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An Analysis of Attrition: Retention strategy for IT/BPO Industry

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Abstract: Attrition word is very dangerous now a day for any organization those are working like BPO's, because staff attrition (or turnover) and absenteeism represents significant costs to most organizations. It is odd, therefore, that many organizations neither measure such costs nor have targets or plans to reduce them. However, it seems to be one of the areas in which HR can make a difference - and one that can be measured in quantifiable, financial terms against targets.

The study is focused on recruitment and retention challenges that the IT/BPO industry currently faces and to examine ways to reduce high turnover rates among first year Employees in the leading Domestic Call Center based in Indore. According to the Department of Human Resources (MSource BPO, Indore), turnover rates for permanent Agents/Executives were 15.6% in 2009 and 35% in 2012. Department of Human Resources which also tracks attrition of temporary employees measured the turnover rate for temporary employees to be 77% in 2012. The monetary cost of such high turnover is enormous.

Keyword: Attrition Control, Turnover, Absenteeism.

I. INTRODUCTION

Definitions

1. The unpredictable and uncontrollable, but normal, reduction of work force due to resignations, retirement, sickness, or death.
2. Loss of a material or resource due to obsolescence or spoilage.

Meaning of Attrition

These days, very often we come across the word 'ATTRITION'. This word is being used in place of Employees turnover in an organization, used earlier. " the wearing down of an adversary, making him weaker by repeatedly attacking them or wearing down of resources i.e. the process of reducing the number of people who are employed by an organization by not replacing people who leave the job."

Building on its growth over the last few years, the Indian IT-BPO sector has emerged among the leading employment providers of the country with nearly 4 million people being directly employed in the IT-BPO industry. Growth has given rise to predictable challenges of managing people, who owing to the nature of the sector form one of the most critical assets of the IT delivery chain. It is universally recognized that the sustained availability of skilled manpower at the right cost will be the make-or-break factor as India attempts to rise up the IT value chain.

The percentage of employees that leave a company in a given period of time due to attrition is sometimes referred to as the churn rate, though that term can also include personnel who are fired. A high churn rate can adversely affect a company due to the costs of training new workers, though higher rates are often more acceptable for unskilled laborers than more highly skilled

or trained workers. Churn rate is often lower in industries that employ highly skilled workers, and companies often use lucrative employment contracts and other tactics to prevent some forms of attrition.

There are also circumstances where employee attrition can be used to benefit a company. In some circumstances, it becomes necessary for a company to cut labor costs to remain profitable. One method of dealing with this type of issue is to lay off a number of workers, though this can present morale problems for the remaining employees. If the attrition rate is known, then simply not hiring new employees can present a long term method of dealing with the same problem. Since some employees will retire or resign over time through attrition, a hiring freeze can eventually result in fewer employees and a similar savings in labor costs.

Employee attrition refers to the loss of employees through a number of circumstances, such as resignation and retirement. The cause of attrition may be either voluntary or involuntary, though employer-initiated events such as layoffs are not typically included in the definition. Each industry has its own standards for acceptable attrition rates, and these rates can also differ between skilled and unskilled positions. Due to the expenses associated with training new employees, any type of employee attrition is typically seen to have a monetary cost. It is also possible for a company to use employee attrition to its benefit in some circumstances, such as relying on it to control labor costs without issuing mass layoffs.

There are many different ways for a company to lose employees, most of which are typically taken into account to ensure that the organization is able to operate efficiently. Attrition refers to the loss of employees due to reasons other than firing and other employer-initiated events. This means that an employer has no direct control over how many personnel are lost to employee attrition. Retirement is one major cause of employee attrition, and since people tend to retire around a specific age this is a factor that can be accounted and planned for. Other causes of employee attrition, such as personnel who quit due to prolonged illness, dissatisfaction with the company, or other reasons, can be more difficult to estimate.

Attrition Rates of FOUR Major Indian IT/BPO Companies
(comparing 1st Quarters of FY 2009 & 2010)

Companies	Q1 10	Q1 09
TCS	13.1%	11%
Infosys	15.8%	11.1%
Wipro	15.8%	9.8%
HCL	15.7%	13%

Source: Data published on net by bodies like NASCOM & data from surveys such as KPMG

II. LITERATURE REVIEW

Literature reviews is an account of what has been published in connection with this research. The main purpose is to gain knowledge and ideas based on the previous establishment and get to know what their strength and weakness are in order to further enhance and upgrade the integration.

Getzlaf, S. B., et.al. (1984), compared undergraduate students who had dropped out from Washington State University (WSU) one year prior to the study with a control sample of students who continued at WSU with the help of Tinto's model of institutional attrition. Tinto's constructs of individual attributes, past educational experience, goal commitment, institutional commitment, social integration, and academic integration were operationalized using variables obtained from precollege records, academic records at the university, and a post-withdrawal survey.

Mallette, B. I., & Cabrera, A. F. (1991) also tested Tinto's model on college persistence. Those have typically classified nonreturnees as dropouts. Which argues that such a practice merges together different types of withdrawal behavior whose determinants may vary as a function of the particular departure behavior under consideration. It's also examines whether the determinants of decisions to withdraw from the institution are similar to those affecting decisions to transfer to other institutions of higher education for the 1984 entering freshman class at a large southern institution.

Bean, J. P., & Metzner, B. S. (1985), Older, part-time, and commuter students have composed an increasingly larger portion of college student bodies. The reasons why these students drop out of school are not well understood. The purpose of this paper is to describe the rise in nontraditional enrollments, define the nontraditional undergraduate student, and develop a conceptual model of the attrition process for these students. The chief difference between the attrition process of traditional and nontraditional students is that nontraditional students are more affected by the external environment than by the social integration variables affecting traditional student attrition.

Sengupta, S., & Gupta, A. (2012), says that Business process outsourcing (BPO) industry in India is progressing with an unparalleled velocity. Despite the momentous growth and brilliant future, the BPO industry has experienced high attrition rates since inception. There are many factors that lead to attrition in BPOs and much research has taken place time and again. In this study, they made a comprehensive attempt to explore the dimensions of attrition by identifying the factors that lead to it, assessing the contribution of the factors toward attrition, and comparing the dimensions across the various demographic variables.

Srivastav, A. K. (2010), coded that how organizational climate operates in BPO industry. Six motives of organizational climate were measured in BPO companies. Expert Influence and Extension were respectively the dominant and backup climates. Affiliation was the weakest climate. Exploratory factor analysis of climate motives revealed three meta-climates operating in BPO industry: (1) Brazen Shirking combining heightened Dependency and de-emphasized Affiliation, (2) Empowered Collaboration representing heightened Extension and de-emphasized Control, (3) Obsession for Expertise combining heightened Expert Influence and de-emphasized Achievement. 70.30% variance explains these meta-climates that reflect the realities in BPO industry.

Chandrasekar, K. (2011), says that Human Resource is considered to be the most valuable asset in an Organization. It continues to play, even in the computer age, when everybody feels that men have a little role to play. It is true that computer, to some extent, does play a role, but programming and feeding such programme require manual operations. In other words, the application of manpower has no substitute and therefore, it has a continuous role to play. The main problem against the manpower development is attrition. The rate of attrition is increasing every day so that production and profit decrease. Noteworthy is the continuously growing rate of attrition among the IT, ITES and other Software based companies. This has made the companies to take up research studies based on their employees, especially to identify the factors of attrition. This research helps to know about the employees' attitude towards the company and the work, also highlighting various other direct and indirect effects of attrition on production, cost, discipline and efficiency in the industry.

III. OBJECTIVES

The objective of the study includes:

- 1) To examine the cause of the high attrition rate among officers/agents in the IT/BPO sector.
- 2) To analyze factors affecting Attrition in IT & BPO sector.
- 3) To know the major recommendations to management about how to reduce this high attrition rate and prioritizing these recommendations to maximize monetary and personnel resources.

IV. RESEARCH METHODOLOGY

The research is **exploratory** research regarding measurement of attrition control system in case of IT and Business Processing Outsourcing sectors. This study was designed with a mixed methods approach to optimize the understanding of attrition in "TWO" PHASES:

1. Interviewing the ex-employees (within past one year)
2. Surveying the existing Agents with less than 1 year job duration

In order to meet the objectives of the study, primary data is collected using the questionnaire method. The questionnaire which consisted of two parts: Part – I consisted of the questions related Demographics and awareness about Attrition.

Parts II of the questionnaire consisted of 35 variables which are directly related to factor affecting Attrition. These have been measured with 5 pointer Likert scale.

The sample size taken for the study constituted of 200 respondents. Convenience sampling technique has been used for data collection wherein the sample is chosen from the population in random proportion of the various age groups present in the population.

V. FINDING AND DISCUSSION

The data is collected from 200 respondents. Out of 200 the response rate was 92 %. The incomplete/inappropriate responses are rejected to get higher precision value in results. After collection of the data, the reliability of the research instrument is tested by using Cronbach's alpha and factor analysis, are applied using SPSS 20 version in order to achieve the objectives of the study.

VI. RELIABILITY TEST

The observed value shows that the value of Cronbach's alpha is 0.885 for 35 items taken in the present study. As this value is more than 0.70 hence it is interpreted that the research instrument is reliable to undergo further data analysis.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.885	.886	35

Table 1 Tabular representation of the Demography of the Sample for First Phase

Term of service	Age			Sex		Education			Marital Status	
	20-30	30- 40	40 +	M	F	12 th	Graduate	PG	S	M
Left during Training	57	44	7	42	66	59	49	0	51	57
Left Within 6 months	36	23	5	28	36	35	27	2	34	30
Left Within 6 – 12 months	19	7	2	12	16	10	15	3	4	24
Left after 1 year of service	0	8	2	4	6	0	10	0	9	1
Total	112	82	16	86	124	104	101	5	98	112

Table: 2 Reasons for leaving the job as specified in the Telephonic interviews with the Former Employees in 1st Phase

Causes for leaving the job as stated in the telephonic interview	Percentage
Better remuneration packages on offer at other firms	45%
Career prospects (promotion track) looks more promising elsewhere	24%
Dissatisfaction with quality of work environment	17%
Night shifts, weekend work, Rotational shift leading to dissatisfaction with work/ life balance at current employer	39%
Remuneration and promotion policies deemed to be in-transparent or unjust	26%
Further / Higher Studies	13%
Family/Personal reasons	9%
Inadequate/Improper staff training at current employer	32%
Employee feels let-down by current employer	28%
Difference in job related expectation & experience	7%
Others	2%

Table: 3 Tabular representation of the Demography of the Sample for Second Phase

Term of service	Age			Sex		Education			Marital Status	
	20-30	30- 40	40 +	M	F	12 th	Graduate	PG	S	M
Employees in Training	55	45	6	40	64	57	53	0	47	52
Employees in Probation	34	26	6	26	38	33	29	1	31	29
Permanent Employees less than 1 year in the service	18	8	2	14	18	11	13	3	14	27
Total	107	79	14	80	120	101	95	4	92	108

Table: 4

Initially, personal interviews with the selected candidates were conducted to understand their feelings, problems & experiences with the job. **Based on the feedback from the above personal interview, a small “4 POINTS“- Questionnaire was set**, which included the most important factors identified.

The following most important factors were identified during the qualitative findings in the personal interview and we operationalized each factors by 5-point Likert scale (where, 1 = strongly disagree, and 5 = strongly agree), in the Questionnaire:

- A. Better Remuneration & Career Prospects
- B. Perceptions of training & resources
- C. Shift Timings & Week-offs
- D. Organizational culture.

The quantitative model tested in this study was developed from findings in the literature and factors derived from the qualitative findings. A Questionnaire was self designed and structured containing two sections.

The Data gathered from the Questionnaire was then entered into MS Excel and SPSS version 20. Factor Analysis was conducted to understand the importance of Individual factors. Each Factor was assigned a weightage and the final score (ratings) was converted into Percentage.

- ❖ **Factor A - Better Remuneration & Career Prospects**, was assigned 20% weightage.
- ❖ **Factor B - Perceptions of training & resources** was assigned 20% weightage.
- ❖ **Factor C - Shift Timings & Week-offs** was also assigned 20% weightage.
- ❖ **Factor D - Organizational culture** was assigned the remaining 40% weightage.

➤ **Factor A - Better Remuneration & Career Prospects**

It was seen that **35%** employees **strongly disagree** & **34%** employees **disagree** that – “Remuneration & Career Prospects provided by my Organization is as per the industry standards”. **18%** employees were **neutral** on this point. Better Remuneration & Career Prospects was one of the most important concerns as voiced by the ex-employees & present employees in the Interviews. It clearly shows that HR should restructure the Remuneration & Career Prospect policies.

FACTOR A - Better Remuneration & Career Prospects (Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
3	17	37	69	71
2%	9%	18%	34%	35%

Table: 5

➤ Factor B – Perceptions of Training & Resources:

It was noted that **17%** employees **strongly disagree** & **30%** employees **disagree** that – “I received appropriate training on joining the department to enable me to do my job. I am provided with all the resources needed to be successful in my job”. **15%** employees were **neutral** on this point. Dissatisfaction with the training program was one of the common problems as discussed in the Interviews; therefore, HR should also plan on redesigning the Training program.

FACTOR B - Perceptions of training & resources (Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
29	44	30	61	33
15%	21%	15%	30%	17%

Table: 6

Factor C – Shift Timings & Week-offs

It was noted that only **9%** employees **strongly disagree** & **18%** employees **disagree** that – “I have adjusted with my rotating shift timings & week-offs, and understand that this is as per the demand of the industry”. **15%** employees were **neutral** on this point. Though it takes toll on the health front & also disturbs the daily routine/life style of an individual, however, adjusting to the rotating shift timings & changing weekly-offs is a pre-requisite to the IT/BPO industry. It is not only informed/explained before joining, but this is a well known fact & one of the reasons of such high packages offered in this sector. Thus, much cannot be expected on this from HR, however, a better & bit-flexible schedule may be considered/drafted.

FACTOR C - Shift Timings & Week-offs (Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
67	47	30	35	18
33%	23%	15%	18%	9%

Table: 7

➤ Factor D – Organization Culture

Sub Factor 1 - Growth Opportunities: It was noted that **49%** employees **strongly disagree** & **31%** employees **disagree** that – “My Organization promotes my professional growth and development”. **11%** employees were **neutral** on this point.

On the other hand **32%** employees **strongly disagree** & **35%** employees **disagree** that “I am able to use my real talents at work on a daily basis”. **23%** employees were **neutral** on this point. Also, **13%** employees **strongly disagree** & **26%** employees **disagree** that – “I am working at my full potential”. **35%** employees were **neutral** on this point.

The above figure highlights that most of the employees are unsatisfied with the Growth Opportunities provided by the Organization.

FACTOR D - Organizational culture Sub-Factor 1: Growth Opportunities - <u>Promotes Professional Growth</u> (Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
3	10	21	64	99
2%	5%	11%	31%	49%

Table: 8

FACTOR D - Organizational culture				
Sub-Factor 1: Growth Opportunities - <u>Able to use Talent</u>				
(Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
5	9	46	71	66
3%	5%	23%	35%	32%

Table: 9

FACTOR D - Organizational culture				
Sub-Factor 1: Growth Opportunities - <u>Working at Full Potential</u>				
(Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
16	31	71	54	25
8%	16%	35%	26%	13%

Table: 10

➤ **Sub Factor 2 – Feeling Valued:**

It was noted that **28%** employees **strongly disagree** & **44%** employees **disagree** that – “I am recognized for a job well-done”. **15%** employees were **neutral** on this point.

On the other hand, as high as **63%** employees **strongly disagree** & **30%** employees **disagree** that “My ideas are valued while I was at work”. **2%** employees were **neutral** on this point.

The above figure highlights that most of the employees are highly dissatisfied when it comes to Feeling Valued” in the Organization.

FACTOR D - Organizational culture				
Sub-Factor 2: Feeling Valued - <u>Recognized for Job Well Done</u>				
(Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
9	11	30	90	57
5%	6%	15%	44%	28%

Table: 11

FACTOR D - Organizational culture				
Sub-Factor 2: Feeling Valued – <u>My Ideas are valued at Work</u>				
(Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
2	3	3	62	127
1%	2%	2%	30%	63%

Table: 12

FACTOR D - Organizational culture				
Sub-Factor 3: Perception of Management - <u>Encourages Cooperation & Team Work</u>				
(Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
20	23	37	57	60
10%	12%	19%	28%	29%

Table: 13

FACTOR D - Organizational culture				
Sub-Factor 3: Perception of Management - <u>Resolves Complaints about Problems</u>				
(Number of Employees along with percentage, tabulated on the Likert Scale Ratings)				
SA	A	N	D	SD
4	8	14	67	104
2%	4%	7%	34%	51%

Table: 14

Tabular representation of the Average Rating of Factors in the Questionnaire

Important Factors	Factor Loading
Better Remuneration & Career Prospects	.875
Perceptions of training & resources	.784
Shift Timings & Week-offs	.545
Organizational culture	.834

Table: 15

The table No. 15 shows the factor loading about different factors studied in this paper that shows

Better Remuneration & Career Prospects is having highest factor loading that means salary is the prime important factor for any organization. It means if organization will conduct time to time appraisal program that would be helpful for further development.

Next prime important factor is Organizational culture, that will always having importance for workers associated with the organization that means if culture or working environment would be good organization will grown up easily and attrition will be in controlled.

Factor Perceptions of training & resources will says that time to time training should be organized in the organized in organization for betterment of it's employees, once employee having the good knowledge than they are always perform better and somehow with this kind of activity they may able to get good appraisal and don't want to live the organization.

Shift Timings & Week-offs, off-course this factor is important but it can be manage easily.

VII. CONCLUSION

By tapping into the voices of those who have left MSource BPO on the one hand, and feedback from the present employees on the other hand, this research begins to illuminate what organizational conditions obstruct the retention of workers. The findings imply that employees need manageable workloads, support and recognition from their co-workers and management, and opportunities for growth and innovation.

Many of the organizational issues identified in the interviews appear, at least on the surface, to be structural or technical problems to be corrected or adjusted by the organization's administration. Problems with high quality pertinent training, adequate staffing, and sufficient resources to succeed at one's job are consistent with previous findings in human service organizations (Light, 2003).

However, this study highlights how — softer factors related to organizational culture, inconsistent shift timings and motivational factors are impacting employee attrition.

Such conventional culture now requires a change approach in this sector. Issues that can be rectified only with changes in workflow patterns, more efficient tracking systems, better training procedures, or more selective hiring practices (as supported by our findings).

Therefore, working collaboratively with staff in BPOs to identify and define targets for OC change would increase the voice and agency of staff. Organizational culture change is an expensive endeavor; however, high turnover and poor performance is likely to cost these organizations more over time, especially as performance measures become harder to meet.

Based upon the distribution of ages, Educational Status & Marital Status in the sample, it is important to note that approximately 30% of these staff may leave the Organization due to Further Studies & existing Educational commitments, within next 1 year. Prioritizing ways to retain new staff will become increasingly important to assure that the organization does not lose more of its human capital and with it, its ability to serve those in need.

Although this could be conceptualized as a — crisis, it could also be conceptualized as an opportunity to shift the pre-existing OC away from one of regulation towards one of innovation. This shift may facilitate BPOs taking advantage of their new-found discretion to not only improve client outcomes but to also meet performance outcomes. This study documents that frontline staff want to be supported in pursuing such a shift.

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