Attrition and retention of employees in BPO sector

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Abstract

The broad objective of this research is to identify the root causes of attrition and retention in BPOs, analyzing the level of employee motivation, satisfaction and involvement, generate a model for maximizing sustenance of employees in the organization and come up with concrete recommendations, which will eventually be valuable to the organizations to retain their employees for a long term.
KEYWORDS: attrition, retention, employees

INTRODUCTION:

Attrition is defined as a reduction in the number of employees through retirement, resignation or death and attrition rate is defined as the rate of shrinkage in size or number (BPO India 2009). Attrition of employees in a limited measure is desirable for influx of new ideas in any type of organization. It helps organizations to maintain their agility in fast changing environment. It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization.

OBJECTIVES:

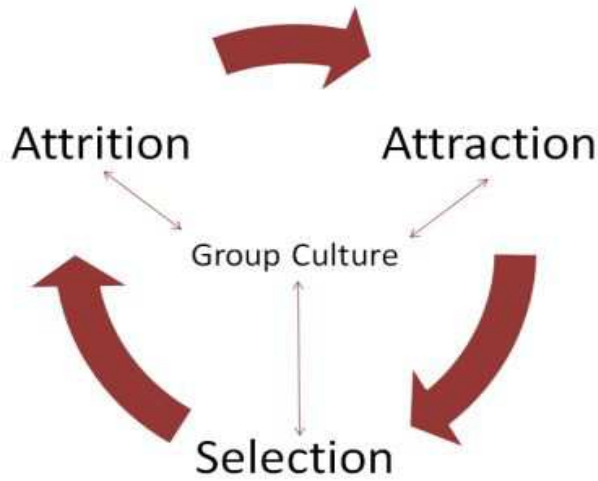To identify the root causes of attrition and retention in BPOs,
To analyzing the level of employee motivation, satisfaction and involvement.
To identify and explore the dimensions of employee retention in BPOs based on primary data collected from field survey.

ATTRITION IN THE BPO

Attrition in the BPO industry is twofold. One part of the attrition is where the employee leaves the industry entirely. The other section of attrition is where the employee joins another firm in the industry. Attrition in BPOs has terrible effects on the organization. The high attrition costs increases the costs to the organization considerably. They have to combat the amount of disruption due to unplanned exits. The more the people leave an organization, the more it is a drain on the company's resources like recruitment expenses, training and orientation resources and the time. The high attrition rate also affects the productivity of the organization. Therefore, it is extremely important to curb attrition not only for an individual firm but also for the industry as a whole. Many researchers have worked enormously on the IT & BPO sector, citing its challenges, issues, and opportunities in and around employee performance, employee satisfaction, employee turnover etc.

ATTRITION CYCLE

The life style and the environment has considerably changed compared to the past. Employees prefer to break away from the monotony of doing the same job. Employees feel in today's world they have to run faster to remain at the same place. Management demands that one person has to do the job of two or more people. Employees are just treated as commodities. Increased expectations and opportunities made a pathway to decrease the loyalty among the employee which in turn leads to attrition.

MARKET SIZE OF BPO IN INDIA

Speedy transformation is taking place in the global BPO market. It is escorted by increased investments in BPO services. Most of the principal business companies of the world are adopting BPO as a strategic business solution. The BPO industry is quite assorted, with several sub-segments, each exhibiting its own unique and exclusive characteristics. The size of the global BPO market was projected to be $173bn by 2007, of which $24.23bn would be outsourced to offshore contractors (Gartner 2005). Of this, India has the potential to generate $13.8bn in revenue. "The projection includes revenues of pure play Indian BPO service providers, captives operations of MNCs operating in India, third party service providers and BPO subsidiaries of IT services firms.

BPO IN INDIA
Currently the sector employs approximately 2,45,100 people and another 94,500 jobs are expected to be added in the current financial year. There are over 400 ITES-BPO companies operating in the Indian market, including captive units (of both MNCs and India companies) and third-party services providers.
In terms of markets, the US continues to be the main consumer of India's ITES-BPO services (with a 66% share of the market), followed by Western Europe (including the UK), which accounted for 20% of export revenues. In terms of functional service offerings, Customer Care and Support services contributed approximately 34% of the

industry's revenues with the other leading service lines including Finance (with a contribution of 22%), Administration (13%) and Content Development (19%). The global financial services vertical remained the largest user of Indian ITESBPO services, followed by telecom, healthcare and airline segments. Captive units continued to dominate the ITESBPO industry, accounting for over 65 percent of the value of the work off shored to India.

EMPLOYEE MOTIVATION

Employee motivation has been extensively reviewed for this research. Literature on the established well known motivation theories has been reviewed as one of the final results of our study shows intrinsic motivation factors as a significant dimension of employee retention in the BPO industry.

EMPLOYEE INVOLVEMENT

Literature on employee involvement was also extensively reviewed as one of the significant determinants of employee retention came out as involvement factors. Many researchers have worked on employee involvement and participation at various levels and in various domains. Employee involvement is an important attribute of job satisfaction, employee motivation and even employee retention. Employee involvement has a direct correlation with productivity, quality, efficiency, absenteeism, and even motivation. Employee involvement has received much attention in the area of work organization in recent decades.

FACTORS RESPONSIBLE FOR ATTRITION AND RETENTION OF EMPLOYEES IN BPO

Hackman & Oldham (1976) proposed the Job Characteristics Model, which is widely used as a framework to study how particular job characteristics impact on job outcomes, including job satisfaction. The model states that there are five core job characteristics (skill variety, task identity, task significance, autonomy, and feedback) which impact three critical psychological states (experienced meaningfulness, experienced responsibility for outcomes, and knowledge of the actual results), in turn influencing work outcomes (job satisfaction, absenteeism, work motivation, etc). The basic hypothesis of this research that employee motivation, employee satisfaction, employee involvement, and life interest and work compatibility lead to prolonged sustenance is an extension of this model with minor modifications in it. It is proposed that the Job Characteristics model is modified by redefining job dimensions as

growth prospects, accountability, sense of accomplishment, self-esteem, job security, interpersonal relationships, working conditions, by extending organizational outcomes as satisfied, motivated, involved and retained employees. Figure 1 is the modified Hackman and Oldham's Job Characteristics model which has been taken as the base to

study the research questions pertaining to this research. The new model is also designed to be of use as a management tool and must therefore be simple and flexible enough to be of use to the management of an organization. Typical management questions would

involve the likely motivational impact of job redesign, such as increasing employees' level of control and responsibility over their work behaviour or introducing a scheme whereby employees participate in certain management decisions. The model should therefore allow managers to manipulate a host of job characteristics and investigate the likely effects upon the motivation, performance and sustenance of the workforce. This study aimed at exploring the dimensions of attrition and retention. Based on our ground work; initial survey and personal\ interviews held with the BPO employees, it was found that factors that contribute to attrition are quite different from the factors that contribute to retention.
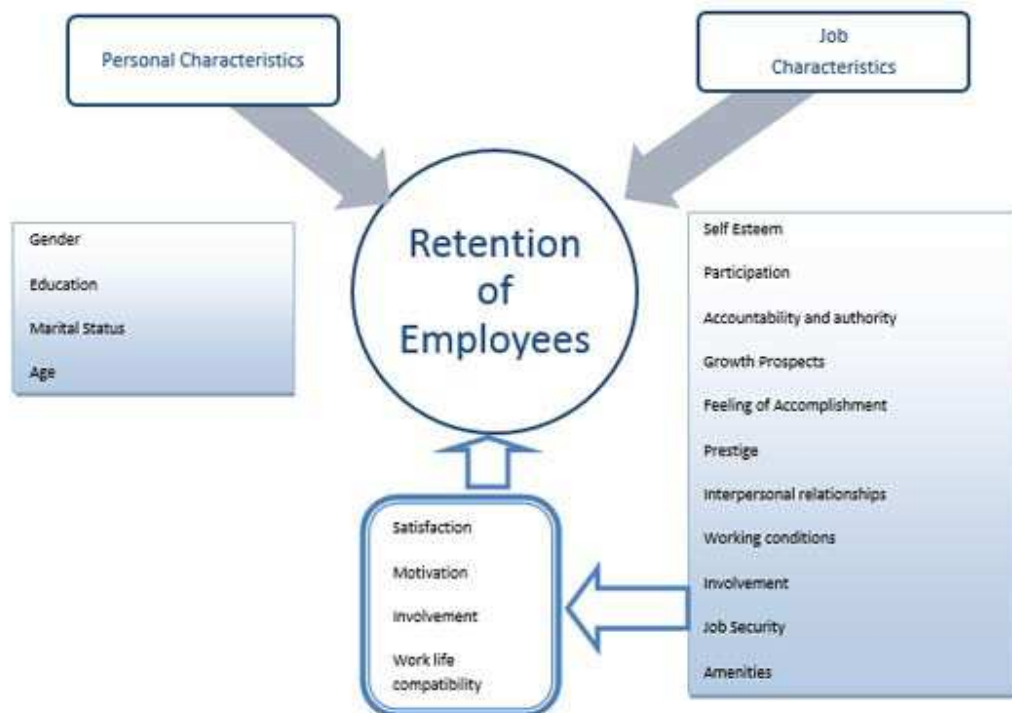

Based on the Hackman and Oldham's Job Characteristics Model and the modifications made to it, a clearer and more lucid pictorial framework of the model is given in Figure 2 and 3. Figure 2 clearly illustrates the basic constructs of the attrition model: personal characteristics, negative job characteristics (job dimensions), and the final resultant as attrition. Figure 3 illustrates constructs of retention model i.e. personal characteristics, intrinsic job dimensions and the resulting level of satisfaction, motivation and involvement (work outcomes) and the final result i.e. retained employees (organizational outcomes).

FIGURE 2: BASIC MODEL FOR ATTRITION

Figure 2 clearly suggests the personal characteristics as age, education, gender, marital status and tenure along with the negative characteristics of a BPO job i.e. monotonous nature of job, lack of motivation, poor mentoring, power and politics, dissatisfaction with colleagues, low career growth, lack of skill variety, irregular working hours, achievement not recognized etc. These two collectively result in the attrition of employees. The question is how much do these factors actually contribute to attrition. Similarly figure 3 describes the personal characteristics and core job dimensions which are intrinsic in nature and how do they contribute to retention of employees.

FIGURE 3: BASIC MODEL FOR RETENTION OF EMPLOYEES

RECOMMENDATIONS

Organizations should have a proactive retention strategy which helps in reducing employee turnover. Retention plan strategies should be different for different level of employees, because their roles are different; their needs are different; what motivates them are different and what makes them leave are also different. Based on the study it has been seen that dimensions of satisfaction and motivate are significantly different for employees on the basis of age, gender, marital status and education. Then, the regression model revealed that intrinsic motivation and involvement factors, as well as age and education level contribute to the sustenance of employees in the organization. Thus based on the findings, it can be said if the employees are motivated and involved in the work they can be retained .Retention must be part of the organization's DNA. Successful organizations have woven retention and engagement deeply into their structure.

- Loyalty is never given. Loyalty must be earned; even satisfied employees sometimes leave. Therefore, develop sense of loyalty among the employees.

- Organizations must be seen as employers of choice. One has to compete on compensation and benefits, but win on culture, learning and development.

- Each generation of employees has different reasons for staying. For the first time in modern history, there are varied generations working side-by-side in most companies of this industry. Generational differences continue to pose new challenges to today's employers. Thus, retaining them needs a generation-centric approach.

- Mentor widely and in both directions. Build learning relationships in all directions and hold all partners responsible for the success.

- Train intelligently. Provide on-going retention training in manageable bites – make it a continuous effort and find ways to size the retention plan to the specific demographics of the organization.

CONCLUSION:

Organizations planning for the future should be giving close attention to why attrition is occurring in the preset. To ignore why people are leaving the organization is to ignore the organization's greatest asset – its people. People are needed to accomplish the task, but people are more than just tasks they perform. They are dreams, hopes, ambitions, creativity and innovation. To recognize and cultivate these valuable assets is one of the surest ways to build an organization that leads rather than follows in domestic and global markets. Thus, Organizations should create an environment that fosters ample growth opportunities, appreciation for the work accomplished and a friendly cooperative atmosphere that makes an employee feel connected in every respect to the organization. Retention plans are an inexpensive way of enhancing workplace productivity and engaging employees emotionally. Proficient employees keep the quality up and business operations run smoothly along with the cost saving in the longer run paper.

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