rating scales, grading, or ranking system and the set targets for appraisals. The BPOs usually follow a five-point rating system to appraise the performance (Babu, 2004). Typically, the ratings given are: Needs Improvement (I), Meets Expectations (M), Exceeds Expectations (E) and Significantly Exceeds Expectations (S) (Shivani, 2006). Although different companies use different acronyms for the ratings, the basis largely remains the same. In this context, Upadhya and Vasavi (2006) report that although ratings are given on a point scale, the evaluation is rather subjective: the evaluator must decide whether the call was completed satisfactorily, whether the customer appeared to be satisfied, whether the agent was clear, the accent correct, and so on, and assign scores to each parameter.
Thus, in their opinion, although the trainers describe the system as very ‘system-driven’, leaving no scope for subjectivity in ratings, clearly the judgments made by the evaluators cannot be completely ‘objective’. The weightage that is given to different aspects of quality depends on the Service Level Agreements (SLA); for instance, some projects may emphasize accent, whereas others may place a higher value on customer service. Some companies also conduct periodic customer surveys to evaluate the performance of agents. The overall computation of quality is expressed as a percentage. The target for quality performance is fixed according to the SLA or the company’s own requirements. All of these metrics are measured on a daily and weekly basis and are computed together, using a complex ‘matrix’ system, to come up with an overall score for each agent, usually expressed as a consolidated percentage on the two basic parameters (AHT and quality). This monitoring is used to give feedback to agents (usually on a monthly or quarterly basis) in order to improve their performance (Nakkiran & Franklin, 2004; Upadhya & Vasavi, 2006).

As a procedure, the general trend is that the immediate supervisor appraises the employee and gives his/her report to the employee. After the employee reads the appraisal, it must be signed before submission to the section head. If required, adjustments are made by involving the section head. At times, the section head also appraises his section employees. A number of issues related to future movement or cross-functional movement within the company as well as training needs identification, key performance areas and possible targets to be achieved are analyzed. Budhwar et. al. (2006) quote the comments of an HR manager from an UK-based BPO which sums up the appraisal system in Indian BPOs: “It is formal and target-based, you have a generic appraisal form and you then have slip-ins for every target
and every level, you have a job description which is given to you at a join-up. You have key result areas which are measurable for a given period of time”. For managers, many firms use techniques such as the 360-degree method. According to Budhwar et. al. (2006), the appraisal system, which appears to be quite comprehensive, has some drawbacks. In this context, they quote the comments of an HR manager from a U.S.-based software company which summarizes the problems associated with the system: “What happens is that implementation of appraisal is something which nobody likes; it is almost like a necessary evil that everyone has to see. So we have to, at times, give the bad news or we have to be tough, which people do not like doing. So, no matter how objective it becomes, how transparent it becomes, doing the tough part of evaluating a person is something that people do not like. That is the bad part of the whole thing”.

However, considering the nature of the BPO industry, the HR managers are convinced that performance appraisal is essential and believe that over a short period of time employees either accept it as a fact of life or quickly adapt. There certainly appears to be scope for improvement in the existing system within the Indian BPOs. For example, in the present system there is relatively little participation of individual employees regarding their goal setting (though few companies claim they are doing it). Perhaps a more participative approach could be beneficial. This has been the experience of some Indian BPO firms that have tried it.

All the BPO firms have a standard wage structure and provide a competitive compensation package to attract and retain employees. The pay and benefit scheme is attached to grade, total work experience and employee performance and skills. The
bonus schemes are individual-based at the junior management level in all the firms. However, it is level-based for middle and senior managers. Most BPOs base their compensation packages on market trends by getting information from regular surveys (by consultants and professional bodies) and by benchmarking their packages against the best payers. In addition, the performance appraisal results play an important role in deciding compensation and increments. The performance-linked salaries and incentives and the spirit of competition that is encouraged in BPO companies, lead to a process of individualization among workers (Upadhya & Vasavi, 2006). Although starting salaries are uniform, individual salaries diverge quickly due to differences in performance ratings. Salaries also include a performance-linked component, which means that the salaries of good performers rise faster than those of average and poor performers. The hikes/ incentives are given based on the ratings given to each employee. e.g., a S rated employee gets about 20% hike as compared to an E rated employee getting up to 10%, while an M may get nothing at all (Shivani, 2006). Also, certain functions such as sales have in-built incentives based on commission, which means that those agents earn much more than the others. Because of these differentials, agents are not supposed to talk about their salaries to one another. Thus, the performance appraisal system determines salary and even retention; good performance is encouraged both through positive reinforcement, such as monetary incentives, and negative measures, including dismissal. Based on the worker’s rating, he/she may receive an increment for good performance or may be listed as an ‘underperformer’ and targeted for additional training, or even lose his/her job. Good performance is rewarded with various prizes, awards and ‘incentives’ or eventually with promotion. Performance ratings are used to distribute awards in the various competitions such as ‘consultant of the month’, ‘team of the month’, etc. (Upadhya &
In this context, Budhwar et al. (2006) comment that the performance appraisal activities are quite similar to the Western outsourcing centers, and they quote an HR manager of an Indian-based third-party unit: "Whether Indian or MNC, all the BPOs here follow similar performance appraisal methods as pioneered by GE Capital".

3.6 Rewards and Recognition

Most companies have a 'Rewards and Recognition' (R & R) department, which is responsible for designing and running the various contests and incentive systems. The emphasis on 'R & R' is based on the HR philosophy that employees work for recognition and respect as much as for money. One of the HR managers reported that his company had spent $200,000 on rewards and recognition during the previous year. There are various awards given on a monthly and yearly basis, such as 'best coach', 'best leader', 'best manager', 'consultant of the year' and so on. Prizes include consumer goods such as colour television sets, washing machines and CD players. These awards and prizes are distributed at the large annual functions that are held by most BPOs at five-star hotels or other such venues or during the monthly parties held in the company canteen. Similar lavish systems of 'reward and recognition' are found in most of the BPO companies. An HR manager of one company explained: "The aim of R & R is to reward and recognise best performance or any initiative or valuable contribution made by the consultants to the company. Apart from this, motivating, boosting the morale and retaining the consultants are major responsibilities". There are different awards, incentives and contests at the level of the company, the site, the project or department and the team — which means that
there is a good chance for most workers to win a prize or award at some point. The ubiquity of this system is indicated by the fact that some of the employees in our survey said that they had won some award or contest in their companies and its effectiveness is suggested by the fact that they compete with co-workers for performance ratings or awards. This too is a result of deliberate policies; in some firms, they ensure that each employee gets some kind of recognition during his or her first year. Again, when any employee completes one year, the occasion is celebrated – he or she is presented with roses, sweets and a certificate in the presence of a representative of the top management and may even be promoted to the next level. Thus, the companies try to create a kind of feeling in the minds of the employees that they are recognized and rewarded for their performance.

3.7 Career Development

HR managers pointed to clear ‘career development’ paths within their companies, which they claim provide incentives to employees. After a couple years of experience, agents can be promoted to positions such as team leader, quality officer, trainer or into support functions such as HR. But the number of higher-level positions is obviously limited, and so, not every agent can get promoted. Opportunities for promotion are again limited because supervisory and managerial positions are often filled by ‘lateral hires’ rather than ‘from the floor’. One HR manager claimed that 75 per cent of those in management positions had moved up from below, but another HR reported that the employees were frustrated because managers were being hired from outside rather than being promoted from below. Thus, while most workers have
ambitions to move off the floor into management or training jobs, very few of them will actually make it and those who are not promoted are likely to quit.

As a retention strategy, some firms attempt to fill a large proportion of positions through internal promotion. In some companies, additional layers and designations are created in order to provide for upward mobility, even when they are not really required from an organisational perspective or do not reflect real differences in job profile. For instance, an HR manager reported that in the case of captive call centers located in the U.S., there are only four levels – consultant, leader, manager and general manager – whereas in the Indian centers of the same firms, there are ten levels - associate managers, senior managers, senior operations leader, senior coach, associate coach and so on - because according to him, “Indians need many more levels”. He added: “It is the Indian psyche, the social aspect, that desires quick recognition and respect in the eyes of the society, for which you need a title”. In this way, agents can get a senior title after working for only one year. He also noted that because Indian call center agents are younger on average than those in the U.S., they are very ‘ambitious’ and want to move up quickly, which is another reason for the high turnover rate. In the words of Budhwar et al. (2006), the emphasis on career development and training appears to be somewhat less in the Indian BPOs compared to their Western counterparts, perhaps because India's BPO industry is still evolving and management does not feel the need to invest in employee career development, mainly due to the presence of a large number of available graduates.
3.8 Employee Turnover and Retention

All the HR managers report employee turnover as one of the major challenges facing the Indian BPO industry. They report somewhere between 15 to 50 percent attrition in their organizations. However, other sources indicate that turnover, in fact, is much higher and is the most pressing problem for Indian BPOs (Singh, 2005; Taylor & Bain, 2005; Frauenheim, 2006). The main reasons for employees leaving include better career opportunities outside BPO, monotonous and stressful work, leaving for higher studies, strong job market, attracted to branded companies, health-related reasons, lack of career advancement, job security and growth prospects elsewhere. The situation in Indian BPOs resembles the "electronic sweatshop image" highlighted by Frenkel et al. (1999). Sometimes people leave as they find the work not to their taste. An HR manager of an Indian BPO made an appropriate comment in this regard: “Some employees leave due to dissatisfaction with the work culture; this usually happens with first timers in the call-center industry". The HR managers further noted that the less than ideal quality of work-life balance is an important contributor to the high and increasing attrition level. For example, working during the night shifts creates health and social problems for workers. Amongst employers, however, there is a consensus that plenty of job aspirants are available. To some extent, this is true. However, finding the right person is becoming more and more challenging over time and future shortages of employees loom on the horizon.

Many BPOs are adopting some basic measures to retain employees, including salary surveys to stay abreast of the market, culture-building exercises for employees, exit surveys, counseling, employee development programs, rewards and recognition,
as well as increased pay and benefits. The industry has also recognized the desire of the employees to study for higher degrees so that they could get better jobs and as an incentive to retain employees many companies offer some kind of scholarship or financial aid to employees who want to pursue higher degrees such as MBA. For instance, several companies have tie-ups with management institutes, which run part-time MBA courses for employees. A few companies have initiated part-time employment schemes to facilitate those who want to study and work at the same time. However, most BPO companies still do not offer part-time jobs because they do not provide sufficient ‘return on investment’. However, employees complain about favouritism by the management towards selected individuals regarding appraisals and promotions. Furthermore, management frequently is reported to act as a closed system, i.e., not ready to accept employee feedback, which leads to a sense of frustration and, ultimately, resignation. To overcome concerns, some of the software and IT-based companies have taken specific steps to increase employee retention. In this context, Budhwar et al. (2006) quote an HR manager of a U.S.-based software company: “We do have various schemes and incentives, etc. One is that we use ‘fast track programs’. Here the potential performers, good performers, get moved on to a fast track, and fast track essentially means that you may jump levels, you may get higher responsibilities than many others. Another is what we call the ‘hot skills program’. Here people with skills which are very much in demand in the market get paid better than others and the list of the skills gets published every year, people can acquire those skills and move into that segment. These programs have helped us a great deal”.

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Employee involvement is a proven tool to motivate and retain employees and could be useful in the Indian BPOs. In the West, there has been continuing interest in getting workers more involved in various processes, such as decision-making and information sharing (Wilkinson, 1998). Employee participation may contribute to employees' growth needs and sense of achievement through a better utilization of their skills and potential (Heller, 1998).

When asked about the three main motivators for BPO employees, money (good salary), career opportunities and work environment are rated higher than others such as benefits (including facilities), recognition at work, growth, company brand name, opportunities for personal growth and better treatment from clients. The work set up of Indian BPOs is highly structured, tightly controlling, bureaucratic, formalized, monitored and scripted, and is aiming for a “total customer satisfaction” philosophy. Most HR practices of recruitment, training, compensation, and performance appraisal are formal and structured. These activities are similar to outsourcing centers operating in developed countries (Budhwar et al., 2006). The HR managers clearly believe that effective HRM systems in Indian BPOs are very important as the problem of obtaining, motivating and retaining talent will be crucial for the survival of units in the ever-increasing and highly competitive national and international business environment.

3.9 Conclusion

The policymakers in general and the HR managers in particular are realizing that there are many human issues in the Indian BPO industry which need serious
attention if the industry is to continue enjoying its current success, including increasing attrition rates, psychological health and stress-related problems of employees, developing career-related policies, provision of more workplace flexibility and creating a more interesting and enhanced work environment with fully motivated employees. In this context, the current research tries to explore the correlates of employee motivation and/or demotivation and also study the effectiveness of HR strategies aimed at employee motivation.
References


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