



# AN OBSERVATIONAL STUDY ON EMPLOYEE ATTRITION, A MAJOR CHALLENGE IN BPO/ITO SECTOR, MANGALURU

\* MS. SUSHMA V.

\*\* DR. VISHAL SAMARTHA

\*\*\* MR. KARTHIK RAJ KUDROLI

## Abstract

*Employee attrition is the rate at which there is reduction in workforce by means of resignation, retirement and death. Employee attrition involves high cost to the organization, which includes recruitment, training, lost in productivity to the organization. Today, India is the hub for any company which wants to outsource its business processes. The magnetism of India is contributed through three main factors - Cost, Human resource and Environment. When it comes to cost like employee salary, infrastructure cost, management cost and the tax structure, India is very competitive with high quality of work in return. It beats all its competitors on the people front as well. Availability of cheap labor has led to the manifold increase of outsourcing business in the field of BPO/ITO. Like any other industry during its development stage, this industry is also going through its share of turmoil. The growth has been very quick and hence its tribulations. High attrition rate is the major challenge that any BPO/ITO sector faces with a drastic effect on the revenue of the organization. Attrition means not only loss of talent, but also comprises the cost of training the new selects. Employee's leaving the organization happens usually in the first couple of weeks of joining. The reasons could be any of them like - high stress level, repetitive nature of the job, demand-supply discrepancy and lack of career growth prospective on the professional front; loss of individuality, mismatch with the job recruited for, change of life style and lack of comfort on the personal front. In addition to this, organizations have adopted poaching strategy which in turn has contributed to the increase in attrition rate. In this context, the researcher gives an insight into the finer portrait of reasons that lead to attrition. The paper will also touch upon its consequences in the present business scenario and the retention strategies the organization can adopt to retain its top talents.*

*Key Words : BPO, attrition, human resource, challenge, retention*

## Introduction

Attrition is a blazing problem for the potential industry of BPO/ITO, especially because it fails to knock the optimum utilization of the human resources and wastes much of its time, money and resources due to this. Attrition is defined as a reduction in the number of employees through retirement, resignation or death. Attrition rate is defined as the rate of shrinkage in size or number. Attrition of employees in a restricted number is enviable for the invasion of new ideas and innovations in an organization. It helps

organizations to maintain their dexterity in a rapid dynamic environment. It brings in new blood, opens up new landscape for change, development and enhancement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can prove beneficial for the organization, however if increases beyond the line of control, the gains are transformed into pains. Recruiters explain that high attrition rates significantly increase the investment made on

\* Assistant Professor, Dept of Business Administration , Sahyadri College of Engineering and Management, Mangalore.

\*\* Director, Dept of Business Administration, Sahyadri College of Engineering and Management, Mangalore.

\*\*\* Assistant Professor, Dept of Business Administration, Sahyadri College of Engineering and Management, Mangalore.



employees. Significant investments in time and money need to be made for acquiring employees in any organization. These can never be translated into profit when attrition is high. Finding the right candidate and sustaining it is now becoming a setback.

### Calculation of Attrition Rate

It is imperative to calculate the Attrition rate and analyze the trend in order to have a close watch on the attrition of an organization

$$\frac{\text{No. Of Attritions per month}}{\text{Average MTD Team Strength} \left( \frac{\text{Opening FTE} + \text{Closing FTE}}{2} \right)} * 100$$

### Impact of the organization

Attrition in BPO/ITO 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.

### Impact of attrition can be summarized under the below broad headers.

**Loss of Expertise:** When top talents decide to resign, the organization gets into a bad shape as the expertise is lost with the fear of challenges in replacing this employee with the best fit.

**Loss of Business:** Most of the cases, the outsourced clients are dependant and completely rely on few employees who are star performers and when they resign from the organization, the clients decide to move along with them to the company he/she would join next.

**Reduced Productivity:** Unplanned attritions lead to reduction in the productivity as there would be anxiety on the burden of the tasks till the replacement and training of the new employee is done.

**Image of the company is affected:** When the number of attritions of a company is high then there would definitely raise a question on the brand image of the company as to why the employees prefer other companies over the present one.

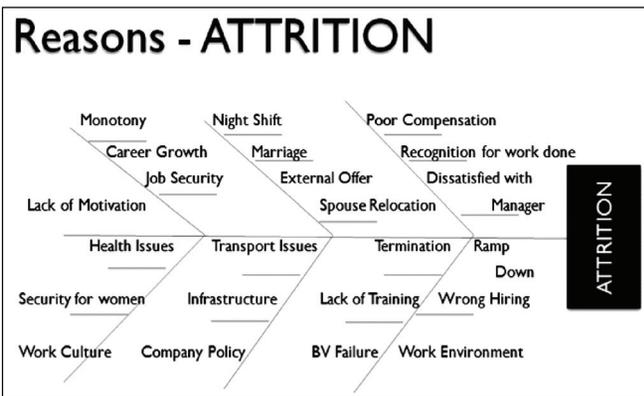
**Other employees are stressed :** The stress level of the existing employees will be high as they would be burdened with the task of the employee who would be leaving until a right replacement is done.

**Monitory Cost :** Attrition leads to increase in the Recruitment Cost, Training Cost and also Administrative Cost.

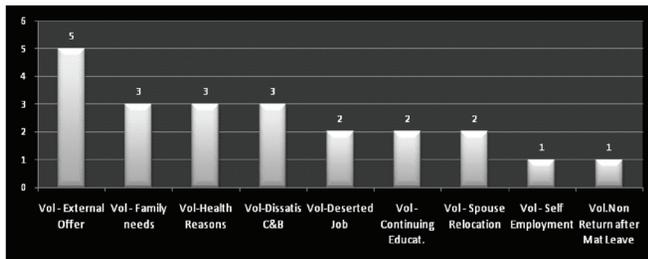
### Discussion on the reasons that lead to Employee attrition

The primary reason for people departing the industry is because this industry is observed as a gap filler occupation. The industry has been largely reliant on youth who take out time to work, make money in the process while thinking of career options. Hence for this group BPO/ITO is never a long term career but only as a part time job. The easy availability of BPO/ITO jobs is only a source of easy money till the time there is no other source of funding. Also, the unfriendly working conditions, late night work shifts, high tension jobs act as a deterrent for people to stick to this industry for long time. In addition to this, the BPO/ITO jobs are not being taken with a positive spirit by the society at large. Research says that nearly 50 per cent of those who quit leave the industry.

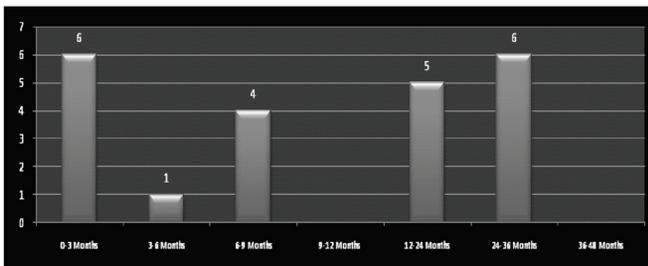
## FISH BONE ANALYSIS



### Attrition Analysis of a Quarter (Feb'16 to Apr'16) in reference to one of the BPO/ITOs



### Tenurity-Wise Attrition Analysis of the above scenario



### Suggestions/ Recommendations to tackle attrition Problem

The industry players are trying out all the tricks in the book to tie down their employees and keep them locked in a safe.

- **Revisit Compensation Pattern:** Timely review of compensation pattern should be encouraged as any changes in the annual union/state budget will lead to the need to change the compensation pattern.
- **Night Shift allowance:** It is imperative to understand that Night shift is a unique feature of this industry and hence Night Shift allowance should be considered separately and

paid as a separate allowance which shall be acknowledged and appreciated by the employees.

- **Retention Bonus:** These attract candidates and also urge the importance to remain in the organization till the employees receive their retention bonus. Meanwhile they get acquainted with the work culture and environment and disregard their opinion of leaving the organization.
- **Fun Friday's:** These are key elements that engage employees and keep them motivated at work and enhance their ability to handle stress at work. Employees will look forward to work on Friday's as each Friday would be different and an entertaining one. Individuals like showing off their captures of happiness at work on social networking sites and hence can add to retention of employees.
- **Rewards & Recognition:** RnR programme should be planned and executed regularly - Monthly/Quarterly. When there is a miss, the employees shall lose trust on the organization and can get attracted to external offers. Rewards and recognition programs should be conducted regularly in a grand fashion in the presence of the family members which adds a lot of value to the employees when awarded in front of their family for the hard work put in. An organization should follow transparent and honest rewards and recognition policy with promotion policy which is the prime requirement of the employees.
- **Employee Exchange Program:** It is a very motivating factor to send employees on exchange programmes to other branches of the same organization. Employees of Mangalore branch should be sent to Pune branch which inspires employees to perform better and also contributes to best practice sharing between two sites of operations.
- **Constructive feedback:** Management should always be open to constructive feedback which enhances the performance of the organization



as well as the individuals as the employees actively participate in management and develop the sense of belongingness.

- **Give Autonomy:** Sometimes it works well to give autonomy to the subordinates in decision making in consultation with the supervisor. Since the employees are actively involved in production all the time, suggestions and decisions contributed by them have wider scope for progress
- Career Progression should be clearly defined during the induction phase itself that can give a clear view of where an employee can see him/herself in the next 2 or 3 years and plan their own strategy in the career ladder.
- **IJP's/Relocation/Redeployment/Job Rotation:** In cases of employees sharing their intentions to leave the organization due to marriage or spouse relocation, organization should overwhelmingly offer transfer to that employee so that he/she shall still be the employee of the same organization though moved to a different location.
- **Advanced Trainings (Company portal/ Instructor led trainings etc):** Nowadays, individuals are more concerned of their personal growth with the growth of the organization and hence there should be multiple training opportunities that contribute to the individual growth of the employee like certification courses etc.
- **Clarity in Key Result Areas:** It was observed that employees leave as they are unable to perform due to the lack of clarity in the KRA's hence the front line managers should play a key role and communicate the KRA's to the employees and also document that the KRAs have been shared and agreed by the employees.
- **HR Connects regularly:** This can contribute to sharing of issues & concerns faced by the employees and give an opportunity to the management to work on the issues in order

to maintain employee satisfaction. HR connects should be scheduled regularly.

- **"Interviewing Skills" (Training for managers):** HR Recruiters and Frontline managers should be trained on interviewing skills that can assist them in placing right candidate in the right job. Sometimes taking a decision on hiring a candidate becomes a tough task and may lead to wrong hiring which in turn leads to attrition.
- **Succession Planning:** Succession planning should be given importance in comparison to lateral hiring as this motivates the experienced employees to reach greater heights in their career. A systematic training programme should be designed to empower the eligible candidates who can adorn managerial positions in the organization.

## Conclusion

Adding up to the above pointers, there are further practices that are also being followed to retain employees. Organizations have been offering excellent infrastructure facilities in the form of ergonomically designed work stations and spacious, air-conditioned offices. They have been offering industry specific benefits like 24/7 cafeterias and home pick-up and drop facilities apart from regular benefits like retivals and loans at low interest rates. They have been arranging special weekend parties and offering incentives like tickets to exclusive music shows and dance parties. Some players are also sponsoring the higher education of their employees. This is one of the best ways of retaining a skilled employee for 2-3 years with a company. All this really goes well with a typical employee, who is in his early twenties, fresh out of college and unmarried. At the industry level, companies have tried to get into informal agreements with competitors to avoid poaching. Though these agreements have no legal sanctity, they are based on mutual faith of the companies. For example, GE, HSBC, Nipuna, Microsoft, etc. informally agreed that



they would not recruit someone who has worked for less than a year with his employer or someone who has switched 3 jobs in 2 years (Sengupta, 2010). Similarly, Tracmail, Infowavz, Transworks, Epicenter and Global Telesystems have all entered into an informal understanding to arrest poaching. In spite of all these measures, the attrition rates have remained high. All these attempts by the employers have resulted in only partial success. Any fresh graduate in need of a job would say that working during odd hours and adapting to a new life style is not a problem, but when it actually comes to adapting to a completely different way of life, they find it difficult to reorient themselves (Sengupta S. a.,

2008). Adequate care should be taken in choosing and employing candidates in the entry level positions. Companies should also be willing to invest in training employees to take up higher responsibilities as team leads and managers (Naidu, 2009). A strong middle and senior management helps in arresting attrition at the lower levels and consolidates the organizational culture and character.

Moreover, a detailed analysis on the track record has to be done on who hired the candidate that separated from the organization, review the comments as to why the hiring was made, identify the gap in the hiring and fix the gap.

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