



## Attrition and Retention at BPO Companies in Coimbatore: An Analytical Study

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### ABSTRACT

*The escalating rate of Attrition in BPOs has dreadful effects on the organizational performance. The elevated attrition rate raises the costs to the organization noticeably, in spite of its incessant development, the industry faces some inconvenience or issues which are peculiar to this industry. The most significant problems are the cultural and human issues which make the human resources managers difficult in solving the issues related to the same. If the situation continues, then it may lead to huge attrition in this sector. According to an industry specific analysis of the Associated Chamber of Commerce and Industry of India (ASSOCHAM), the BPO industry is facing serious challenge as the attrition rate in India's BPO sector has raised phenomenally at the rate of 55 percent with a significant visible movement in mid and senior management levels. The reasons for huge attrition are many like people related problems include stress, shortage of required skills, hike in salary, Lack of career growth opportunities in the company, Irregular working hours, Health problems due to imbalance in work timings, Pressure from peers & family, To pursue higher education, Monotony of the job etc. The BPO industries need to develop a suitable strategy to solve these problems and retain the talents. The foremost objective of this research is to identify the root causes of attrition in BPOs, analyzing the level of employee satisfaction, motivation, involvement and commitment, also find out the ways to manage attrition in the companies. In this study, the view of 60 employees of 4 BPO Companies in Coimbatore was taken for the analysis. The tool used for collecting the data was a structured questionnaire. For the analysis, Rank correlation and percentage method were used.*

**KEYWORDS :** BPO, attrition or employee turnover, retention, stress, and work life balance

### 1. Introduction

High Attrition is one of the major challenges faced by IT/BPO sectors. Also it is a notable hidden cost in a business and can amount to as much as six times of employee salary and there are also other costs such as the negative impact to company's employment brand. The costs of this turnover not only have an impact on the organization but also would affect the morale of the others. Employee turnover reflects a company's internal strengths and weaknesses. All this has a significant impact on the strength of a company in managing their business to gain competitive advantage.

It becomes very important to study this questionable nature of large-scale attrition, as India is the most preferred destination to start ITES/BPO companies. An attempt has been made in this research to investigate on the employee turnover antecedents of ITES/BPO sector in Coimbatore, India. 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.

#### 1.1 Meaning of Attrition

Attrition is nothing but, "it is the rate of shrinkage in the size or number". In other words, "it is reduction in numbers usually as a result of resignation, retirement or death." It can be calculated by the formula:

$$\text{Attrition Rate \%} = \frac{\text{Total no. of resigns per month (Whether voluntary or compulsory)}}{(\text{Total no. of employees at beginning of the month} + \text{Total no. of new employees} - \text{Total no. of resignations})} \times 100$$

#### 1.2 Reasons for High Attrition Rates

ITES & BPO industries provide more employment opportunities to the youngsters especially to the fresh candidates at the entry level. For a fresh graduate, it pays about 2.5 times as much as other job openings in the labour market. Also they offer additional facilities to their employees to retain them in the organization for a long time. In

spite of that many of them are leaving the organization for many reasons.

Generally Attrition arises in the organization for any one of these main three reasons:

- Death of the employee
- Retirement
- Better opportunity in some other company

But, in ITES & BPO industries the reasons are as many as follows:

- Hike in salary
- Lack of career growth opportunities in the company
- Irregular working hours
- Health problems due to imbalance in work timings
- Pressure from peers & family
- To pursue higher education
- Monotony of the job

#### 1.3 Cost of Attrition

Attrition causes heavy losses to the organization, not only in terms of man power also in monetary terms. There are various costs associated with the attrition rate, in terms of monetary and time waste, such as Recruitment Costs, Training Costs, Low Productivity Costs, New Hiring Costs, and Low Sales Costs etc.

#### 1.4 Ways to Control Attrition Rates

In order to avoid the losses out of high attrition, it is essential that the ITes need to manage the employees in an effective manner if they could not do so they would loosen their competitive edge in the global market as well. To face this challenge, the company can adopt different strategies like Building long time relationship with the employees, follow best HR Practices, Diverse workforce, Applying EEE (Education, Exposure and Experience) Model, Career Advancement, best Performance Management practices, Motivational Training, Bonding System, QWL Methods etc.

### 2. Review of Literature

#### 2.1 Employee Turnover or Attrition Rate

Borkowski, N. (2005) Organizational behaviour in healthcare. Jones

and Bart let publishers say that the organization must first understand what factors will motivate their employees as their needs are different from each other. A lack of proper training on the new skills necessary, direct care of staff has increased the stress level of employees as they do not like, has lead to increase in turnover and lower morale of employees (Larson and Hewitt, 2005). NYSACRA (2009) Direct support professionals voices from the frontlines, Albany, N.Y. says that Additionally, 62% of individuals stated that the conduct of other workers, high turnover, and lack of support and recognition etc.. contributed to an extremely stressful job and providing services to clients served even more difficult. Marx, Mary (1995, December), Keeping your best employees, Journal of Property Management, 26-29 says that, "the better the match between recruits and the organization, the more likely you are to retain them."

## 2.2 Retention

Retention is defined by Get Les Mckeown's, Personnel Management, Edition-2, Page No.205, employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their drivers needs. According to Zineldin 2000, p. 28 in an article "Customer satisfaction and retention: the experiences of individual employees", it is a commitment to continue to do business or exchange with a particular company on an ongoing basis. According to John W.Newstorm, Organizational Behaviour, Edition-11, Page No.305, employee retention refers to the efforts by which attempt of employers is to decrease employee turnovers, training costs, and loss of talent. By implementing lessons learned from key organizational behavior concepts employers can improve retention rates and decrease the associated costs of high turnover.

Strategic Human Resources Management by Armstrong and Angel Baron Jaico Book House, 2nd Edition 2008 Page Number-256, says that, Employee Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. According to Dr. Harry Bond, Training and Development, Edition – 2, Page No. 53 explains that, Employee retention refers to various policies and practices which let the employees to stick to an organization for a longer period of time.

## 2.3 Business Process Outsourcing (BPO)

Ashish Chand, (2004) in his article, page. No 100, says the terms 'outsourcing' and 'contracting' are often used interchangeably. This, however, is a common mistake that many people make. Although the terms seem similar, they are, in reality quite different from each other. N.M Shanthi and E Naveen Kumar, (2007) portrays the process of evolution of the BPO concept and its transformation into KPO in recent times. David Landes in his book, The Wealth and Poverty of Nations (1998, Norton) traces the origin of outsourcing to 13th century Europe. Jaya Krishna S, (2007) aims to sensitize the respective professionals/community with the concept and value of 'multi-sourcing'.

Rajmanohar TP Sivarajadhanavel (2007) traces the evolution and growth of the outsourcing industry from manufacturing to service. It delve into the practice of outsourcing related to manufacturing, BPO, and KPO business process transformation.

## 3. BPO Industry in India

India is one of the leaders in offshore development. Texas instruments is the first company which established its subsidiary in Bangalore starting from 1985. The annual growth of software exports of average 40% during the 1990's promoted India as one of the leading software exporters. BPO industry is one of the fastest growing industries in the country. It generates a huge amount of jobs in the country. Gradually, India emerged as a global hub for it outsourcing along with countries like china and Canada, due to availability of highly qualified skill pool and faster adoption of well-defined business processes. Government's active cooperation in

creating the necessary business environment along with improvements in infrastructure has catalyzed the growth of the BPO industry. The business process outsourcing industry has grown dramatically over the last ten years. The BPO providers are mainly in Asia Pacific region while the clients are mainly in the developed countries

## KEY HIGHLIGHTS

- \* Export Growth in the country's IT-BPO sector is expected to grow 12.3% in 2015-16 fiscal
- \* Domestic IT-BPO revenue is expected to post 10% growth to Rs. 1.41 lakh crores and further grow by 11.13% in 2016-2017
- \* In 2015-16, exports are expected to be at 12-14%

(As per NASSCOM Strategic review for Feb 2016)

## 4. Scope of the Study

The study enables the researcher to find out the attrition rate in the BPO companies. Also the study helps to identify the reasons for attrition in BPO Companies. It paves the way to study the impact of turnover antecedents on the ITES/BPO employees' decision to stay with the organization. The study enables the researcher to know the Organizational commitment of the employees. The researcher could know whether the alternative job availability moderate the effect of organizational commitment or not.

## 5. Hypotheses of the Study

- H1: There is a relationship between work life balances of employee's with their turnover intention.
- H2: There is a significant relationship between opinion of employees and HR executives of BPO on the reasons for attrition.
- H3: Assumption that job satisfaction is negatively related to turnover intention.
- H4: There is no significant difference between the opinion of HR executives and employees on the candidate profile expectations of BPO Companies.

## 6. Need and Importance of the Study

The attrition rate has risen drastically to 55% during the last four months (December to March), with a significant movement in middle and senior management levels, according to a recent report by the Associated Chambers of Commerce and Industry of India (Assocham). According to the study, the BPO-ITeS sector has emerged as having the highest attrition rate of 65% during the last two years, giving a serious jolt to India's prospects as the most sought-after BPO destination in the world. This study analyses and forecast the attrition rate at BPO in detail. The study helps to identify the rate of attrition in BPO Industries at Coimbatore for the last three years i.e. from 2010 - 2012.

Also the study tries to find out the reasons for high attrition in those industries. The study suggests the strategies to be followed in the organisation to retain the talented workforce for a long period.

## 7. Objectives of the Study

- To analyze the attrition rates of BPO Companies with respect to Coimbatore city during the period of 2010 - 2015.
- To find out the reasons for attrition in BPO Companies in Coimbatore.
- To identify whether the employees of BPO Companies are able to manage their work and personal life.
- To compare the opinion of HR Executives and employees of BPO on the reasons for attrition.
- To suggest the ways to reduce attrition rate in BPO Companies of Coimbatore.

## 8. Research Methodology

The research methodology followed by the researcher is Analytical and Descriptive type of research. Exploratory studies help in understanding and assessing the critical issues of problems. It is not

used in the cases where a definite result is desired. These studies are conducted for three main reasons, to analyze a problem situation, to evaluate alternatives and to discover new ideas. Exploratory research can be conducted using both qualitative and quantitative techniques. Some important exploratory techniques that are secondary data analysis, experience surveys and focus groups. The instrument used for collecting the data is questionnaire. Questionnaire is widely used and important method to collect primary data for any research. Each questionnaire was distributed among employees of BPO Companies and collected. Both the primary and secondary data has been collected. The primary data was collected through questionnaire by surveying the mentioned sample unit. The secondary source consists of readily available files and documents on BPO Companies in Coimbatore. The sample size chosen for the study is 60 employees and 30 HR Executives of BPO companies in Coimbatore. Sampling techniques used was Simple Random sampling for selecting the 30 Companies from the list through lottery method. Convenience sampling is been used for selecting the 60 employees of BPO from all 30 companies. The statistical tools used for the analysis are as percentage analysis, Rank correlation, and Z test.

**Table no.1 – Table shows the designation of the respondents**

S. no.	Particulars	No. of Respondents	%
1	HR Executive	38	63.33
2.	Customer Relationship Manager	13	21.66
3.	Project Leader	9	15.00

The table depicts the findings of designation of the respondents. The respondents belong to various designations like HR executives 63.33 %, Customer Relationship Manager 21.66% and project leaders 15%.

**Table 2: Findings on Rank Correlation in the Opinion of HR Executives and Employees of BPO on Reasons for Attrition**

Reasons	Rank1	Rank2	R1-R2	(R1-R2) <sup>2</sup>
Work Timings	1.63	1.64	-0.01	0.0000
Mental Stress	3.30	3.29	0.01	0.0002
Low Career Opportunities	4.23	4.23	0.01	0.0001
Higher education	4.47	4.47	0.00	0.0000
Family Pressures	5.07	5.06	0.01	0.0000
Nature of Work	2.17	2.19	-0.02	0.0005
				0.0009
R2				0.999974762
				0.9999495244

There exists a high positive relation ( $R=0.9999$ ) in the opinion on reasons for attrition among the executives who involves in recruitment process and the employees of BPO Companies.

**Table.3: Findings on Work-Life Balance of BPO Employees**

Dimensions	Opinion	%
Strongly agree	14	23.33
Agree	31	53.33
Neutral	10	17.33
Disagree	2	2.83
Strongly Disagree	3	3.17
Total	60	100

It is clearly evident from the above table that, around 76%(Strongly agree and Agree) of the respondents says that they are able to manage their personal as well as work life. Only 24% (Neutral, Disagree and Strongly Disagree) of them were finding difficult to balance their personal commitments with work life.

**Table 9.4: Findings of Rank Correlation on "Opinion of HR Executives and Employees of BPO on Candidates Profile**

## Expectations"

Aspects	Rank1	Rank2	R1-R2	(R1-R2) <sup>2</sup>
Qualification	1.83	1.80	0.03	0.0009
Communications Skills	1.53	1.51	0.02	0.0005
Experience	2.93	3.06	-0.12	0.0152
Attitude	5.00	4.94	0.07	0.0042
Willingness to work in night Shifts	3.93	3.98	-0.04	0.0017
Personality	5.57	5.63	-0.06	0.0038
				0.0264
R2				1

There exists a high positive relation ( $R=1$ ) in the opinion regarding the ranking given by the executives who involves in recruitment process and the employees of BPO Companies regarding the Candidates Profile Expectations of BPO Companies.

## 10. Suggestions and Recommendations

In order to avoid attrition, the companies need to carry out strategic selection and training procedures to recruit the right type of candidates at the right time. They could recruit the people through effective recruitment sources. So that they can reduce attrition rate and recruitment costs like Costs of advertisement, agency costs, employee referral costs, and internet postings costs etc. The companies could implement knowledge management system in the organization. Knowledge Management is the process through which organizations generate value from their intellectual and knowledge based assets. The primary goal of Knowledge Management is to provide the right knowledge at the right time to the right person. The companies could create some more levels in the hierarchy. The career advancement in the ITES & BPO sectors is very limited because only few personnel hierarchical levels are there in these sectors like: agent, team leader, supervisor, Centre Manager. They could follow flexible work options like Flexi Time, Flexi Place, Alternative Work Schedule, Part time Employment, Compressed Work Week, Job Rotation, Job Enlargement etc. in order to boost the satisfaction level of the employees.

## 11. Conclusion

BPO Companies in Coimbatore are providing more employment to the youngsters and it continuously offers the same in the forthcoming years too. Though the nature of employment is quite different from other sectors, the employees of BPO are satisfied with their employment in many aspects. Though the attrition rate is relatively high in BPO/ITES sector the employers and HR managers of these sectors need to identify the effective strategies and execute those strategies for retaining the talented workforce in turn they could reduce attrition rate. Fundamental changes are taking place in the workforce and the workplace that promise to radically alter the way companies relate to their employees. Companies that understand what their employees want and need in the workplace and make a strategic decision to proactively fulfil those needs will become the dominant players in their respective markets. Management also needs to consider other aspects like secure career, benefits, perks and communication. The attrition battle could be won by focusing on retention, making work a fun place, having education and ongoing learning for the workforce, and treating applicants and employees in the same way as one treats customers.

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