

# TALENT RETENTION IN INDIAN BPO SECTOR: A CHALLENGE

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## ABSTRACT

*India is considered as hub for outsourcing and we can find as many as BPO's on the Indian soil as compared to any other nation. Today Indian BPO and ITES are witnessing attrition at large-scale and retention has become a difficult task. We can also term it as a talent crunch in the industry. Industry is feeling heat and challenge to retain the talent in the organizations. The most critical and delicate situation is to withhold the best talent in the organization. Many reputed employers in the industry have undergone this crunch of talent retention. The sector is contributing a lot Indian economy and also creating employment opportunity especially to the youth and perception of youth towards the sector is found to be positive. The BPO/ITES sector is always placed on top whenever we take the word the attrition. This paper hence focuses on how talent could be retained in the BPO/ITES sector where attrition is always a worry. It also throws light on what organizations need to do to retain their quality workforce and maintain the path to obtain goals The major causes are inflexible shift timings, health and stress issues, rotational off, hectic work pressure, etc It is very important for us to check in depth the major causes for attrition and then to know how talent can be retained so that it makes easy to achieve the set goals of the organisation. The paper also focus on various reasons for increase in attrition rate in the sector and how it can be curbed & steps taken by sector in reducing attritions and keep employees motivated. This also enables in increasing the profitability and also a driving force to achieve the goals of the organisation. There is no question about infra but on the other hand the sector must aim in giving recognition and rewards at right time and at right place are very important to retain employees. The sector should assess the reasons for attrition as we all know there are various reasons and how to solve them. The sector should look forward to learn from exit interviews, grievances and complaints should be treated with utmost care and counseling should be used as tool to retain the best talent.*

## INTRODUCTION

The last decade witnessed a remarkable growth and development of the Indian economy. This was due to the advent of the technological front and a radical change in the business

practices. BPO/ITES sector is fast growing and the companies choose to outsource their non-core processes so that they can concentrate on their core ones. In this scenario, the talent management has been one of the toughest tasks in BPOs. Due to existing and flexible job opportunities in the industry, talent raids, talent wars, talent shortage and talent retention and strategies have become part and parcel of BPOs. The rate of attrition has been a major concern which insists the management of the organization to think on how to retain the talent they hired. This is one part of human resources which needs prime focus and attention so that it may not hinder the smooth flow of process and also journey to get the goals into the kitty. Thus we can exclaim that the advent of BPOs has been an eternal inventory of opportunities. It can also be termed as the renaissance of Indian job market under global framework.

The hindrances or challenges faced by the BPO sector could be diversified internal and external hindrances. The internal challenges include shortage of competent managers for the middle and senior management and the high attrition rates. The external challenge is in the form of opposition from the US politicians and the UK labor unions against shifting of the BPO operations by local companies to India. One of the most significant internal challenges is high attrition rates.

Attrition refers to a gradual, natural reduction in membership or personnel, as through retirement, resignation, or death. 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. It not only indicates the loss of talent in the company, but also includes the cost of hiring and training the new employees. This is witnessed almost at all levels in the organization. According to some analysts (BPO India 2004), in general, the attrition rate fluctuates between 20% and 40%, while in the best companies, it averages around 15%. As per NASSCOM (2004) report, the outsourcing industry would have a shortage of 262,000 professionals by 2012. Despite potential for tremendous growth, BPO industry continues to suffer from high level of attrition stemming from factors like high levels of stress and lack of opportunities for growth. Attrition in BPO, though varying from industry to industry has reached an all-time high level of nearly 60% (BPO India 2004). The high attrition rate also affects the productivity of the organization.

The organizations have to combat with high attrition rates and retain the talent in the organization so that they may not only prosper in profitability, but also in intangible assets such as goodwill and employee satisfaction which will fetch most fame in business. When internal issues are sorted out, on the other hand, the organizations will be scaled high automatically in the growth rate. Employee retention is vital to the long term health and success of any business organization, especially in case of BPOs where the organizations spend so much in the recruitment and their initial and ongoing training of the employees. Organizational issues such as time and investment involved in training; knowledge lost due to attrition; mourning and insecure coworkers and a costly replacement of candidate costs a lot to the organization. The concept of employee retention should be very distinctly understood and realized by organizations. The retention strategies designed should be such that the retentive forces are maximized and the debilitating forces minimized. Efforts should be thus made very effectively in the organization.

Many BPOs are adopting some fundamental actions to retain employees, including salary surveys to stay shoulder to shoulder of the market, culture-building exercises for employees,

exit interviews, counseling, employee development programs, rewards and recognition, as well as increased pay and benefits. Attrition is higher when an employee is 12 to 18 months old in the organization. Therefore, suitable growth opportunities, appraisals and suitable designations should be provided at right time to retain the talent. Most of the organizations seem to follow the strategies very promptly but few are in vain yet to retain the talent. Well educated and intellectual manpower is not retained due to issues of improper placement in BPOs. Yet many people are conducting research and study on employee retention.

### **Why employees quit an organization?**

In an industry like BPO, the work can often be monotonous and opportunities for career growth minimal. So when opportunities beckon, the high rate of attrition is not surprising. However, there are some common reasons that especially cause people to leave. Surveys have listed the following as few major reasons for attrition;

- Night shifts and rotational shifts
- For higher education
- Inability to handle various types of stress
- Monotonous work
- Company policies are not conducive
- Lack of career growth
- Problems with those in senior positions or peer managers
- For higher salary and better designation
- No time for personal life
- Misguidance by the company
- Grievances
- Dissatisfied by appraisal system
- Dissatisfied by internal job posting (IJP), etc.

Thus, these were few reasons which were highlighted by the employees when exit interviews were conducted by the BPOs. Hence, we can analyze that its not only the money and career factors which propel the employees to quit jobs in BPOs, but it is also influenced by mental, physical and emotional factors. Due to huge output of students from colleges and due to the good communication skills and care, many fresher's get attracted to the BPO sector as they want to explore the corporate world and make some money, they also get attracted to hikes and better offers from other companies and then they opt to change company as there would be a hike in the salary by next hiring company. But these days, many BPOs have made efforts to curb attrition and have been traced out several safety measures to keep the employees in the organization. Employee retention is obviously one of the toughest tasks in the organization. Strategies have been drafted so that it may stop attrition rate in BPOs which is very high.

If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure us of the same efficiency from the new employee (He might be better and might not be). You require time to judge his capabilities and work nature. The loss is even graver if he/she is Your Knowledge Bank, this can bring your process to a standstill even. And above all these things, one resignation many a times triggers a chain reaction among other employees, leading to a negative effect. The Hay Group completed their study in 2008 called "BPO Sector Special Survey". The study focused on the compensation and benefits of almost 39,000 Indian jobs in 12 participating companies of BPO sector. This study revealed three important reasons for high rate of attrition in Indian BPOs; a robust job market, emphasis on retirement benefits and low variable pay.

India has emerged as the top destination for global offshore outsourcing. According to the latest NASSCOM McKinsey Survey IT & ITES would add 7% to India's GDP by 2010 along with the creation of 8.8 million new jobs, and the number of professionals employed in IT & ITES sector is estimated at 1,045,000 as of March 2005. However, among the most complex problem faced by the IT & ITES industry is labor attrition. According to analysts, employee attrition rate in this sector varies between 20% and 40%, while it is around 15 percent in top firms. If these are any indications, the outsourcing industry is likely to face a shortage of 262,000 professionals by 2010. There is virtually a war among the organizations for acquiring talent, which is scarce. In this context the current paper explores what organizations are doing to retain employees. It also explores out the reasons why employees leave the organisation and tries to evolve strategies for retention of scarce IT talent in the fiercely competitive labor market.

Looking at the big picture of the much realized potential of the BPO industry in India and the impending curse of attrition in this sector, it can be confidently said that the problem cannot be overlooked. There is a dire need of tackling the problem of attrition in the BPO industry of India and for this employee motivation has been chosen as an effective tool. There is need to develop a concurrent strategic method, an innovative development paradigm that can be utilized to curb the ever-increasing attrition rate in the BPO industry. Thus the need for this study can be clearly defined in two points:

1. Attrition is a burning problem for the promising industry of BPO, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources due to this.
2. Dearth of motivation among the BPO employees is one of the bitter truths that is responsible for the attrition in this sector, and it is time we enhanced it in the BPO sector.

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. Both the sections have separate reasons which need to be identified. The primary reason for people leaving the industry is due to the cause that the industry is viewed as a gap filler occupation. There seems to be a flaw in the way the industry is structured. The industry has been mainly dependent on youth who take out time

to work, make money in the process while thinking of career alternatives. Hence for this group BPO is never a long term career but only as a part time job. The easy availability of BPO 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 acts as a deterrent for people to stick to this industry for long time. In addition, the BPO jobs are not being taken with a positive spirit by the society on a large .Research says that nearly 50% of the people quit the industry every year.

### **Talent retention: a challenge**

Fundamental changes are taking place in the work force and the workplace that promise to radically alter the way companies relate to their employees. Hiring and retaining good employees have become the chief concerns of nearly every company in every industry. Companies that understand what their employees want and need in the workplace and make a strategic decision to proactively fulfill those needs will become the dominant players in their respective markets.

Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Retention of key employees and treating attrition troubles has never been so important to companies.

In an intensely competitive environment, where HR managers are poaching from each other, organizations can either hold on to their employees tight or lose them to competition. For gone are the days, when employees would stick to an employer for years for want of a better choice. Now, opportunities abound.

Talent retention, especially of the best, most desirable employees, is a key challenge in organizations today. Thus, it is critical to the long term health and success of the organization. Managers readily agree that retaining your best employees ensures customer satisfaction, product sales, satisfied coworkers and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning.

Talent retention matters. Organizational issues such as training time and investment; lost knowledge; mourning, insecure co-workers and a costly candidate search aside, failing to retain a key employee is costly. Various estimates suggest that losing a middle manager costs an organization up to 100 percent of his salary. The loss of a senior executive is even more costly.

Talent retention is critically important for a second societal reason, too. Over the next few years while Baby Boomers (age 40 to 58) retire, the upcoming Generation X population numbers 44 million people (ages 25-34), compared to 76 million Baby Boomers available for work. Simply stated: there are a lot fewer people available to work. Talent retention is one of the primary measures of the health of your organization. If an organization is losing its critical staff members, it can safely bet that other people in its departments are looking as well. Exit interviews with departing employees provide valuable information you can use to retain remaining staff.

The bottom line of talent retention is the quality of the supervision an employee receives is critical to employee retention. People leave managers and supervisors more often than they leave companies or jobs. It is not enough that the manager is well-liked or a nice person. Sure, a nice, likeable manager earns some points to the organization with its employees. A draconian, nasty, or controlling manager takes points away from organization. So will below market benefits and compensation. But, a manager or supervisor, who is a pro at employee retention, knows that the quality of the supervision is the key factor in talent retention.

Companies vying among themselves to unearth talent and employing them, is not a new phenomenon. Employers know that attracting outstanding talent is basic to the success of their companies. But what is necessary is that the company's search for talent must be comprehensive, and a systematic approach for recruitment and retention of candidates be followed. This book endeavors to provide the readers an insight into how companies could compete for talent by adopting necessary changes in management, organization design, and human resource policies in a way that can turn the company into a magnet for top performers.

Employees are internal customers to the organization and the ability of the organization in fulfilling their needs reflects its philosophy and core values. Competing in the labor market requires a proper understanding of employees' needs and evolving right strategies of hiring and retaining them so that the companies are able to collect a band of good workers who can contribute their best to the organization. **The statement by Narayana Murthy, Chairman, Infosys, "My Company's assets walk out of the door every evening"** truly captures the dynamics of the new economy. With such a great emphasis on human capital, it is critical for every organization to resort to means that offer quality recruitment solutions at competitive costs.

At this point, it is important to note what Jack Welch, former CEO of GE, said in an interview when asked about the secret of his success: "My main job was developing talent; I was a gardener, providing water and other nourishment to our top 750 people." Jack said in the same breath: "Of course, I had to pull out some weeds too". This statement by Jack Welch brings out the significance of talent management. Though, it is impossible to scrap problems totally, there are certain ways by which BPO managements can tackle attrition. Since the BPO environment is unique, these companies need to develop innovative ways to tackle them. Human Resources department of a BPO must address these issues, and along with the management need to evolve strategies to retain employees at all levels.

### **Significance of talent retention**

Now that so much is being done by organizations to retain its employees, why is retention so important? Is it just to reduce the turnover costs? Well, the answer is a definite no. It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached.

The process of talent retention will benefit an organization in the following ways:

**The Cost of Turnover:** The cost of employee turnover adds hundreds of thousands of money to a company's expenses. While it is difficult to fully calculate the cost of turnover

(including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

**Loss of Company Knowledge:** When an employee leaves, he takes with him valuable knowledge and information about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

**Interruption of Customer Service:** Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

**Turnover leads to more turnovers:** When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff. Whenever an employee quits the organization it is felt throughout the organizational set up as the team members may be curious to know why that particular employee left the organization and may influence another employee to think on quitting the job if this is going to happen certainly attrition rate of the organization is going to be up.

**Goodwill of the company:** The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

**Regaining efficiency:** If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure us of the same efficiency from the new employee.

### **Managing retention**

The task of managing the employees' retention could be understood in three stage process:

1. Identify the cost of employee turnover.
2. Understand why employee leaves.
3. Implement retention strategies.

Now let's discuss these three stages in detail;

#### **1. Identify the cost of employee turnover:**

The organizations should start with identifying the employee turnover rates within a particular time period and benchmark it with the competitor organizations. This will help in assessing the whether the talent retention rates are healthy in the company. Secondly, the cost of employee turnover can be calculated. According to a survey, on an average, attrition costs companies 18 months' salary for each manager or professional who leaves, and 6 months' pay for each hourly employee who leaves. This amounts to major organizational and financial stress, considering that one out of every three employees plans to leave his or her job in the next two years.

## **2. Understand why employee leaves:**

Why employees leave often puzzles top management. Exit interviews are an ideal way of recording and analyzing the factors that have led employees to leave the organization. They allow an organization to understand the reasons for leaving and underlying issues. However employees never provide appropriate response to the asked questions. So an impartial person should be appointed with whom the employees feel comfortable in expressing their opinions.

## **3. Implement retention strategies:**

Once the causes of attrition are found, a strategy is to be implemented so as to reduce employee turnover. The most effective strategy is to adopt a holistic approach to dealing with attrition.

An effective retention strategy will seek to ensure:

- Attraction and recruitment strategies enable selection of the 'right' candidate for each role/organization.
- New employees' initial experiences of the organization are positive.
- Appropriate development opportunities are available to employees, and that they are kept aware of their likely career path with the organization.
- The organization's reward strategy reflects the employee drivers.
- The leaving process is managed effectively.

## **CONCLUSION**

Today retention has become key tool for success but retention has become a tough job for the sector as attrition is on the rise due to various reasons employer should concern the people and provide flexible shift and week end off so that employees feel comfortable the next day as they will be spending some time family. Retention has become a key challenge for the BPO industry and how it has to be managed in keeping a static workforce in the organization for a longer version of the game. With retention on the card the company can save investment on recruitment and can turn it as cost effectiveness. As the sector is open and people has various choice to work for that attrition is on the rise to minimize it and manage the sector should plan the career path of people and provide them rewards and promotion on time and keep them satisfied and employees should not think of alternative employer.

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