INTRODUCTION

The onset of globalization has prompted businesses and its leaders to think and act globally to be able to gain competitive advantage. Globally competitive organizations will depend on the uniqueness of their human resources and the systems for managing human resources effectively to become successful. Indian organizations are witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian organizations.

Undoubtedly, any organizations success depends on how it manages its resources. A firm’s resources propel it towards its goals, just as an engine propels an automobile towards its destination. Human resources represent the collective expertise, innovation, leadership, entrepreneurial and managerial skills endowed in the employees of an organization. Human resource is an important corporate asset and the overall performance of companies depends upon the way it is put in use.

Every organization is comprised of people. Acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they maintain their commitment to the organization are essential to achieving organizational objectives (David A Decenzo; Stephen P Robbins, 2008). Human Resource Management (HRM) is that part of management which is concerned with people at work and with their relationships within an enterprise. It consists of practices that help the organization deal effectively with its people during the various phases of the employment cycle: pre selection, selection, and post selection (Lawrence S Kleiman, 2005). The primary objective of HRM is to ensure the availability of a competent and willing workforce to an organization.

HRM was merely a tagalong unit with people-oriented plans, not a major part of planning or strategic thinking. Today, because of the recognition of the crucial importance of people, HRM in an increasing number of organizations has become a major player in developing strategic plans. The importance of recruiting, selection, training, developing, rewarding, compensating, and motivating the workforce is
recognized by managers in every unit and functional area of an organization (John Ivancevich, 2003).

1.1. HUMAN RESOURCE MANAGEMENT
According to Michael Armstrong (2006), Human resource management is defined as a strategic and coherent approach to the management of an organization’s most valued assets – the people working there who individually and collectively contributes to the achievement of its objectives. In the words of Edwin B. Flippo (2007), Human Resource Management is- “the planning, organization, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished”.

According to National Institute of Personnel Management of India, “Personnel management (or Human resource Management) is that part of management concerned with people at work and with their relationship within the organization. It seeks to bring men and women who make up an enterprise, enabling each to make his/her own best contribution to its success both as an individual and as a member of a working group.

John Storey(1989) defines Human Resource Management as a distinctive approach to employment which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personal techniques.”
1.2. OBJECTIVES OF HRM

The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. According to Michael Armstrong (2006), HRM is concerned with achieving objectives in the areas summarized below.

1.2.1 Organizational effectiveness

Distinctive human resource practices shape the core competencies that determine how firms compete. Extensive research has shown that such practices can make a significant impact on firm performance. HRM strategies aim to support programs for improving organizational effectiveness by developing policies in such areas as knowledge management, talent management and generally creating ‘a great place to work’. HR strategies can be concerned with the development of continuous improvement and customer relations policies.

1.2.2 Human capital management

The human capital of an organization consists of the people who work there and on whom the success of business depends. Human capital has been defined as the one that represents the human factor in the organization; the combined intelligence, skills and expertise that give the organization a distinctive character. It can be regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. Also the human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization.

HRM aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capabilities of people – their contributions, potential and employability – by providing learning and continuous development opportunities. It also means engaging in talent management – the process of acquiring and nurturing talent.
1.2.3 Knowledge management

Knowledge management is ‘any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organizations’. HRM aims to support the development of firm-specific knowledge and skills that are the result of organizational learning processes.

1.2.4 Reward management

HRM aims to enhance motivation, job engagement and commitment by introducing policies and processes that ensure that people are valued and rewarded for what they do and achieve and for the levels of skill and competence they reach.

1.2.5 Employee relations

The aim is to create a climate in which productive and harmonious relationships can be maintained through partnerships between management and employees and their trade unions.

1.2.6 Meeting diverse needs

HRM aims to develop and implement policies that balance and adapt to the needs of its stakeholders and provide for the management of a diverse workforce, taking into account individual and group differences in employment, personal needs, work style and aspirations and the provision of equal opportunities for all.

1.2.7 Bridging the gap between rhetoric and reality

Managements may start with good intentions to do some or all of these things but the realization of them – problems: other business priorities, short-termism, limited support from line managers, an inadequate infrastructure of supporting, processes, lack of resources, resistance to change and lack of trust. An overarching aim of HRM is to bridge this gap by making every attempt to ensure that aspirations are translated into sustained and effective action. To do this, members of the HR function have to remember that it is relatively easy to come up with new and innovatory policies and practice. The challenge is to get them to work.
1.3. CHARACTERISTICS OF HRM

Since Human Resource Management (HRM) is critical for business sustainability, success and growth, therefore, it is essential that knowledge of HRM characteristics is highly significant.

The eight characteristics of the HRM concept as given by Michael Armstrong (2006), and as they emerged from the writings of the pioneers and later commentators can be explained as follows:

1.3.1. The diversity of HRM

The characteristics of HRM are by no means universal. There are many models, and practices within different organizations are diverse, often only corresponding to the conceptual version of HRM in a few respects.

The hard version of HRM emphasizes that people are important resources through which organizations achieve competitive advantage. These resources have therefore to be acquired, developed and deployed in ways that will benefit the organization. The focus is on the quantitative, calculative and business-strategic aspects of managing human resources in as ‘rational’ a way as for any other economic factor. It is a philosophy that appeals to managements who are striving to increase competitive advantage and appreciate that to do this they must invest in human resources as well as new technology.

The soft version of HRM traces its roots to the human-relations school; it emphasizes communication, motivation and leadership. As described by Storey it involves ‘treating employee as valued assets, a source of competitive advantage through their commitment, adaptability and high quality. Treat people as ends unto themselves rather than as means to an end. The soft approach to HRM stresses the need to gain the commitment – the ‘hearts and minds’ – of employees through involvement, communication and other methods of developing a high-commitment, high-trust organization.
1.3.2. The strategic nature of HRM
Perhaps the most significant feature of HRM is the importance attached to strategic integration, which flows from top management’s vision and leadership, and which requires the full commitment of people to it. This is concerned with the ability of the organization to integrate HRM issues into its strategic plans, to ensure that the various aspects of HRM cohere, and to encourage line managers to incorporate an HRM perspective into their decision-making. One of the common themes of the typical definitions of HRM is that human resource policies should be integrated with strategic business planning.

1.3.3. The commitment-oriented nature of HRM
The new HRM model is composed of policies that promote mutuality. Mutual goals, mutual influence, mutual respect, mutual rewards, and mutual responsibility. The theory is that policies of mutuality will elicit commitment, which in turn will yield both better economic performance and greater human development. It can be noted that one of the HRM policy goals was the achievement of high commitment – ‘behavioral commitment to pursue agreed goals, and attitudinal commitment reflected in a strong identification with the enterprise’.

It was noted by researchers that human resources ‘may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the “adaptive organization’s pursuit of excellence”. At the heart of the concept is the complete identification of employees with the aims and values of the business.

1.3.4. People as ‘human capital’
The notion that people should be regarded as assets rather than variable costs, in other words, treated as human capital, was originally advanced by researchers like Beer. HRM philosophy, as identified by researchers holds that ‘human resources are valuable and a source of competitive advantage’. They stated that: People and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a
significant contribution to organizational success and as constituting a significant source of competitive advantage.

1.3.5. Unitary philosophy
The HRM approach to employee relations is basically unitary – it is believed that employees share the same interests as employers. This contrasts with what could be regarded as the more realistic pluralist view, which says that all organizations contain a number of interest groups and that the interests of employers and employees do not necessarily coincide.

1.3.6. Individualistic
HRM is individualistic in that it emphasizes the importance of maintaining links between the organization and individual employees in preference to operating through group and representative systems.

1.3.7. HRM as a Management-driven activity
HRM can be described as a central, senior management-driven strategic activity that is developed, owned and delivered by management as a whole to promote the interests of the organization that they serve. Researchers assert that HRM is about the rediscovery of management prerogative. They consider that HRM policies and practices, when applied within a firm as a break from the past, are often associated with words such as commitment, competence, empowerment, flexibility, culture, performance, assessment, reward, teamwork, involvement, cooperation, harmonization, quality and learning.

1.3.8. Focus on business values
The concept of HRM is largely based on a management and business-oriented philosophy. It is concerned with the total interests of the organization – the interest of the members of the organization are recognized but subordinated to those of the enterprise. Hence the importance attached to strategic integration and strong cultures, which flow from top management’s vision and leadership, and which require people
who will be committed to the strategy, who will be adaptable to change, and who will fit the culture.

1.4. POLICY GOALS OF HRM
Michael Armstrong (2006) developed 12 policy goals of HRM derived from the definitions and the models relevant to the concept, and they are listed as follows:

1. Managing people as assets that are fundamental to the competitive advantage of the organization.
2. Aligning HRM policies with business policies and corporate strategy.
3. Developing a close fit of HR policies, procedures and systems with one another.
4. Creating a flatter and more flexible organization capable of responding more quickly to change.
5. Encouraging team working and co-operation across internal organizational boundaries.
6. Creating a strong customer-first philosophy throughout the organization.
7. Empowering employees to manage their own self-development and learning.
8. Developing reward strategies designed to support a performance-driven culture.
9. Improving employee involvement through better internal communication.
10. Building greater employee commitment to the organization.
11. Increasing line management responsibility for HR policies.
12. Developing the facilitating role of managers as enablers
1.5. FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Human Resource Management is a sub-system in the organization context but a system in its own context. The functions of Human Resource Management are not unanimous in nature as the concept of HRM is still in evolving stage and practices, which vary from organization to organization. Tapomoy Deb (2006) introduced five basic functions of HRM namely Managerial functions, Operational functions, Developmental functions, Analytical functions and Strategic functions. The following Figure No.1.1 gives a schematic presentation of the above 5 functions:

Figure: No.1.1 Functions of Human Resource Management

The above five functions are described as follows:

1.5.1 Managerial Functions

The managerial functions of human resource management entail planning, organizing, directing and controlling. Their relevance to human resource management can be described as below:
1.5.1.1 **Planning:** It is the conscious determination of future course of action. It involves planning of human resources requirements, determining projects and programs, setting policies, changing values, attitudes and behavior of human resources and assessing their impact on the organization.

1.5.1.2 **Organizing:** It is the process of division of work into convenient tasks or duties. It involves defining the relationship between human resources department with other departments in a way, which will lead to effective attainment of organizational goals and objectives.

1.5.1.3 **Directing:** It involves motivating, commanding, leading, activating and tapping potential of human resources, of human resource department and other departments, for recurring willing and effective co-operation of human resources towards organizational effectiveness.

1.5.1.4 **Controlling:** It is the process of identification of actual results namely expected / desired results and correcting identified deviation, if any. It involves checking, verification and comparison of performance of human resource management function with organizational plans, standards and directions and making necessary corrective actions, as required.

1.5.2 **Operational Functions**

These functions are related to specific activities of human resources management and therefore vary from organization to organization.

These functions are performed in conjunction with management functions and can be sub-divided as under:

**1.5.2.1 Human Resource Planning:** It includes the estimation of how many qualified people are necessary to carry out the assigned activities, how many people will be available, and what, if anything, must be done to ensure that human resources supply equals human resources demand at the appropriate point in the future. It involves:

i. Forecasting human resources requirements based on specific long-range plans and objectives of the organization.
ii. Inventorying the present human resources and analyzing their optimal utilization levels.

iii. Anticipating human resources gaps and problems.

iv. Planning action programs to acquire human resources from external and internal (by developing) sources.

1.5.2.2 Human Resources Acquisition: It includes recruitment, selection, induction and placement of appropriate and adequate number of human resources based on their overall suitability for the organization.

Human Resource Acquisition involves the following:

i. Location and attraction of human resources and developing appropriate sources.

ii. Stimulating candidates to offer themselves for selection, for ascertaining their suitability for employment in the organization.

iii. Assigning the selected candidate on the job for which he has been selected.

iv. Acclimatizing the selected candidate to the culture, practices, policies and personnel of the organization.

1.5.2.3 Compensation and Benefits: It entails providing adequate, equitable and fair remuneration to the human resources. It includes:

i. Wage and Salary: It is the most important component of compensation, whether on piece rate or time rate basis, whether paid daily, weekly or on monthly basis.

ii. Incentives: They are the financial inducements linked with productivity.

iii. Fringe Benefits: They are the benefits to meet contingencies of life and for motivation, e.g., canteen, loan facility, medical benefits, accident insurance, uniform, company transport, company stores, etc.

iv. Social Security Benefits: They are the long-term impact benefits viz. PF, ESI, gratuity, maternity benefits, dependent’s benefits, retirement benefits. Such benefits may be voluntary or statutory or mix of both.

v. Perquisites: They are the benefits/accruals paid to facilitate job performance or for retaining human resource talents in the organization viz. company car,
club membership, free housing, paid vacations, ESOPs, paid study leave, sponsored higher study, etc.

**1.5.2.4 Occupational Safety and Health:** It includes suitable work design (Ergonomics) for reducing occupational hazards, proper working conditions, proper work schedules, proper safety training, proper safety measures, formulation and implementation of safety policy, safety administration, accident prevention, safety program, etc. Health management involves maintenance of physical, mental and social well-being of human resources. It also includes preserving personal efficiency and prevention from various types of health hazards like chemical, biological, environmental and psychological, and occupational diseases.

**1.5.2.5 Integration and Maintenance:** It involves developing alignment of individual and organizational goal i.e. to integrate decisions about human resources with decisions about the results, the organization is trying to obtain. It requires building strong human resources management relationship for better performance. Communication, empowerment and participation in decision-making and stress reduction facilitate integration and maintenance.

**1.5.2.6 Employee Relations:** It involves good relations between management and human resources (operatives in particular) through proactive approaches to discipline management, grievance management, dispute management, disciplinary interview, etc. Employment relations concerning work, work place, policies, rules, mediation, awards and trade union practices must be based on accommodation of each party’s interest, values and needs based on principles of mutual trust, respect and superordinate goals.

**1.5.2.7 Human Resource Management Information System**

Human Resource Management Information System performs the following important functions:

i. **Enabling:** This allows Human Resources to access HR information easily, analyze the impact of proposed HR changes on budget and organizational structure and initiate and submit requests for human resource action
electronically (internet/intranet based) for paperless and automated workflow process.

ii. **Empowering:** This enables Human Resources to enroll or change options for various employee benefit programs, self-nomination for training/learning opportunities and make individual development plan.

iii. **Support multiple functions:** It provides traditional human resources support process and non-human resource functions into the system viz. tracking personal property issued to individual employees.

iv. **Saving money:** It saves money by eliminating redundant data entry into multiple systems, reducing paper work and eliminating non-value added work by human resources practitioners.

Thus, Human Resource Management Information System can increase competitiveness, transaction processing, reporting capability and human resource system integration

### 1.5.3. Developmental Functions

These functions relate to improving, molding and changing the skills, knowledge, creative ability, aptitude, attitude, values, commitment and productivity of human resources based on present and future job and organizational requirement. This function entails:

1. **1.5.3.1 Human Resources Policy:** It guides the course of action intended to accomplish human resource objectives and plans in order to uphold fair play, justice, objectivity, enthusiasm and loyalty of human resources. Human Resources policy seeks to define philosophies and values of the organization on how people should be treated and dealt with.

2. **1.5.3.2 Career and Succession Development:** It includes a set of programs designed to match an individual’s aspirations, competence and drive with current and / or future career opportunities in the organizations.
There are four steps involved in career and succession development as:

i. Evaluation of individual competence and potential,
ii. Analysis of available opportunities for possible matching
iii. Formulating an action plan by assessing resources and competencies,
iv. Assigning individual to available / suitable opportunity

Human Resource Management should ensure strong top management commitment in commensuration with corporate strategic goals. This requires effective dissemination of opportunity information, training and development, job rotations/grooming and use of scientific assessment tools and techniques.

1.5.3.3 Training and Development: It involves activities designed to continuously improve the performance and harnessing potential of existing human resources for meeting present and future organizational requirements and individual growth aspirations. This requires continuous adaptation of human resources to changes – internal as well as external in the most efficient and effective way.

1.5.3.4 Performance Management
Performance management may be defined as continuous improvement of employee performance through management process wherein individual development, learning, counseling, accountability, ownership and mutuality bears highest organizational priority. It involves following three steps as discussed below:

i. Performance Planning: It is the process of specifying goals jointly by Appraisers (Managers) and Appraises (Employees), identifying the desired level of performance (standards) and developmental plans to perform as expected. It focuses on individual results and helping the employee develop strategies and secure and make optimal utilization of required resources.

ii. Performance Managing: It is the process of working towards the performance expectations established in the performance planning stage. Actual performance is reviewed on periodic basis to assess whether everything is on track or results are exceeding expectations. In case of under-performance, appraisers need to coach the employee on ways to correct the
deficiencies and make continuous monitoring of the improvement efforts and improvements achieved.

iii. **Performance Appraisal:** is the process of review of performance of the past performance cycle. The analysis of past performance provides the basis for planning next cycle’s expectations, at the same time; it closes the loop of current cycle. Employees know what is expected of them and what they must do to achieve it.

It is the systematic evaluation of individual potential for development. The results of performance appraisal can be used for training and development decision, compensation decisions, mobility decisions, etc.

**1.5.3.5 Total Quality Management (TQM):** Total Quality Management is a continuous process of improvement through involvement of human resources, recognizing that customer needs and business goals are inseparable. Total quality management entails process orientation, team concept, and customer driven outcome, OD interventions and informed and trained human resources, in the context of human resource management. It is the management model for creating value through total employee involvement. Total employee involvement requires: employee empowerment, team activity, rewards and recognition schemes, Employee’s education and training, Publicity and promotion of employee efforts

In fact, all quality systems namely Kaizen, JIT, benchmarking, organizational re-engineering, six sigma, ISO 9001: 2000, etc. are people-dependent processes and HRM can help imbibe and sustain internalization of ‘Quality Consciousness’ for increased organizational benefits/competitiveness.

**1.5.4. Analytical Functions**

These functions are related to problem-solving services rendered by human resource management. The major analytical functions include:

**1.5.4.1 HR Consultation:** Rather than telling line management what they can or cannot do, human resource management can render more helpful assistance in finding
solutions to human resources issues. Problem-solving involves use of innovative and creative abilities of human resource management.

1.5.4.2 **Human Resource Research:** It is the process of evaluating the effectiveness of human resource policies and practices and developing more appropriate ones. It includes opportunities for correcting human resource imbalances.

Activities under human resources research are:

- Providing a human resource information base
- Designing and implementing human resource systems.

1.5.4.3 **Human Resource Management Reform:** It is the process of maintenance of the highest standards of corporate efficiency, competence and integrity within the framework of the organization’s particular structure and personality. It is the key to improve further the capacity of organizations to fulfill their corporate social responsibility effectively and efficiently.

Since human resource management operates today in more complex and diverse environment, therefore, human resource reform is necessary to professionalize and develop strategies to change the organization’s culture and management style. Also it is necessary to create a supportive work environment, which promotes productivity and enables human resources to respond to the pressures of work and family life with ease.

1.5.5. **Strategic Functions**

These functions relate to planning of human resource deployments and activities intended to enable the organization to achieve its strategic goals and objectives. Integration of human resources function into organizational strategy formulation helps in most effective strategic choice since human resources will implement it. It involves:

1.5.5.1 **Human Resource Strategy:** Human Resource being prime source of competitive advantage, distinctive competencies can be obtained through highly
developed employee competence, distinctive organizational cultures, management process and systems. The organization’s human resource management policies and practices must fit with its strategy in its competitive environment. The primary action of human resource management is to translate business strategies into human resources principles and practices.

Thus, human resource strategy results in superior organizational performance by simultaneous consideration of both external (business strategy) and internal (consistency) requirements.

1.5.5.2 Human Resources Outsourcing: Organizations are facing increasing competitive pressure and they are reaching for ways to remain focused, flexible and competent. Human resources function is now under increasing pressure to contribute more to business and outsourcing provides better organizational efficiencies by not spending too much time on activities with too little value.

Thus, there is a moving from ‘transactional’ to ‘strategic’ – occurring in human resources. Thus, human resources outsourcing provides the opportunity for organizations to put the administrative burden of human resources transaction in the hands of an outsider.

1.5.5.3 HR Mergers and Acquisitions: Modern business organizations operate in an environment of corporate / business mergers and acquisitions. Human resource management helps organizations to maintain and uphold morale, loyalty and workforce stability of employee at the time of corporate/business mergers and acquisitions because of fear, uncertainty and distrust prevails in the minds of all human resources.

1.6. EVOLUTION OF HUMAN RESOURCE MANAGEMENT
Human resource management has evolved considerably over the past century, and experienced a major transformation in form and function primarily within the past two decades. The history of HRM can be traced to England, where masons, carpenters, leather workers, and other craftspeople organized themselves into guilds. The field
further developed with the arrival of the industrial revolution in the latter part of the 18th century, which laid the basis for a new and complex industrial society.

From principles, practices and techniques, human resource management has been derived from ‘management’ concepts and experiences. Accordingly, the evolution of human resource management is closely linked with evolution of management thought. According to Tapomoy Deb (2006), the evolution of human resource management can be broadly divided into four schools of thought as given below:

i. Classical School (1900 to 1920s)
ii. Human Relations School (1920s to 1950s)
iii. Human Resources School (1950s to 1960s)
iv. Human Resource Management School (1980s to till date)

The above four important schools of thought can be explained as follows:

**1.6.1. Classical School (1900–1920s)**

The classical school of thought began around 1900 and continued up to the 1920s. Traditional or classical management focuses on efficiency and includes bureaucratic, scientific and administrative management.

**1.6.1.1 Bureaucracy:** Max Weber (1864–1920), the father of Modern Sociology, saw bureaucracy as the most logical and rational structure for organization. They are characterized by clearly defined and specialized functions, use of legal authority, hierarchical form, written rules and procedures, technically trained personnel, appointment to positions based on technical expertise, competence based promotions and clearly defined career paths.

**1.6.1.2 Scientific Management:** Frederick Winslow Taylor’s scientific management focuses on worker and machine relationships. He says organizational productivity can be increased by increasing the efficiency of production processes. Economizing on time, human effort and other resources can attain efficiency. Jobs are designed and defined so that each worker has a specified, well-controlled task that can be performed as instructed. Specific procedures and methods for each job must be followed diligently.
This period is characterized by development of Time and Motion Studies of a job for devising better method of performing that job, development of worker training, formulation of productivity/output-linked payments to workers, design of work methods whose times could be estimated in advance, rather than relying upon observation-based time studies. Motion Study is defined as dividing work into the most fundamental elements possible, studying those elements separately and in relation to one another. Time Study is defined as a scientific analysis of methods and equipments used or planned in doing a piece of work, development in practical detail of the best way of doing it, and determination of the time required.

1.6.1.3 Administrative Management: Henry Fayol’s Administrative Management emphasizes the functions of management namely planning, organizing, commanding, co-ordination and controlling. He enunciated 14 “Principles” of management as: division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual interest to general interests, remuneration of personnel, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, esprit de corps (union is strength). The universal goal of organizations is integration of individual effort into a synergistic whole.

1.6.2. Human Relations School (1920–1950s)

Human relations or Behavioral management emerged in the 1920s and dealt with the human aspects of organizations. The human relations movement began with the ‘Hawthorne Studies’, which were conducted by Professor Elton Mayo and Associates of Harvard Business School from 1924 to 1933 at the Hawthorne Plant of the Western Electric Company in Cicero, Illinois, USA.

The conclusion was that there was no cause and effect relationship between working conditions and productivity. Worker attitude and the role of informal groups in work places were found to be significant. It was operation of various social and psychological factors that governed worker productivity and job satisfaction.

Chester Barnard (1886–1961) developed the concepts of Strategic Planning and the Acceptance Theory of Authority. Strategic planning is the formulation of major plans
or strategies, which guide the organization in pursuit of major objectives. Acceptance theory of authority states that managers have as much authority as employees allow them to have. The acceptance theory of authority suggests that authority flows downward but depends on acceptance by the subordinate. The acceptance of authority depends on three conditions.

i. Employees must understand what the manager wants them to do.
ii. Employees must be able to comply with the objectives.
iii. Employees must think that the directive is not contrary to their personal goals.

Thus Human relations school mainly focused on worker attitude and the behavioral aspects.

1.6.3. Human Resources School (1950–1960)

Beginning in the early 1950s, the Human resources school represented a substantial progression from human relations. The behavioral approach did not always increase productivity. Thus, motivation and leadership techniques were emphasized. The approach recognizes that employees are very creative and competent, and that much of their talent is largely untapped by their employers. Employees want meaningful work, they want to contribute, they want to participate in decision-making and leadership functions.

Systems theory and contingency view can help integrate the above theories of management. The systems theory and contingency view can be explained as follows:

1.6.3.1 Systems Theory: System theory uses concepts from mathematics, statistics, engineering and other related fields to solve problems. A system is an integrated and interdependent set of elements functioning as a whole. It is an open system that interacts with its environment; schematically it can be presented by Figure.No.1.2 as given below:
1.6.3.2 Contingency View: In the mid 1960s, the contingency view of management or situational approach emerged. It emphasizes the fit between organizational processes and the characteristics of the situation. The approach assumes that managerial behavior is dependent on a wide variety of elements. A solution is reached by studying the situational factors affecting the problem. Also it provides a framework for integrating the knowledge of management thoughts.

1.6.4. Human Resource Management School (1980s onwards)

The origin of Human Resource Management as a defined school of thought can be traced back to the 1970s with the development of Human Resource Accounting theory. Prior to this theory, human resources were considered as ‘cost’. Like other organizational resources, their value was derived from their ability to render services that have ‘economic’ value. Human Resources accounting emphasized that human resources were assets for any organization. It is a process of identifying, measuring and communicating information about human resources to decision-makers, especially about their cost and value.
During 1980s, changes in the international economic environment made US organizations come under severe competitive threat from Japan, and the existence of low levels of worker commitment in US organizations became very clear. The increased level of competition in the marketplace combined with slow rate of productivity growth demanded a strong need for major restructuring and reorganization. All these developments made the academics and practitioners realize the significance of human resources in combating these challenges.

Human Resources Management was developed in the US in the 1980s. Academics introduced in entire new course of human resource management into the first year of Master of Business Administration curriculum in 1980s and also developed important models of human resource management. The models formed the basis for the development of further theories of human resource management. In a short span of 15 years human resource management has become the topic of fast growing research and teaching interest.

Human Resource Management was viewed as the involvement of human resource strategy in the business strategy. Thus, human resource management is evolving into a ‘competitive strategy’, of all modern business organizations.
1.7 HRM AND PERSONNEL MANAGEMENT - A COMPARISON

Michael Armstrong (2006) identified the following similarities and differences between HRM and Personnel Management and it is summarized in Table No.1.1.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
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<tbody>
<tr>
<td>1. Personnel management strategies, like HRM strategies, flow from the business strategy.</td>
<td>1. HRM places more emphasis on strategic fit and integration.</td>
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<td>2. Personnel management, like HRM, recognizes that line managers are responsible for managing people. The personnel function provides the necessary advice and support services to enable managers to carry out their responsibilities.</td>
<td>2. HRM is based on a management and business oriented philosophy.</td>
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<td>3. The values of personnel management and at least the ‘soft’ version of HRM are identical with regard to ‘respect for the individual’, balancing organizational and individual needs, and developing people to achieve their maximum level of competence both for their own satisfaction and to facilitate the achievement of organizational objectives.</td>
<td>3. HRM attaches more importance to the management of culture and the achievement of commitment (mutuality).</td>
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<td>4. Both personnel management and HRM recognize that one of their most essential functions is that of matching people to ever-changing organizational requirements – placing and developing the right people in and for the right jobs.</td>
<td>4. HRM places greater emphasis on the role of line managers as the implementers of HR policies.</td>
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<td>5. The same range of selection, competence analysis, performance management, training, management development and reward management techniques are used both in HRM and personnel management.</td>
<td>5. HRM is a holistic approach concerned with the total interests of the business – the interests of the members of the organization are recognized but subordinated to those of the enterprise.</td>
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<td>6. Personnel management, like the ‘soft’ version of HRM, attaches importance to the processes of communication and participation within an employee relations system.</td>
<td>6. HR specialists are expected to be business partners rather than personnel administrators.</td>
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1.8 THEORITICAL PERSPECTIVES ON HRM

The conceptual frame work of HRM can be explained more clearly by describing the major HRM models. These models fulfill at least four important intellectual functions for those studying HRM. Those functions are given as below:

a) They provide an analytical framework for studying HRM (for example, situational factors, stakeholders, strategic choice levels and notions of commitment and competence).

b) They legitimate certain HRM practices, a key issue here being the distinctiveness of HRM practices: ‘it is not the presence of selection or training but a distinctive high commitment.

c) They provide a characterization of HRM that establishes variables and relationships to be researched.

d) They serve as a heuristic device to help discover and understand the nature and significance of key HR practices (John Bratton and Jeffrey Gold, 2008).

The four major HRM Models discussed by John Bratton and Jeffrey Gold (2008), included in this section are as follows:

1. The Harvard Model
2. The Fombrun, Tichy and Devanna model
3. The Guest model
4. The Warwick model

1.8.1 The Harvard Model

Researchers observed that there is a strong need for a longer-term perspective in managing people and consideration of people as potential assets rather than merely a variable cost. The Harvard school suggested that HRM had two characteristic features as given below:

1. Line managers accept more responsibility for ensuring the alignment of competitive strategy and personnel policies
2. Personnel has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually reinforcing.
The analytical framework of the Harvard model consists of six basic components namely situational factors, stakeholder interests, HRM policy choices, HR outcomes, long-term consequences and a feedback loop via which the outputs flow directly into the organization and to the stakeholders. The Harvard model developed by researchers is given below in the Figure No.1.3.

**Figure No.1.3: The Harvard Model**

**Situational factors:**
- Workforce characteristics
- Business strategy and conditions
- Management philosophy
- Labour market
- Unions
- Task technology
- Laws and social values

**Stakeholder interests:**
- Shareholders
- Management
- Employees
- Government
- Unions

**HRM policy choices:**
- Employee influence
- Human resource flow
- Reward systems
- Work systems

**HR outcomes:**
- Commitment
- Congruence
- Cost effectiveness

**Long-term consequences:**
- Individual well-being
- Organisational effectiveness
- Societal well-being

*Source: John Bratton and Jeffrey Gold (2008)*

The situational factors influence management’s choice of HR strategy. This normative model incorporates workforce characteristics, management philosophy, labour market regulations, societal values and patterns of unionization, and suggests a meshing of both ‘product market’ and ‘socio cultural logics’. The stakeholder interests recognize the importance of ‘trade-offs’, either explicitly or implicitly, between the interests of the owners and those of employees and their organizations, the unions. The HR outcomes are high employee commitment to organizational goals and high individual performance, leading to cost-effective products or services. The long-term
consequences distinguish between three levels: individual, organizational and societal. At the level of the individual employee, the long-term outputs comprise the psychological rewards that workers receive in exchange for effort. At the organizational level, increased effectiveness ensures the survival of the organization. In turn, as a result of fully utilizing people at work, some of society’s goals (for example, employment and growth) are attained at the societal level. The feedback loop is the sixth component of the Harvard model. Also, long-term outputs can also influence the situational factors, stakeholder interests and HR policies.

The advantages of this model are that its classification of inputs and outcomes at both the organizational and the societal level, creating the basis for a critique of comparative HRM. The other merits include recognition of a range of stakeholder interests, recognize the importance of trade-offs between the interests of owners and those of employees as well as between various interest groups, widens the context of HRM to include employee influence, acknowledges a broad range of contextual influences on management’s choice of strategy, and emphasizes strategic choice.

The Harvard model has exerted considerable influence over the theory and practice of HRM. It clearly provides a useful analytical basis for studying HRM. A weakness, however, is the absence of a coherent theoretical basis for measuring the relationship between HR inputs, outcomes and performance (John Bratton and Jeffrey Gold, 2008).

1.8.2 The Fombrun, Tichy and Devanna model

The early HRM model developed by Fombrun emphasizes the interrelatedness and the coherence of HRM activities. The HRM ‘cycle’ in this model consists of four key consistent components: selection, appraisal, development and rewards.
Figure No.1.4 The Fombrun, Tichy and Devanna model

![Diagram of the Fombrun, Tichy and Devanna model]

Source: John Bratton and Jeffrey Gold (2008)

Figure No.1.4 gives the schematic presentation of the Fombrun, Tichy and Devanna model. The ‘HRM cycle’ is also a simple model that serves as a heuristic framework for explaining the nature and significance of key HR practices and the interactions between the factors making up the complex fields of HRM. The four human resource activities are joined together aiming to increase organizational performance.

The strength of the model is, however, that it expresses the coherence of internal HR policies and the importance of ‘matching’ internal HR policies and practices to the organization’s external business strategy. The weakness of Fombrun model lies in its apparently prescriptive nature, with its focus on four HR practices. It also ignores different stakeholder interests; situational factors and the notion of management’s strategic choice (John Bratton and Jeffrey Gold, 2008).
1.8.3. The Guest model

Guest D.E. (1989) developed a more prescriptive theoretical framework reflecting the view that a core set of integrated HRM practices can achieve superior individual and organizational performance.

According to Guest, HRM is distinctively different from personnel management because it integrates human resources into strategic management, it sees a behavioral commitment to organizational goals, the perspective is unitary, it focus on the individual, it works better in organizations that have an ‘organic’ structure, and the emphasis here is on a full and positive utilization of human resources.

Table: No.1.2 The Guest model of (HRM)

<table>
<thead>
<tr>
<th>HRM Strategy</th>
<th>HRM Practices</th>
<th>HRM outcomes</th>
<th>Behavior outcomes</th>
<th>Performance outcomes</th>
<th>Financial outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation (Innovation)</td>
<td>Selection</td>
<td>Effort / Motivation</td>
<td>High:</td>
<td>Profits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td>Commitment</td>
<td>Productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus (Quality)</td>
<td>Appraisal</td>
<td>Cooperation</td>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rewards</td>
<td>Quality</td>
<td>Low:</td>
<td>Return on</td>
<td></td>
</tr>
<tr>
<td>Cost (Cost-reduction)</td>
<td>Job design</td>
<td></td>
<td>Absence</td>
<td>Investment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Involvement</td>
<td>Flexibility</td>
<td>Labour turnover</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Conflict</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Organizational</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Citizenship</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Customer complaints</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Status and security</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: John Bratton and Jeffrey Gold (2008)
Table No. 1.2 gives the presentation of the Guest model. The model acknowledges the close links between HR strategy and general business strategies in terms of differentiation, focus and cost. The ‘core’ hypothesis, however, is that HR practices should be designed to lead a set of HR outcomes of ‘high employee commitment’, ‘high quality’ and ‘flexibility’.

The central theme of Guest’s model is that if an integrated set of HR practices is applied in a coherent fashion, superior individual performance will result. It also assumes that this will result in superior organizational performance. It also assumes that this will result in superior organizational performance. The six components of the Guest model are: HR strategy set of HR practices set of HR outcomes, behavioral outcomes, number of performance outcomes, financial outcomes. Quality refers to all aspects of employee behavior, which bear directly on the quality of goods and services. Flexibility is concerned with employees’ receptiveness to innovation and change.

The strength of the Guest model is that it clearly maps out the field of HRM and classifies the inputs and outcomes. The model is useful for examining the key goals usually associated with the normative models of HRM: strategic integration, commitment, flexibility and quality (John Bratton and Jeffrey Gold, 2008).

1.8.4 The Warwick model

This model is developed by the Centre for Corporate Strategy and Change at the University of Warwick, by Hendry and Pettigrew. The Warwick model extends the Harvard framework by drawing on its analytical aspects.

It takes cognizance of business strategy and HR practices, the external and internal context in which these activities take place and the processes by which such changes take place, including interactions between changes in both context and content. The strength of the model is that it identifies and classifies important environmental influences on HRM. It maps the connections between the outer (wider environment) and inner (organizational) contexts, and explores how HRM adapts to changes in the context. The implication is that those organizations achieving an alignment between
the external and internal contexts will experience superior performance. The Figure No.1.5 shows schematic representation of the Warwick model.

The five elements of the model are: outer context, inner context, business strategy content, HRM context, HRM content.

**Figure No.1.5** The Warwick model

- **Outer context**
  - Socio-economic
  - Technical
  - Political
  - Legal
  - Competitive

- **Inner context**
  - Culture
  - Structure
  - Politics/leadership
  - Task-technology

- **Business strategy content**
  - Objectives
  - Product market
  - Strategy and tactics

- **HRM content**
  - HR flows
  - Work systems
  - Reward systems

- **HRM context**
  - Role
  - Definition
  - Organisation
  - HR outputs

**Source:** John Bratton and Jeffrey Gold (2008).
A weakness of the model is that the process whereby internal HR practices are linked to business output or performance is not developed (John Bratton and Jeffrey Gold, 2008).

1.9 IMPACT OF HRM ON PERFORMANCE
The impact of HRM on performance can be explained by studying the contributions. The relationship between HRM and performance was modeled as given in Figure No.1.7.

**Figure No.1.6 Model of the link between HRM and performance**

![Model of the link between HRM and performance](image)

**Source:** Michael Armstrong (2006)

The contributions from HRM impact on performance are given as follows:

1. The development and successful implementation of high performance work practices, particularly those concerned with job and work design, flexible working, resourcing (recruitment, selection and talent management), employee development reward, and giving employee a voice.

2. The formulation and embedding of a clear vision and set of values (the big idea).

3. The development of a positive psychological contract and means of increasing the motivation and commitment of employees.

4. The formulation and implementation of policies which meet the needs of individuals and create a great place to work.
5 The provision of support and advice to line managers on their role in implementing HR policies and practices.

6 The effective management of change (Michael Armstrong, 2006).

1.10 CHALLENGES FACED BY HRM

Michael Armstrong (2006) studies, suggest that environmental and contextual changes present a number of competitive challenges to organizations. This means that HR has to be involved in helping to build new capabilities.

These challenges include: Globalization, Profitability through growth, Technology, Intellectual capital, Change, change and more change.

The challenges given above can be discussed as below:

1.10.1 Globalization: This requires organizations to move people, ideas, products and information around the world to meet local needs. New and important ingredients must be added to the mix when making strategy: volatile political situations, contentious global trade issues, fluctuating exchange rates and unfamiliar cultures.

1.10.2 Profitability through growth: The drive for revenue means that companies must be creative and innovative and this means encouraging the free flow of information and shared learning among employees.

1.10.3 Technology: Technological advancements and their adaptation as per the requirement is an important consideration in technology. The challenge is to make technology a viable, productive part of the work setting.

1.10.4 Intellectual capital: This is the source of competitive advantage for organizations. The challenge is to ensure that firms have the capability to find, assimilate, compensate and retain human capital in the form of talented individuals they need who can drive a global organization that is both responsive to its customers and ‘the burgeoning opportunities of technology’. They have also to consider how the social capital of the organization and the ways in which people interact can be
developed. Importantly, organizations have to focus on organizational capital – the knowledge they own and how it should be managed.

1.10.5 Change, change and more change: The greatest challenge companies face is adjusting to and indeed, embracing a non-stop change. They must be able to learn rapidly and continuously, and take on new strategic imperatives faster and more comfortably.

1.11. HRM IN BPO INDUSTRY

In the current age of global economy, worldwide interdependence of resources, markets and business competition thrives. Globally competitive organizations will depend on the uniqueness of their human resources and the systems for managing human resources effectively to gain competitive advantage. One of the areas of business organization that is affected by the internationalization of business is the area of human resource management. Because business has become internationalized, the process and factors that make up the HRM concept have also become global. HRM processes take place within the context of the internal and external environment of the organization.

Managing HR in the knowledge based industry is a significant challenge for HR managers as it involves a multi task responsibility. In the present scenario, HR managers perform a variety of responsibilities. Earlier their role was confined to administrative functions like managing manpower requirements and maintaining rolls for the organization. Now it is more strategic as per the demands of the industry.

Human resource management (HRM) is known and accepted in the broadest sense of the term, as a form of management that includes "all management decisions and actions that affect the nature of the relationship between the organization and the employees – its human resources. Driven by a number of significant internal and external environmental forces, HRM has progressed from a largely maintenance function, with little if any bottom line impact, to what many scholars and practitioners today regard as the source of sustained competitive advantage for organizations operating in a global economy. Though western countries view India as a low cost
destination, BPO employees contribute about $5 billion to the country’s GDP (Nasscom Strategic Review, 2008).

1.12 EMPLOYEE ATTRITION

Human capital is the real asset for any organization, and this makes the HR role important in recruiting, managing, and retaining the best. The HR department has a clear role in this process and determines the success tempo of any organization. An urgent priority for most of the organizations is to have an innovative and competent HR pool; sound in HR management practices with strong business knowledge (Chiamsiri S; Bulusu SD; Agarwal M, 2005).

The success or failure of an organization is largely dependent on the caliber of the people working therein. Without positive and creative contributions from people, organizations cannot progress and prosper. Companies have realized that competitive advantage resides mostly in people and that finding and keeping good managers and employees is a strategic necessity (Kristen B Donahue, 2006). The concept of employer-of-choice has intensified in the last decade. Employees want to work for the best employers. Becoming an employer–of–choice often involves the issue of acquiring the best talent for the organization, motivating employees to improve performance, keeping them satisfied and loyal, developing employees so they can grow and contribute skills, and ultimately retaining those employees (Jack Philips; Adele O Connell, 2008).

1.12.1 Meaning of Attrition

According to New Oxford English Dictionary, Attrition means wearing down, wearing away, weakening, debilitation, enfeebling, sapping, attenuation or harassment. Merriam-Webster online Dictionary gives the fourth meaning of attrition as "a reduction in numbers usually as a result of resignation, retirement, or death".
1.12.2 Definition of Employee Attrition

Michael Armstrong (2006) defines Employee Attrition as a normal flow of people out of an organization through retirement, career or job change, relocation, illness and so on. Jack, Philips and Adele define Employee Attrition as the percentage of employees leaving the organization for whatever reasons.

1.12.3 Logic of Employee Attrition

Employee Attrition (also known as labor turnover or wastage) is the rate at which people leave an organization. The term ‘natural wastage’ is also used to describe the employee attrition.

According to Wayne F. Cascio and John W. Boudreau (2008), decisions affecting the acquisition of new employees (that is, selection decisions) require consideration of the quantity, quality, and cost of those acquisitions. Likewise, decisions affecting the separation of employees (that is, layoffs, retirements, employee turnover) require consideration of the quantity, quality, and cost to produce the separations. Figure No.1.8 shows the diagrammatic presentation of the logic of Employee Attrition.

**Figure No.1.7 Logic of Employee Attrition**

```
Starting Workforce Value
Quantity of employees X
Quality of employees

Effect of Acquisitions
Quantity of employees added X
Quality of employees added

Change in Workforce Value

Effect of Separations
Quantity of employees removed X
Quality of employees removed

Ending Workforce Value
Quantity of employees X
Quality of employees

Minus the Transaction Cost of Processing the Separations and Acquisitions
```

**Source:** Wayne. F. Cascio and John. W. Boudreau (2008)
Decisions affecting employee attrition reflect three basic parameters:

i. The quantity of movers

ii. The quality of movers (that is, the strategic value of their performance)

iii. The costs incurred to produce the movement (that is, the costs of acquisitions or separations)

The important points to remember are that the results of decisions that affect acquisitions or separations are expressed through quantity, quality, and cost. Secondly, the consequences of these decisions often depend on the interaction between the effects of acquisitions and separations. In each period, two processes can change work force value: Employees are added, and employees are separated. As time goes on, these same two processes continue, with the beginning work force value in the new time period being the ending work force value from the last time period.

1.13 CLASSIFICATION OF EMPLOYEE ATTRITION

Wayne F Cascio and John W Boudreau (2008) introduced two popular ways of classifying employee attrition as voluntary attrition versus involuntary and functional attrition versus dysfunctional attrition. Following gives the description of the two types:

A. Voluntary versus Involuntary Attrition: Employee attrition may be voluntary on the part of the employee (for example, resignation) or involuntary (for example, requested resignation, permanent layoff, retirement, death). Voluntary reasons for leaving such as another job that offers more responsibility, returning to school full time, or improved salary and benefits are more controllable than involuntary reasons, such as employee death, chronic illness, or spouse transfer. Most organizations focus on the incidence of voluntary employee attrition precisely because it is more controllable than involuntary attrition. They are also interested in calculating the costs of voluntary attrition, because when these costs are known, an organization can begin to focus attention on reducing them, particularly where such costs have significant strategic effects.
B. **Functional Attrition versus Dysfunctional Attrition:** Employee Attrition can be categorized into functional attrition and dysfunctional attrition. Having categorized employee attrition as voluntary, many organizations take the next logical step; namely, to determine the extent to which the voluntary attrition is functional/dysfunctional for the organization. Employee attrition is functional to the extent that the employee’s departure produces increased value for the organization. It is dysfunctional to the extent that the employee’s departure produces reduced value for the organization.

**Figure No. 1.8** Performance and replaceability of employees who leave

<table>
<thead>
<tr>
<th>Replaceability</th>
<th>Easy</th>
<th>Difficult</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td></td>
<td>Dysfunctional turnover</td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td>Functional turnover</td>
</tr>
</tbody>
</table>

**Source:** Wayne F. Cascio and John. W. Boudreau (2008)

High performers who are difficult to replace represent dysfunctional attrition, and low performers who are easy to replace represent functional attrition. Figure 1.9 gives the diagrammatic presentation of Performance and replaceability of employees who leave. From the Figure, it is clear that employee attrition is functional when the resulting difference in workforce value is positive, and high enough to offset the cost of transacting the attrition. Employee attrition is dysfunctional when the resulting difference in workforce value is negative, or the positive change in workforce value doesn’t offset the costs.
On the flip side, the loss of hard-working, value-adding contributors is usually not good for the organization. Such high performers often have a deep reservoir of firm-specific knowledge and unique and valuable personal characteristics, such as technical and interpersonal skills. It is unlikely that a new employee would have all of these characteristics, and very likely that he or she would take a long time to develop them. Thus, voluntary attrition among these individuals, and replacing them with others, is very likely to reduce the value of the work force and to produce costs associated with their separation and replacement. Voluntary attrition is even more dysfunctional, however, when it occurs in talent pools that are pivotal to an organization’s ability to be successful.

1.14 NEGATIVE IMPACT OF ATTRITION ON THE ORGANIZATION

The impact of employee attrition can be disruptive and costly. The CIPD Survey (2009) of recruitment, retention and employee attrition found that the average rate of attrition in the United Kingdom was 15.7 per cent.

The negative impacts of employee attrition as described through the factors given by Jack. J. Philips, Adele. O. Connell (2008) is listed below:

1. High Financial Cost
2. Survival as an Issue
3. Exit Problems and Issues
4. Productivity Losses and Workflow Interruptions
5. Service Quality
6. Loss of Expertise
7. Loss of Business Expertise
8. Administrative Problems
9. Disruption of Social and Communication Networks
10. Job Satisfaction of Remaining Employees
11. Lost Image of the Organization
The impact of the above 11 factors are discussed as follows:

**1.14.1 High Financial Cost:** Employee attrition/turnover have a huge economic impact on the organization, both in direct and indirect costs. Translating, attrition into numbers that executives understand is essential because they need to appreciate the true costs. Sometimes the cost impact alone causes it to become a critical strategic issue. The performance of companies has been inhibited by high turnover rates.

**1.14.2 Survival as an Issue:** In a tight labor market where the success of the company depends on employees with critical skills, recruiting and retaining the appropriate talent can determine the success or failure of the organization.

**1.14.3 Exit Problems and Issues:** With increased litigation at the workplace, many organizations spend significant time and resources addressing the issues of disgruntled and departing employees. Some individuals find the need to involve the legal system, leaving the organization with the challenge of facing an even bigger problem. Even employees who leave voluntarily can cost the company time and money.

**1.14.4 Productivity Losses and Workflow Interruptions:** In most attrition situations, a person who exits abruptly leaves a productivity gap. This void not only causes problems for the specific job performed by the departing employee, but also for others on the same team and within the flow of work.

**1.14.5 Service Quality:** With so much emphasis on providing excellent service to external and internal customers, high attrition has a tremendous negative impact on the quality of customer service. Attrition of front-line employees is often regarded as the most serious threat to providing excellent external customer service.

**1.14.6 Loss of Expertise:** In the case of knowledge industries, a departing employee may have the critical skills needed for working with specific software, completing a
step in an important process, or carrying out a task for a project. Sometimes an entire product line may suffer because of a departure.

1.14.7 Loss of Business Expertise: Attrition may result in a shortage of staff for a project or leave the remaining staff unprepared to take advantage of a new business opportunity. Existing projects or contracts may be lost or late because a key player is no longer available.

1.14.8 Administrative Problems: In most organizations, attrition creates a burdensome amount of administrative effort, not only in additional paperwork, but also in time spent confronting and addressing attrition-related issues. This takes precious time away from more important, productive responsibilities.

1.14.9 Disruption of Social and Communication Networks: Every organization has an informal network. Attrition disrupts the communication and socialization patterns critical to the maintenance of teamwork and a productive work environment.

1.14.10 Job Satisfaction of Remaining Employees: The disruptive nature of attrition is amplified when other employees are forced to assume the workload of departing colleagues or address problems associated with the departure. Remaining team members can be distracted by their concern and curiosity about why employees are leaving.

1.14.11. Lost Image of the Organization: High employee attrition creates negative image of a company with a revolving door. Once this image has been established in the job marketplace, it is difficult to change, especially in the recruiting channels.

1.15 COMPUTATION OF EMPLOYEE ATTRITION
Organizations need a practical procedure for measuring and analyzing the costs of employee turnover, especially because the costs of hiring, training, and developing employees are now viewed as investments that must be evaluated just like other corporate resources.
1.15.1 Significance of computation: Wayne F Cascio and John W Boudreau (2008) studied the significance of computation of employee attrition and found that data on attrition is one of the basic metrics that can be used in human capital management and the evaluation of HRM effectiveness. Conceptually, annual employee turnover is computed by adding up the monthly turnover for a 12-month period. Monthly turnover is calculated as the number of employee separations during the month divided by the average number of active employees during the same month.

Typically, organizations compute attrition rates by business unit, division, diversity category, or tenure with the company. Then they attempt to benchmark those turnover rates against other organizations to gauge whether their rates are higher, lower, or roughly the same as those of competitors or their own industries. When it comes to employee attrition, however, it is not always the case that “lower is better.” In the extreme, if employee attrition is zero, the organization may have employees who are of such low quality that they don’t have alternatives, or the organization may be losing the benefit of the new ideas that outsiders might contribute.

1.15.2 General Method:
Given the rate of attrition/turnover in percentage over any period can be calculated by the following formula:

\[
\frac{\text{Number of attrition/turnover incidents per period}}{\text{Average work force size}} \times 100
\]

The attrition rates are inversely related to unemployment rates (local, regional, national). That is, when unemployment is high, employees tend to remain with their current employers because there are limited opportunities elsewhere. On the other hand, when unemployment is low, employment opportunities are more plentiful, and thus, employee attrition tends to increase.
1.16 MEASUREMENT METHODS OF ATTRITION

Michael Armstrong (2010) developed three measurement methods of employee attrition which are described as given below:

1.16.1 Crude Employee Attrition Rate (BIM Index):

Crude Employee Attrition rate is the number of employees leaving over a period as a percentage of the average number employed over the period. This is the most common method in practice and it is easy to calculate and understand, and can be used readily for benchmarking.

Here we express attrition as a percentage of the number of people employed.

\[
\frac{\text{Number of leavers in a period}}{\text{Average number of people employed in the period}} \times 100 = \% \text{ attrition / turnover}
\]

This is normally quoted as an annual rate and may be used to measure attrition per organization, department or group of employees. The advantage of this index is that it can alert HR planners to unusually high percentages of the workforce leaving compared with the HR plan, or with the industry average, say, which would suggest that something is wrong, or that more effort is needed to retain employees.

The disadvantage of this index is that it does not indicate who is leaving the department or organization: even a high turnover rate may not reflect any real instability if the core of experienced staff consistently remains.

1.16.2 Labor Stability Index:

This is the second method of measuring employee attrition which focuses mainly on stability.

Here, eliminate short-term employees from the analysis, thus obtaining a better picture of the significant movements in the workforce.
The Labor Stability Index value is calculated using the following formula:

\[
\frac{\text{Number of employees with one or more years’ service}}{\text{Number of employees employed at the beginning of the year}} \times 100\% = \%\text{ stability}
\]

Particularly in times of rapid expansion, organizations should keep an eye on stability, as a meaningful measure. The purpose is similar to the survival index and it provides a simple, if rather limited, basis for measurement.

1.16.3 Survival Rate:
The labor stability index ignores new starts during the year and does not consider service, which may be added to the measurement via length of service analysis, survival rate analysis. Here, the organization calculates the proportion of employees who are engaged within a certain period who are still with the firm after various periods of time. There may be a survival rate of 70% after two years, for example, but only 50% in the third year. It is a good indication of the effectiveness of recruitment procedures as well as, typically, the high proportion of people who leave after relatively short periods of service. It can therefore highlight where action is required.

1.17 THE COST OF EMPLOYEE ATTRITION
Employee attrition can represent a substantial cost of doing business. It is necessary to measure employee attrition and calculate its costs in order to forecast future losses for planning purposes and to identify the reasons that people leave the organization.

Unfortunately many organizations are unaware of the actual cost of attrition. Unless this cost is known, management may be unaware of the financial implications of attrition rates, especially among pivotal talent pools. Management also may be unaware of the need for action to prevent controllable turnover, and may not develop a basis for choosing among alternative programs designed to reduce attrition.

1.17.1 Key Cost Components: According to Wayne F Cascio and John W Boudreau, (2008), the general procedure for identifying and measuring attrition costs
is founded on the premise that in measuring attrition, the organization must consider three major, separate cost categories: separation costs, replacement costs, and training costs. The cost of attrition should also include the economic value of lost business.

The key cost elements, that apply to total attrition costs include costs involved in conducting exit interviews ($S_1$), costs linked to administrative functions related to termination($S_2$), separation pay($S_3$), and unemployment tax($S_4$), if applicable.

The key cost components to be considered in the calculation of Total employee attrition cost are listed as follows:

i. Cost involved in conducting Exit interviews ($S_1$)

ii. Costs linked to administrative functions related to termination, such as deletion of the exiting employee from payroll, employment, and benefits files ($S_2$).

iii. Separation pay as per Organizational policy decisions ($S_3$).

iv. Unemployment tax calculated as per appropriate Government rules and legislation if applicable ($S_4$).

By taking into consideration, the above cost components namely $S_1$, $S_2$, $S_3$ and $S_4$, the Total Attrition Cost is computed using the following formula:

$$\text{Total Employee Attrition Cost} (S_T) = S_1 + S_2 + S_3 + S_4$$

**1.17.2 Indirect Cost Components in attrition**

While calculating cost of attrition the following components also must be considered for in depth understanding of the attrition problem.

**1.17.2.1 Replacement costs:** Replacement costs are incurred by an organization when it replaces a terminated employee. There are eight categories of replacement costs and they are listed below as:

a) Communication of job availability
b) Pre-employment administrative functions.
c) Entrance interviews
d) Testing
e) Staff meetings  
f) Travel/moving expenses  
g) Post-employment acquisition and dissemination of information.  
h) Employment medical exams.

1.17.2.2 Training Costs: In all organizations, replaced employees must be oriented and trained to a standard level of competence before assuming their regular duties. This often involves considerable expense to an organization.

The overall cost of the training program depends on the cost of two major components: costs associated with trainers and costs associated with trainees. The cost of the on-the-job training must also be determined for all replacement employees hired during the period, for it is an important element of training costs.

1.17.2.3 The Cost of Lost Productivity and Lost Business: The cost of decreased productivity due to employee attrition must include the decline in the productivity of an employee prior to termination or the decrease in productivity of a work group of which the terminating employee was a member.

Seven additional cost elements included here are:

i. The cost of additional overtime to cover the vacancy.

ii. The cost of additional temporary help.

iii. Wages and benefits saved due to the vacancy (these are subtracted from the overall tally of turnover costs).

iv. The cost of reduced productivity while the new employee is learning the job.

v. The cost of lost productive time due to low morale of remaining employees.

vi. The cost of lost customers, sales, and profits due to the departure.

vii. Cost of additional (related) employee departures (If one additional employee leaves, the cost equals the total per-person cost of turnover.)
1.18 POTENTIAL ADVANTAGES OF EMPLOYEE ATTRITION

There are many useful, potential advantages of employee attrition. They can be stated as given below:

1. Opportunities to inject ‘new blood’ into the organization: new people bringing new ideas and outlooks, new skills and experience in different situations.
2. Balance in the age structure of the workforce. Absence of labor turnover would create an increasingly aged workforce, often accomplished by an increasing wage/salary cost.
3. The creation of opportunities for promotion and succession which offers an important incentive to more junior employees.
4. The ability to cope with labour surpluses, in some grades of job, without having to make redundancies.
5. The creation of opportunities for promotion and succession which offers an important incentive to more junior employees (Jack. J. Philips, Adele. O. Connell, 2008).

1.19 REVIEW OF LITERATURE

The dynamic nature of Human Resource Management in ITES (BPO) sector has inspired many researchers belonging to different faculties of knowledge to study the various issues related to the high employee attrition in BPO industry. Many studies have been conducted on studying the nature and state of high employee attrition in BPO industry and also in addressing the serious attrition problem.

Mike (2009) observed that Staff attrition (or turnover) represents significant costs to technology and business process outsourcing companies. High attrition rates drive up training costs, and increase human resources, recruiting, and productivity costs. They also increase the prospect of customer service complaints or quality problems, and create substantial continuity problems for longer-lived projects.

Job Hopping in the Indian BPO industry (2009) the research paper investigated the causes of job hopping in the Indian BPO sector which has been rising disastrously due to the high attrition rate in the BPO industry.
Moumita Bakshi et al (2009) records that the Quarterly attrition in Genpact was down by 5 percentage points to 21%, EXL reported a record 8percentage-point dip, WNS fell to 22%, down from 29% last quarter and Wipro BPO has come down to 13% from 18%.

The article “Managing Attrition in BPO Industry” (2009) assessed that the business process outsourcing (BPO) industry in the country is facing the challenge of finding quality human resources given the current attrition rate of around 50 percent. Keeping low attrition levels is a major challenge as the demand outstrips the supply of good agents by a big margin. In order to ensure a consistent flow of trained manpower in the future, the industry needs to work with the government to introduce courses at school and college level, which are in line with the requirements of the BPO industry.

Ashok Agarwal (2008) feels that the challenge in the BPO industry is lack of discipline. While there is a similarity with the manufacturing industry, a worker on the shop floor does not have the options that the BPO employee has. BPO employees belong to a generation that does not like rules – they have had multiple choices from the time they were born. The minute you hurt the dignity and self-respect of the people of this generation, they are bound to leave, which is probably the reason the attrition rate is so high, says Ashok.

Vivek Kumar (2008) assessed that the present salary package in BPO industry is not as lucrative as compared to other industries. In his opinion, redesigning of the total pay package and inclusion of some short term incentives could help maintain attraction for these jobs.

Radhika (2008) records that 40% attrition happens in first 120 days of hiring. The cost of replacing a front-line employee, even by conservative estimates, is very high. She says that your best bet therefore would be to curb attrition not fuel it where it hurts the most. She also says develop ‘retention matrix’ to keep track of and continue to reward your best performers.

The article “High attrition A big challenge” (2008) deeply focused on the issues leading to high employee attrition in BPO’s in India.
The Article titled “Issues and concerns of health among call center employees” (2008) lists in detail the stress factors and ailments peculiar to some call centers and BPO companies in the country.

Harsh Bhargava and Annie Acharya (2008) assessed and stated that the segments like the BPO are witnessing high levels of employee attrition. The study, which is based on a management research project (including fieldwork), highlights and defines ‘burnout’ and related terms in layman’s words. It then analyzes the symptoms, types and phases of ‘burnout’, followed by the findings of a field survey and recommendations.

Anandkumar V and Subhasish Biswas (2008) in their extensive study on BPO companies across the globe, reports that the call centre industry across the globe have high attrition rates. In the US, high school dropouts are the ones joining the industry. In India, it is college graduates, who do not look at the call centre industry as a long-term career, who are joining. The biggest reason for people leaving a BPO organization is ‘lack of self-respect and dignity’. While most companies focus on attrition in the operation floor, the bigger challenge is attrition during training, which is double that of attrition at the operation level. This could be the result of excessive zeal to meet CSAT scores, which in many cases are linked to variable pay. Team leader wants to be at the top of the stack ranking as he faces pressure from his manager, the manager is only two or three years older, is not a trained manager, and has his own set of favorites, people are not seen as long-term assets – the use-and-throw mentality is prevalent in the organization.

Milind Godbole (2008) examined that, in a typical BPO, one trainer comes in for four weeks to teach a group of agents. Most people joining BPO firms are not toppers. They probably have studied in colleges where they have attended less than 50 per cent of the classes, bunking the rest, and spending most of their time in the cafeteria or with friends. Given this background, coming to an industry where you cannot come late for training or bunk training without prior intimation makes a person squirm. Every minute of your time in office is tracked in a BPO firm. Milind Godbole and his team monitored a group of 37 people who kept jumping from Wipro to EXL to
MphasiS to V Customer to Ventura and WNS during a two-year period. They used to attend the training program for three months and then leave to join the next company.

Rhea Khanna (2008) gives an overview of the BPO industry and analyzes as to how attrition is the predominant challenge facing the industry. How it has attempted to deal with the problem is also discussed. Examples are given as to how companies like Aegis BPO and Wipro BPO have dealt with the problem of attrition. Lastly a discussion is made as to how the BPO industry, in the process of dealing with attrition, has contributed towards Human Resource Development.

Beth Ellyn Rosenthal (2008) research paper “Why the Attrition Rate at Indian BPOs is 23.5 Percent observed that the attrition rates at Indian BPOs are an important criterion as outsourcing buyers determine the best location for their offshore work. Key findings of the paper include: the remuneration structure is not as competitive in BPO firms as they are in the rest of the Indian market, the short-term variable pay was just four percent last year while the rest of India's workers enjoyed 10 percent, the attrition rate at BPOs in the year 2008 was 23.5 percent compared to 15 percent in the general market, the benefits package mainly focused on retirement benefits, which is a disconnect since most of these workers are in their 20s.

Anandkumar V et al (2008) had spent time analyzing the youth trend in their book. In the above book, the strategy consultant Shombit Sen Gupta, sees the current generation, with its radical thought processes and behavioral traits, to be the torchbearers of change, the most important ingredient in India’s future as a global business leader. Shombit calls them the ZAP86 generation and categorically confirms that they influence the overall purchase decision in every home today. Babies born in 1986 became five-years-old in 1991, when economic reforms were introduced in India. At the age of five, a child can consciously start making decisions. People from this generation onwards have thrived in a booming, liberalized economy. Their upbringing, attitude, and values are very different from Indians of yester years. He believes that the ZAP86ers have an individual spirit with a dash of self-indulgence. Except for non-aggression, they are not ready to carry the older values of sacrifice, savings, being dominated by elders, or being submissive in any sense. The earlier
generation lived for their parents and their children; the ZAP86 generation, having grown up in an atmosphere of choice, lives for themselves. Those born after 1986 are exposed to society’s new character, and so they sport very divergent world views and attitudinal approaches. They are not seeking the security of a steady job and they are not in any compromising mode. Shombit is of the view that professionals in the age group of above 45 years who run business organizations in India are totally disconnected from the ZAP86 generation in spite of having children in that age group. To sustain business tomorrow, he says, the industry has to make the effort to understand the ZAP86 generation in depth, and any process or value creation of every deliverable has to be based on this generation.

Research conducted by Chaudhuri (2007) shows that the causes of attrition/turnover in the Indian ITES industry are unchallenging work environments, long working hours, and limited career growth, less promotional opportunities, lack of proper leadership, non attractive compensation packages, job opportunities elsewhere and poaching of talent by the competitors. Indeed, voluntary turnover, popularly termed ‘job hopping’, has been a persistent problem for human resource management practitioners.

Sanjeev Sharma (2007) opines that HR professionals all over the world, working in Call-Center or BPO industry are breaking their heads to formulate Retention Strategies but nothing is working in their favor. The average attrition rate in this sector is still 35-40%.

Booth and Hamer (2007) found that labour turnover is related to a variety of environmental and organizational factors such as company culture and values, supervisory style, fair pay, corporate value, giving support to each other, trust and respect between employees, manageable workload, development and career building satisfaction and degree of job satisfaction.

Anupama D Raina (2007) highlights how the growth of attrition rates has been a major concern for the last couple of decades. It was also found that attrition was more common with the age group of 20-25 years and within three months of joining the
organization. The article explains the problems and effects of attrition on call centers. Another objective of the article was to study the retention measures adopted by the call centers to retain employees and, in the end, develop a module for them which can help in curbing the existing problems faced by them.

Sudeshna Bhattacharya (2007) discloses the multiple causes which force BPO employees to leave the sector thereby raising the attrition rates in the sector. The article also analyses the costs incurred by a company in this sector as a result of such high attrition rates. He also encapsulates various measures adopted by the companies to retain its trained workforce.

Santoshi Sen Gupta and Aayushi Gupta (2007) reports that BPO is growing at a phenomenal pace. Despite its momentous growth and bright future, the BPO industry continues to suffer from very high attrition rates. New employees come with a lot of enthusiasm but their motivation gets depleted as job realities unfold with the passage of time. Attrition can be combated by enhancing the perceived value of working in a BPO. BPO needs to be repositioned and the positive value of working in BPO sector needs to be brought out.

Anandan Pillai (2007) writes that the HR policies need to be framed to suit different kind of employees across the ladder. The BPO entities need to create a brand identity for their firms amongst society to ensure not only the regular inflow of employees but also their consistent retention.

Sagar Chakraverty (2007) discusses the reasons for attrition and ways to improve the turnover rate in Indian IT-ITES sector. Impact of attrition is gone through and employee’s concern is highlighted. Initiatives of retention are talked about with reference to employee’s perspective.

Sheela Krishnamurthy (2007) writes that a stress-related job and bad dietary habits are a lethal combination, which makes this BPO sector susceptible to lifestyle-related diseases-like obesity, diabetes and high blood pressure.
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‘BPO’s Young and Troubled’ (2007) a survey to capture the challenges faced by BPO employees in India summarized the problems as: odd work timings, working at night and sleeping during the day which upsets a person’s natural bio-rhythm, monotonous job and repetitive job that offers little diversity which results in low job satisfaction, performance targets, close monitoring by supervisors and linkage of performance to pay and cultural clash.

1.20 STATEMENT OF THE PROBLEM

One of the areas of business organization that is affected by the internationalization of business is the area of Human Resource Management. Because business has become internationalized, the process and factors that make up the HRM concept have also become global.

Business Process Outsourcing, commonly known as BPO, is one of the most booming sectors in the Indian industry. Since its inception, the Indian BPO industry has grown at a constant annual rate of 40-50 per cent within a couple of years. Nasscom Strategic Review (2007) reports that the number of people directly employed in BPO sector stood at 1.6 million in 2006-07 and it is projected to be 5 million by 2012. The issue of employee attrition/turnover has been found to be making huge economic impact on the organizations. The average costs of replacing today's defecting work force are eating away the profitability of even the healthiest organizations.

Karnataka has witnessed exceptional growth in the IT and ITES services and product companies, proving to be a large employment base for the state's engineering graduates. This favorable situation has led the researcher to select Karnataka as one of the population base for the study. Kerala state Government’s support and the excellent infrastructure available at Techno-Park Trivandrum and Info-Park Kochi have encouraged the BPO companies to locate their units in Kerala. This favorable situation existing in Kerala state has led the researcher to choose Kerala as one of the base for the population of the study.
The biggest problem faced by BPO organizations located in Karnataka and Kerala today is the increased employee attrition, which varies between 20%-50%. The population for the study includes the employees working in the BPO sector organizations. A comprehensive study to identify the critical factors causing high employee attrition in the BPO sector in Karnataka and Kerala states has been found to be the need of the hour. Also there existed a need to make an in-depth comparative study focusing on the factors causing high attrition in BPO companies located in the states of Karnataka and Kerala. This study is an earnest attempt to make a detailed analysis of the above issue.

1.21 MAJOR OBJECTIVES OF THE STUDY

1. To study the variation in factors causing high employee attrition among different areas of BPO.

2. To study the variation in factors causing high employee attrition between the states of Karnataka and Kerala.

3. To study the variation in factors causing high employee attrition between national and multinational BPOs.

4. To study the variation in factors causing high employee attrition among the respondent’s age groups.

5. To study the relationship between maximum number of hours worked and the employee attrition.

6. To study the difference among the designation groups towards employee attrition.

7. To identify the critical factors causing high employee attrition in the BPO sector.

8. To study the similarities and dissimilarities between the states of Karnataka and Kerala among the employee attrition factors.
9. To study the reasons for stress and rank them in the BPO work environment.

10. To suggest innovative measures for reducing employee attrition in BPOs.

1.22 SCOPE AND SIGNIFICANCE OF THE STUDY

In order to implement a successful business strategy to face global challenges, organizations must ensure that they have the right people capable of delivering the strategy. This research is designed to study the nature, state and factors affecting high employee attrition in the BPO companies located in the states of Karnataka and Kerala. Specifically the study aimed at identifying the critical factors affecting high employee attrition in BPO sector and suggesting remedial measures to address the high attrition problem. The different BPO sectors (area of work) included in this study are financial accounting, customer services, procurement, human resource, application process and others. The major BPO companies selected from Karnataka for the study include Infosys BPO, Mphasis BPO, Accenture, Xchanging Plc., Ernst & Young, Deutsche Bank, and IBM-Daksh. The selected BPO organizations from Kerala are located in Techno Park Trivandrum and Info Park Cochin. The BPO’s selected from Kerala includes Allianz Corn Hill, Revenue Med–BPO, Geotran Technologies, Accentia Technologies, Enter Technologies, Spheridian Technologies, Global Data Systems, i-Dynamics and Alamy India.

The study gives a warning signal to the BPO sectors, in Karnataka and Kerala to immediately adopt innovative strategies to tackle the continuing high attrition problem. This study will be helpful to the management of BPOs located in Karnataka and Kerala to focus on the critical factors identified in the study in addressing the employee attrition problem. Also the study will enable the readers, researchers and practitioners (HR Managers) to have a professional approach in addressing the critical issue of employee attrition.
1.23 LIMITATIONS OF THE STUDY

While conducting this study, the following are the limitations that were faced:

1. Since the study involves use of primary data for drawing inference, the coverage of the study has been limited to the two states Karnataka and Kerala.
2. Lack of sincere cooperation from BPO organizations management in allowing the data collection which lead the researcher to adopt mainly quota sampling.
3. Inability to meet all the respondents personally.
4. Lack of sufficient time for the respondents to answer sincerely all the questions due to their work pressure and stressful environment.
5. Respondent’s inability to answer the questions considering all the view points.

1.24 CHAPTER SCHEME

The study is reported in six chapters. The first chapter contains the conceptual framework on Human Resource Management which also describes the specific research topic- employee attrition in detail. The major sub titles in this chapter includes: definition of human resource management (HRM), objectives of HRM, characteristics of HRM, functions of HRM, evolution of HRM, theoretical perspectives (HRM models) on human resource management, HRM in BPO Industry, employee attrition, computation of employee attrition, measurement methods, the cost of employee attrition, statement of the problem, significance, scope of the study, and review of literature.

The second chapter explains the concept of Business Process Outsourcing (BPO) in detail. The major contents are: the concept of BPO, components of BPO, evolution of BPO, scope of outsourcing, current drivers of BPO, limitations (Inhibitors) of BPO, BPO Industry segregation, outsourcing contracts, process migration, BPO - business models, risks of off shoring, employee attrition in BPO Industry, and the Global BPO Industry.

The third chapter titled, Research Design gives a description of the research methodology adopted in this research. The major contents included in this section are primary data, secondary data, and population of the study, sample design, objectives
of the study, hypothesis formulation, secondary objectives, research design, tools, data collection and chapter scheme.

The fourth chapter describes in detail the data analysis conducted on the primary data collected through the questionnaire. The analysis conducted involves factor analysis, analysis of variance (One-way ANOVA), Chi-Square Test, T-test. The analysis mainly focused on the employee’s perspective.

The fifth chapter titled Data presentation and analysis–managerial perspective gives the analysis of the data collected mainly through the interview schedule. The presentation mainly focuses on the managerial view point and the presentation is done through suitable tables and charts and diagrams.

The sixth chapter gives a list of the findings from various analysis and interpretations. Also it includes innovative suggestions and recommendations for reducing employee attrition and finally it gives the conclusion.