"Attrition in ITES/BPO Sector"

Shrey Kashyap, Research Scholar, Jharkhand Rai University.

Dr Sandeep Kumar, Associate Professor, ISM Ranchi.

Introduction

Today's organizations are increasingly affiliated with issues of employee retention. Employee retention issues lead us to focus on Attrition Management. Most forward-thinking managements today realize that having valued employees is what differentiates them from their competitors. Good people make an organization survive and flourish. With this awareness comes the rapidly increasing focus on retaining key talent. Jobs are becoming more plentiful as the economy improves, and avoiding the possible attrition of talented workers needs extra attention. While some amount of employees turnover may be considered unavoidable, in recent times, job-hopping has been assuming proportions large enough to cause concern to employers. This trend is not specific to any industry. High turnover is seen in almost all fields. But it is certainly more alarming in the BPOs and MNCs. In an extremely competitive market, it has become imperative for organizations to look into the causes of this high turnover and come up with a strategy for retaining one's employees. Increased attrition levels need to be monitored and managed carefully as they eventually affect the overall performance of the organization.

There is a cost involved in recruiting and training employees for any organization's specific needs. When the employee turnover is high, this cost has to be incurred repeatedly and may provide to be a drain on the organization's resources. Besides, a high attrition rate creates dislocations at work and affects quality and productivity. Usually, it is the more creative, more productive employee who looks for a change. If the issue of employee turnover is not correctly addressed, over a period of time, the organization may be left with an increasing number of not-so-efficient employees.
When exiting employees are asked why they are leaving, most are not inclined to tell the whole truth. Rather than risk burning a bridge with the former manager whose

references they might need, they'll just write   down 'better opportunity' or "high pay". Why would they want to go into the unpleasant truth about how they never got any feedback or recognition from the boss, or how they were passed over for promotion?

 It is no wonder then that most organizations believe that employees leave or stay for the money and that there is nothing much they can do about it except   to examine whether they can match the new offer that the employee has got. Actually, however, most employees leave for reasons related nor to money, but to the job, the manager, the culture, or the work environment. Because of their dissatisfaction with one or more aspects of their job, employees become disengaged long before they actually quit. During this period of disengagement, it is well within the power of the organization to identify, control and change these internal reasons (also known as "push" factors as opposed to "pull" factors such as   a better-paying outside opportunity) without incurring much expenditure.

The reason to be concerned about understanding the root causes of voluntary employee turnover is an economic one. It is estimated that the average cost of losing an employee is equivalent to his annual salary. This includes the direct recruitment costs and the costs that come from the loss of sales caused by the employee's lack of commitment during his period of disengagement. So   instead   of indulging in spiraling wage wars in an attempt to retain their employees, it will be worthwhile for organizations to focus on the non-monetary causes of employee turnover and take   remedial   measures.

While a competitive pay structure is fundamental for attracting and retaining talented and capable   employees, the ramifications of continually "buying" employees are not always in the best interest of the organization. The remaining employees get disaffected, pay plans become ineffective and the financial impact can be debilitating. It is important to remember that a happy employee will not leave   an organization unless the salary increase is sizeable , say more than 20% of his present pay, whereas an unhappy employee may leave for less. Besides, when people leave an organization for reasons ostensibly connected to their   remuneration, it is not always the pay per se

that is upsetting the, but some perceived iniquities in relation to other colleagues in the organization.

Employee retention and consequently employee attrition are factors that all organizations have come to recognize. Retention of key talent confers on the organization a distinctive competitive advantage. With a burgeoning economy, employees may well be lost to ones competition. A certain level of employee attrition is ubiquitous but there is an almost pathological increase in attrition levels especially when one considers BPOs and MNCs. This problem needs to be understood in order to enable companies maintain their toehold in an increasingly competitive marketplace. In addition to repeated training costs, attrition creates dislocations at work affecting quality.

Creative employees tend to leave the organization leaving their employer with inefficiency. Exit interviews see employees avoiding the true reasons for their exit owing to the need for future favors from their former employers. Contrary to popular perception that employees leave for money related reasons, other reasons may well be the causative factors. Some of these are push factors such as organization culture, dissatisfaction with the job, work environment and the consequent disengagement, factors that can be rectified economically. Economic costs are the key reason to cut down on attrition. The estimated cost of losing an employee including the recruitment, training costs and declining productivity amount to one years' compensation. An unhappy employee will be tempted to leave for a small increment principally due to inequity in relation to other employees throwing existing compensation plans and employee engagement into disarray. The key factors are recognition, opportunities for growth and self-development, work life balance, a sense of belonging, appreciation and not just monetary rewards. Employee retention strategies have a chequered nature and variable impact depending on the nature of those entrusted with enforcing them. The Key supervisor subordinate relationship dictates the decision of an employee to depart the field, underscoring its importance. The organization should take upon itself the onus of understanding and reducing attrition, the attendant roadblocks notwithstanding.

The India owns 3% of the global IT Market growing at 20% annually contributing 6.4% of the GDP. Public private partnership to bring the rural populace on with estimates by NASSCOM. The industry includes the following four classes namely IT services, Software's (engineering and Research and Development), ITES-BPO (Information Technology Enabled Services – Business Process Outsourcing) and Hardware. Players such as Wipro, TCS, HCL, Mahindra Satyam, Patni, Cognizant, Mphasis, Oracle, Infosys and Polaris are ones that readily spring to mind. The industry is labor intensive (14.5% of Indian workforce), Export intensive (75% Indian exports), concentrated market(few big players own 22% of the market). The growth is mainly due to the deregulation post liberalization and the consequent domestic and foreign investment that may touch $ 9 billion in the e governance era.

Statement of the problem

The increasing rate of attrition in IT companies today is the main rationale for conducting the research. The attrition of knowledge workers has become a major concern for employers. Due to increasing opportunities and wide range of mobility, there is a war for talent, in this situation it is important to analyze and understand the underlying reasons for the high mobility of employees, which will bring out the factors influencing employee retention. This study intends to bring out the various factors impacting employee retention in the organizations. There are various factors that can lead to retention of the employees by identifying the various factors, the role and intensity of each factor's impact on employee retention will be measured thereby contributing to devising the right employee retention strategies for the organization.

- The study helps us to understand what an employer can do to retain his employees in the organization.
- This study helps us to understand the problems faced by the HR department pertaining to attrition issues.
- This study could be helpful for any other fellow researcher pursuing related issue/objective.

Review of the literature

A review of the vast review of literature provides an understanding of the subject matter while allowing one to analyze the existing gap that can be used for further probe. Zachariah opines that the post liberalization era has led to increased domestic players in the market, and as a consequence a surfeit of opportunities. With the end of the era of employees loyal to a single employer, attrition has become a major concern for employers. The skilled Indian workforce coupled with the plethora of opportunities has forced employers to innovate in their war for retention of talent. Relevant information needs to be provided to managers of employee strapped organizations to enable employee retention. The factors that differentiate Indian It companies and MNC's are experience in the current organization, current position and training programs undergone. Reasons for leaving previous Organizations namely attitude towards work, work relationship and expectation of employees based on their preferences was not significantly different between the two groups. The same holds for demographic parameters such as age, sex, travel time income from various sources, family commitments etc. attrition needs to be seen as a serious problem needing measures involving HR Managers and Business Leaders. Creating an online forum to spell out the requirements of the employees, including shortfalls that hamper their performance is needed. Periodic exit interviews, engagement and culture surveys will provide more information on the ever-changing nature of employee requirement enabling creation of better employee retention strategies such as tailored benefits.

Bergiel, Nguyen, Clenney and Taylor (2009) test whether job embeddedness is a mediator of the relationship between human resource practices and employees' intention to quit arguing that job embeddedness is a direct antecedent both of intent to quit and voluntary turnover. The development of job embeddedness and the factors that cause embedded employees from leaving the organization requires investigation. The dimensions of embeddedness are links to other people, teams and groups, Self-perceptions of fit with the job, organization and community and perceived sacrifices associated with changing jobs. Compensation is found to be fully mediated by job

embeddedness in the relation to employee's intention to quit. It is quite clear that when thinking about quitting a job, an employee often considers tangible benefits (i.e. compensation) from the current organization that he or she has to sacrifice being directly related to the sacrifice dimension. Supervisor support is partially mediated by job embeddedness with the intent to quit, an observation explained by the fact that the provision of guidelines, suggestions, assistance, trust in and praise enables employees better fit with their jobs, the organization, and link better with their colleagues while simultaneously pushing up the intangible costs of leaving the organization. To leave an organization that gives growth opportunities for its employees involves a sacrifice. Growth involves an opportunity to develop ones potential, increasing the individuals adaptability with the organization. Training and intention to quit are not mediated by job embeddedness related directly with the intention to quit.

 Ramlall (2012) opines that effectiveness of employee retention can be enhanced by identifying, analyzing, and critiquing employee motivation theories, the latter having a direct bearing on employee retention. Factors that are critical in determining employee retention are the needs of the employees based on their individual, family, and cultural values and on the current and desired economic, political, and social status; career aspiration; the need to balance career, family, education, community, religion, and other factors; and a general feeling of one's satisfaction with the current and desired state of being. The work environment must necessarily be one that accords self respect. Employees have a desire to be accorded greater responsibilities and the attendant rewards. Managers should be given an opportunity to teach, coach and train others. Rewards and recognition should be accorded equitably irrespective of other factors and better than others who perform in a mediocre manner. Rewards alone will prove myopic should the job be dissatisfactory. Additionally a challenge, learning opportunity and ability to contribute to the organization goals are added factors. Feedback must necessarily be of an annual duration and timely in its delivery.

Bisht and Singh (2012) mention several variables that trigger departure from an organization. The type and intensity of a job search is however affected by an employee's

and organizational characteristics. Generally it has been found that high performing employees are more likely to quit than low performing employees if the market condition is good in terms of job availability. This variable tends to be more influential in booming times than at the time of recession. Promotion, career advancement is able to outweigh great offers of pay and incentives. The role of a good mentor needs to be mentioned here. Absence of a standardized system and the need to balance competing forces of wage requirement and cost control are factors that have resulted in remuneration emerging as a cause of attrition. The desire to pursue higher education leads to attrition more so during the first two quarters of the economic calendar. Personality job incompatibility is an added cause. Frequent displacement of employees due to requirements of the company and the attendant stress is an added factor. Stress due to work related issues such as shifts, targets, etc and non work issues such as gossip at work, time spent with the family etc. Inability to understand the appraisal method and absence of tangible redressal mechanism also contribute. The independence to schedule work, called autonomy is valued by creative individuals above monetary compensation.

Unstable work environments due to the fluctuations in the economy cause employees to depart. The brand image an employer enjoys in the market enables him to retain his employees better. There are reasons beyond the control of the company like relocation of spouse, desire to reduce expenditure etc. Remuneration, career change, Dissatisfaction with performance appraisal system, Promotion or career advancement and brand image and organizational stability have differential influence on attrition with different levels of experience while the factors influencing attrition which do not change with experience are Job stress, lack of autonomy and creative freedom and personal reasons unrelated to the job. Standardized strategies cannot be used by the companies to retain the employees with different experience and consequent antecedents which necessitates a deeper understanding of the underlying psyche of the employees especially their interests, concerns, anxiety and stress levels considering that attrition affects all companies big and small, companies must boast strategies to retain star performers.

Carleton (2011) speaks about knowledge workers who have morphed into the most pivotal resource in the age of information by processing, synthesizing and generating knowledge so as to facilitate problem solving and innovation in organizations. Possessed of high level education, superior interpersonal communications skills and exceptional information processing abilities compensation is outweighed by the desire to add value to the organization. Providing challenging and meaningful work, enabling learning and career development opportunities, ensuring adequate resources, recognizing contributions, and creating a supportive environment helps enhance their retention. In conclusion, a knowledge worker's organizational advantage is defined by tacit knowledge, effective information processing, superior soft skills, and creative problem-solving abilities, traits that need to be managed and developed. KW supports include COPs, technology and effective workplace design. Due to the new labour market and employment paradigm necessitates a supportive management, engaging work etc to avert potentially devastating attrition.

Gupta, Misra and Bhandari correlate the problems of BPO employees and the high attrition rate of BPO's. The problem of losing funds in employee acquisition is prominent in the BPO segment. Companies invest a lot of time and money in training a candidate for the first four months. But these investments do not always get converted into actual profits. In the BPO industry, recruitment of an employee is more than Rs. 5000/-.Other than the direct cost, an associated cost of training and administrative service is also involved. Each agent works is non-productive or partly productive in the organization for nearly the first 2-3 months. Hence an employee leaving the organization within the first 6 months is a bad investment for the company. Also, the cost of attrition in the industry is 1.5 times the annual salary. The BPO industry is a gap filler occupation being dependent on youngsters using it as a stopgap paying alternative while they seek a suitable option reducing it to part time work status. Unfriendly work conditions and shifts are a key deterrent. Attrition brings new people with their attendant new ideas and shows new directions but is pathological at high rates. To ensure the rates do not increase and to convert the BPO's into a long term career option is a necessity.

Pomerance speaks about how celebrating employee success helps an organization create the infrastructure necessary to ensure great customer experiences for both internal customers (employees) and external customers. There are six ubiquitous elements that any successful organization needs namely (1) Set expectations. How is the staff expected to conduct themselves with customers, internally and externally? (2) Train staff. Provide both technical and professional development. (3) Empower staff. Give people the authority they need (4) Measure. Ask customers and employees about satisfaction levels. (5) Reward and recognize. Celebrate success tied to expectations that have been met. (6). Improve processes. Good service is fast service. Map out business processes to eliminate waste. There are varied modes of granting rewards and recognitions namely individual or group praise, public or private rewards, timely or situational action. The criteria for recognition should be linked to the behavior one wishes to reinforce namely promptness, courtesy, and knowledge. Rewards and recognition should be an occasion for celebration and fun in the organization. Spontaneous moments of celebration and recognition while powerful must not replace traditional rewards and recognition programs but should be formalized with criteria for awards communicated in advance. Excess expense is something that must be avoided at all times

Objectives

The objectives of the research have been listed as follows:

- *To identify the key issues that the Indian IT/ITES sector faces today i.e. high rate of attrition or turnover.*
- *To identify various factors as to how to engage and motivate the employees*
- *Understanding i*s there a difference in factors affecting motivation for different levels – Corporate Managers, Middle Managers and Junior Managers employees and what is the difference.

Significance of the research

This is a project deals with the causes of voluntary turnover and why attrition arises in IT/ITES sector. The most challenging job for any present day manager is to retain high quality employees in a business enterprise. Due to high level attrition the researcher was interested to know whether the employees were satisfied with their job, and if not the reasons for leaving.   To take appropriate measures and curb the attrition in an organization, it is vital that the organization knows exactly the numbers it is up against, something many IT sector organizations are unaware of. Closely linked to the other components, this component ensures that retention becomes an on-going priority. Many organizations are unaware of attrition rates that afflict their organization or are unaware of the part of their organization that ails due to this problem. The research is descriptive as well exploratory. The research technique that was adopted here was the survey method with the questionnaire acting as a tool that was adopted here was the survey method with the questionnaire acting as tool (Collection of primary data). The sampling method adopted was simple random sampling method. The responses were collected and bifurcated into 3 parts viz. Top level management, middle level management and junior level management based on the experience. After breaking the responses into 3 parts, the hidden reason for attrition and job dissatisfaction have been tried to be identified as at different level of management as the motivation changes for every employee from time to time. 6 multiple reasons for attrition has been found out and based on that the answers recorded by respondents have been collected and collated. The analysis and interpretation of primary data collected is shown by tabular and graphical representation in this project study and in the end conclusions and suggestions have been drawn based on the findings.

Research methodology

The research aims to identify the causes of the high attrition rate (12-13%) afflicting the IT- ITES industry. The hygiene and motivation factors that will help retain employees across levels are also studied. The research type is descriptive as it attempts to determine

the factors that affect attrition and how this effect is achieved. The proximate aim of identifying the causes of attrition is to yield the ultimate aim of retention of employees. *Comprehension of the varied retention strategies for* Corporate Managers, Middle Managers and Junior Managers employees is also explored. The study enables an organization to understand the problem of attrition as well as steps that will facilitate retention. It will also act as a beacon to all future researchers.

The research is descriptive measuring the frequency with which something occurs or how two variables vary together and pertained to the attitude and opinion of the customer. The purpose of the descriptive research is the description of the state of the affairs as it exists at the time of survey

The study requires collection of both primary data collected by means of a structured questionnaire containing both open and closed ended questions. The secondary data were collected from books and the internet.

> The research is a descriptive research (EX post facto research) where the research involves surveys and fact finding enquiries of different kinds and where the researcher has no control over the variables. He can only analyze the situation around whereas exploratory research involves development of hypothesis and testing of hypothesis.

Tentative chapterization of research work

SL.NO.	PARTICULARS
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