Attrition in BPOs : A Study of BPOs in Hyderabad & Secunderabad

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ABSTRACT

Business Process Outsourcing has revolutionized the way the world does business today. In a era of globalization it would be difficult to see a world without the Business Process Outsourcing units. Business Process Outsourcing (BPO) is the transmission of processes along with the associated operational activities and responsibilities to a third party and where the client contains a firm grip over the activities of the vendor for mutual long term success. In spite of the bright future that the BPOs have, it faces many challenges. The biggest challenge facing the BPOs units is attrition. Though this feature is common to all industries but in the case of BPOs the problem is even more pronounced. Attrition is the reduction in the number of employees through retirement, resignation or death. Reduction in the number of employees as result of retirement can be planned for well in advance but those on account of resignation throw the entire business out of gear hence, a careful study is warranted.

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Introduction

Business Process Outsourcing (BPO) is the transmission of processes along with the associated operational activities and responsibilities to a third party and where the client contains a firm grip over the activities of the vendor for mutual long term success. Outsourcing was initially regarded as a tactical solution to a particular problem, often driven by cost dynamics and not really part of a corporate strategy that could be regarded as strategic (Gay, et al 2003).

BPO is positively related to the search for more efficient organizational designs: cost reduction, productivity growth and innovative capabilities. Hence, a source of strategic advantage.

Management of Information Technology [IT] Projects executed from offshore destinations has brought a lot of attention to offshoring. There is an increasing focus on managing and executing IT projects with geographically and culturally disbursed teams (K. Mohan Babu, 2006). IT and outsourcing continue to be problematic because IT is inherently difficult to manage. The economics are not obvious and emerging technologies have to be addressed therefore it goes to the heart of many enterprises and interfaces with multiple business units and processes (Sara Cullen, et al 2004)

The key aspect is transfer of control. It differentiates outsourcing from business relationships in which the buyer retains control of the process or in other words, tells the supplier how to do the work. It is the transfer of ownership that defines outsourcing and often makes it such a challenging process. In outsourcing, the buyer does not instruct the supplier how to perform the task but instead focuses on communicating what results it wants buy; it leaves the process of accomplishing those results to the supplier.

The ITES/BPO industry is a young and nascent sector in India and has been in existence for a little over ten years. Despite its recent arrival on the Indian scene, the industry has grown phenomenally and has now become a very important part of the export oriented IT software and services environment. As India becomes the fourth largest economy in the world, it is progressing from being an international IT power house to the world's back office provider for the twenty first century (Paul Davies, 2004). It initially began as an activity confined to multinational companies, but today it has developed into a broad based business platform backed by leading Indian IT software and services organizations and other third party service providers. 90 percent of U.S. companies outsource one or more activities, spending more than $51 billion, according to international business research group IDC. (Gay, et al 2003). It offers customers around 40 percent cost savings. The challenge of reducing costs and increasing efficiency is one that faces large and small companies alike. As

competition intensifies in every market, it is not surprising that organizations should be seeking new ways of reducing overheads and improving the efficiency of their internal units (Quinn, et al 2004). In spite of the bright future that the BPOs have, it faces many challenges. The biggest challenge facing the BPOs units is attrition. Though this feature is common to all industries but in the case of BPOs the problem is even more pronounced. The average attrition in manufacturing industry is in the range of 10% to 20% whereas in the case of BPOs is to the extent of 35% to 40% and in some cases it is as high as 60%.

Attrition is the reduction in the number of employees through retirement, resignation or death. Reduction in the number of employees as result of retirement can be planned for well in advance but those on account of resignation throw the entire business out of gear.

(a)   Requirement for the Study

Attrition, as we have seen, is the reduction in number of employees through retirement, resignation or death. The BPO industry today has the highest employee turnover because of resignations that is as high as 30-40%. This results in a huge drain on resources. According to one estimate it costs a company about Rs. 60,000/- to train an employee. For a 300 seater call center facing a normal attrition of 35% this translates into Rs. 60 lakhs per annum. Thus the biggest challenge facing BPO industry is attrition.

- Identification of reasons for high employee turnover.

- Methods through which employee turnover can be reduced.

- Impact on BPO industry as a whole.

(b)   Objectives of the Study

The objectives of the study are as under;

- To study the socio-economic and psychographic profiles of BPO employees.

- To understand the impact of socio-economic and psychographic profiles on employee turnover.

- To make suggestions with regard to improving employee retention.

(c)   Methodology

- Details of methodology followed are given in the succeeding paragraphs.

(d)   Research Design

- The study is based on the response of 432 BPO employees identified on the basis of simple random sampling method. The sample consists of 225 and 207 male and female employees respectively.

- Data collected refers to socio-economic and psychographic profiles of the employees. It also includes data on factors influencing the work place performance.

(e) Period of Study

The study has been conducted during the year 2010.

(f) Sources of Data

The required data for the study has been collected through primary sources by administering a pre-designed questionnaire/ schedule to the employees of BPO companies and gathering their responses.

(g) Scope of the Study

- The study is confined to outsourcing issues related to IT enable services.

- The scope of the study is restricted to the twin cities of Hyderabad and Secunderabad.

- The study would include both Indian and MNC BPO companies.

The Study

(a) Basic Data of Respondents

- The total number of employees from whom data has been collected is 432. Of this 225 were male respondents and 207 were female respondents.

- . It was found that most of the employees were young people, that is, in the age group of 16-30 years of age.

- . The tenure of service in a company of the most of the employees was less than one year.

- Salary range for majority of the employees was in range of Rs. 10,000 to 20,000.

- Majority of the employees felt that the pressure of work was rather high.

- It was found that majority of the employees were under graduates followed a negligible

- percentage of post graduates and intermediate level.

Factors Influencing Job Performance

(b) Introduction

It is imperative that to enable optimum performance, right kind of atmosphere at the work place needs to be ensured. McGregor's Two Factor Theory emphasizes this point. In today's corporate world this aspect is given due attention but with competition being fierce to what extent this aspect satisfies the individuals at the work place needs to be studied.

An attempt is made here to study the various factors that influence an individual performance on the job.

- A vast number of employees (73%) are of the opinion that the opportunities are not adequate enough.

- It is found that majority (71%) of the employees are of the opinion that the feeling of being as a part of the team is not there.

- It is seen that only 60% of the employees are satisfied with the feedback given.

- It is seen that a majority of employees (74%) did not receive recognition for the job performed at the work place.

- It is observed that only 53% of the employees felt that the performance system is fair.

- It is noted that a majority of the employees (78%) feel that the company policies do not encourage efficiency.

- It was felt by 82% of the employees that their individual abilities were not fully utilized.

- It is seen that 64% of the employees felt that management is not easily approachable for their personal or official problems.

Perception and Impact of Socio Economic & Psychographic Factors

(a) Introduction

Socio-economic and psychographic factors have a great influence on the perceptions of employees of all organizations. These factors would include age, education, income, lifestyles, social strata etc. They have a great effect on employees' preference to continue employment in an organization. A study of these factors would enable to establish which of these have dominant influence on employees. It would also help to institute corrective measures.

A study of some of these factors is made to understand the relationship of these factors to employee perception and its effect on the employee's work place performance.

(b) Perception of Employees by their Age and other Psychographic factors

Ser No.	Context	Chi-Square	DF	P
1.	age and perceptions about opportunities provided for growth	6.402	6	0.05
2.	age and perceptions about the feedback given	3.689	6	0.05
3.	age and perceptions about recognition for the job performed	0.997	6	0.05
4.	age and perceptions about utilization of individual's abilities	9.501	6	0.05
5.	age and perceptions about attitude of the management towards the employees	0.701	6	0.05

For ser 1 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that age of the employees and their perception about opportunities provided for growth are related in a statistically dependent manner.

For ser 2 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that age of the employees and their perception about feedback given are related in a statistically dependent manner.

For ser 3 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that age of the employees and their perception about recognition for the job performed is related in a statistically independent manner.

For ser 4 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that age of the employees and their perception about utilization of individual's abilities is related in a statistically dependent manner.

For ser 5 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that age of the employees and their perception about attitude of the management towards the employees is related in a statistically independent manner.

(c) Perception of Employees Educational Qualification and their Perceptions about other Psychographic Factors

Ser No.	Context	Chi-Square	DF	P
1.	educational qualification and their perceptions about opportunities provided for growth	1.803	4	0.05
2.	educational qualification and their perceptions about organizational culture	0.880	4	0.05
3.	educational qualification and their perceptions about feedback given on the job	0.869	4	0.05
4.	educational qualification and their perceptions about recognition given for the job	0.973	4	0.05
5.	educational qualification and their perceptions about the job giving a sense of accomplishment	0.035	4	0.05
6.	educational qualification and their perceptions about individual goals linked to the goals of the company	0.999	4	0.05
7.	educational qualification and their perceptions about the sense of satisfaction derived from the work	0.939	4	0.05
8.	educational qualification and their perceptions about best utilization of an individual's abilities	0.691	4	0.05

For ser 1 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that educational qualification of the employees and their perception about opportunities for growth related in a statistically dependent manner.

For ser 2 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that educational qualification of the employees and their perception about organizational culture are related in a statistically independent manner.

For ser 3 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that educational qualification of the employees and their perception about feedback given on the job are related in a statistically independent manner.

For ser 4 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that educational qualification of the employees and their perception about recognition given for the job are related in a statistically independent manner.

For ser 5 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that educational qualification of the employees and their perception about the job giving a sense of accomplishment are related in a statistically dependent manner.

For ser 6 above the null hypothesis is tested with LOS=0.05 and df=4 and found that null hypothesis is accepted. It implies that educational qualification of the employees and their perception about individual goals being linked to the goals of

the company are related in a statistically independent manner.

For ser 7 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that educational qualification of the employees and their perception about the sense of satisfaction derived from the work are related in a statistically independent manner.

For ser 8 above the null hypothesis is tested and found that null hypothesis is accepted. It implies that educational qualification of the employees and their perception about best utilization of an individual's abilities are related in a statistically independent manner.

For ser 1 above the null hypothesis is and found that null hypothesis is rejected. It implies number years of service in the company and their perception about opportunities provided for growth are related in a statistically dependent manner.

For ser 2 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service of employees and their perception about feeling of an important member of the team are related in a statistically dependent manner.

For ser 3 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service in the company of the employees and their perception about the organizational culture are related in a statistically dependent manner.

(d) Perception of Years of Service in the Company and other Psychographic Factors

Ser No.	Context	Chi-Square	DF	P
1.	years of service in the company and their perceptions about opportunities provided for growth	1.212	6	0.05
2.	years of service in the company and their perceptions about feeling of an important member of the team	1.626	4	0.05
3.	years of service in the company and their perceptions about the organizational culture	.0005	6	0.05
4.	years of service in the company and their perceptions about the feedback given	0.037	6	0.05
5.	years of service in the company and their perceptions about getting recognition for the job performed	1.812	6	0.0
6.	years of service in the company and their perceptions about company goals and individual goals being aligned	1.605	6	0.05
7.	years of service in the company and their perceptions about best utilization of individual talents	1.225	6	0.05
8.	years of service in the company and their perceptions about team management being approachable	5.450	6	0.05

For ser 4 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service in the company of the employees and their perception about the feedback given are related in a statistically dependent manner.

For ser 5 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service in the company of the employees and their perception about getting recognition for the job performed are related in a statistically dependent manner.

For ser 6 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service in the company of the employees and their perceptions about company goals and individual goals being aligned are related in a statistically dependent manner.

For ser 7 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service in the company of the employees and their perceptions about best utilization of individual talents are related in a statistically dependent manner.

For ser 8 above the null hypothesis is tested and found that null hypothesis is rejected. It implies that number of years of service in the company of the employees and their perceptions about team management being approachable are related in a statistically dependent manner.

The industry being human resources intensive especially the knowledge based it is important that greater attention is paid to the human resources issues. This would not only enable the employees to contribute to the optimum extent but also lead to employee satisfaction.

Attribution rate in this industry is the highest as compared to any other industry. Many factors are contributing towards this end. It is important that unless this high rate of attrition is arrested at the earliest it would nullify the gains achieved. The study has enabled to establish a few pointers which if addressed would immensely help in rein in the attrition levels.

Major Findings

1. **Socio-Economic and Psychographic Profiles of Employees**

(a) The sample composition is found to consist of almost equal number of male (52%) and female (48%) employees.

(b) A large number of the employees are in the age group 16-30 years (81%) followed by age group of 31-40 years (14%).

(c) Majority of the employees have less than one year of service and this constitutes 56% of the employee strength. This is followed by employees between 1-3 years of service which constitutes 33% of the employee strength.

(d) Majority of the employees (73%) are in the range of salary of Rs. 10,000-20,000. A very small percentage is below Rs.10,000 and above Rs. 20,000.

(e) Majority of the employees are under graduates (83%) followed a negligible percentage of post graduates and intermediate level.

(f) Majority of the employees (62%) feel that the pressure of work is high. This is followed by 32% of the employees feeling that the pressure of work is of a medium level.

(g) A majority of the employees (75%) felt safe while commuting to work.

(h) A majority of the employees (83%) have felt that the benefits provided are sufficient.

2. Impact of Socio-Economic and Psychographic Profiles on Employees' Turnover

(a) Majority of the employees (92%) laid emphasis on the quality of work.

(b) Majority (71%) of the employees are of the opinion that the feeling of being as a part of the team is missing.

(c) It is seen that 64% of the employees are satisfied with the organizational culture.

(d) It is seen that only 60% of the employees are satisfied with the feedback given.

(e) It is seen that a majority of the employees (74%) did not receive recognition for the job performed at the work place.

(f) It shows that 78% of the employees feel that a sense of personal accomplishment is not there.

(g) It is observed that only 53% of the employees felt that the performance system is fair.

(h) It is found that 84% of the employees were of the opinion that the quality of equipment provided was good.

(i) It is noted that a majority of the employees (78%) feel that the company policies do not encourage efficiency.

(j) It is seen that 68% of the employees feel that the company and individual goals are not aligned.

(k) It is seen that majority of the employees (81%) do not derive satisfaction from the work done by them.

(l) It was felt by 82% of the employees that their individual abilities were not fully utilized.

(m) It is seen that 64% of the employees felt that management is not easily approachable for their personal or official problems.

(n) It is found that 61% of the employees are satisfied with the salary based on their training and experience.

(o) A majority of the employees (92%) are of the opinion that the training provided is adequate.

(p) A vast number of the employees (73%) are of the opinion that the opportunities provided by the company are not adequate enough.

Suggestions

Based on the findings unless the BPOs take proactive measures it will not be possible for it to retain its employees. These measures mentioned below need to be followed vigorously to have substantial effect on the employees.

The following suggestions are drawn from the findings:

- More opportunities should be provided for growth.

- Management should create an atmosphere that employees feel that they are a part of the team and there is no sense of isolation.

- Recognition for the job performed should be duly acknowledged by the management.

- The job performed should lead to a sense of personal accomplishment.

- Policies adopted by the company should be reframed so that it encourages efficiency.

- Management should make efforts that the company goals are aligned to individual

    goals.

- There should be coordinated effort that employees' get a sense of satisfaction from the job done.

- Employee's talents fully should be fully utilized by the company.

- Management should give an impression that they are approachable.

- Employees should be given interesting and challenging work so that work does not become monotonous over a period of time.

- Critical workers need to be protected.

Conclusion

Based on the findings, important conclusions have been derived. A careful study of these by Business Process Outsourcing units will enable to put in place measures that would help to remove points of dissatisfaction leading to better utilization of manpower and consequent reduction in attrition.

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