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ATTRITION – A RESULT OF PROCESS A STUDY ON FACTORS INFLUENCING ATTRITION IN BPO SECTOR

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ABSTRACT

High employee turnover and lack of leadership bandwidth has been giving sleepless nights to business owners all over the world. Employees are believed to job hop for no apparent reason and sometimes even for fun. Despite these blaring indications there is a dearth of studies investigating it, especially studies dealing with Business Lifecycle Management using a comprehensive set of casual variables which are rare. Findings of the study suggest that the extent of controllable turnover is much greater than uncontrollable turnover and HR practices are not the sole reason for this problem.

Keywords: BLM, CLM, BPO

BACKGROUND OF THE PROBLEM

High employee attrition rate and unable to preserve leadership bandwidth General BPO's Attrition rate has increased from ~39% in FY11 to ~54% in FY12. The ultimate aim of the study is to reduce the attrition driven Research &Training costs to the tune of 30% for FY 14 based on FY12 numbers.

BPO offerings normally consist of only Customer Lifecycle Management. Though, with changing trends BPO business turning into front office jobs rather than the traditional back office services also known as Business Lifecycle management.

BPO is not the only industry where mutual loyalty is lost, but it is an industry that has seen factors not seen in other industries. . Twenty percent annual employee turnover has become a norm. There are many locations where the turnover has risen to 50-60%, and it has seriously impacted service delivery as well as profitability of BPO companies.

REVIEW OF LITERATURE

There are socio-economic as well as business factors that are causing the turnover to be high for outsourcing businesses. Turnover also differs depending on the geography and cultural differences.

Social Factors: In developing countries, especially in Asia, workers were happy to have a job and were willing to work long hours, including overtime. There was dedication to completing work and a strong desire to "please" their superiors and customers. As "Western" work standards were introduced, workers were compensated for non -standard work hours and more job opportunities better suited to their lifestyle (commute, normal work hours etc) emerged. As workers' privileges increased – such as more break time, access to a relaxing environment (known as the "Starbucks effect") – workers began seeking employers who provided them benefits.

The second social factor that has impacted turnover is the relocation of work. In the past, workers, especially young ones, stayed close to their family and only considered relocating as a last resort. This facilitated their work habits with a familial infrastructure when required. Grandparents and family members would take care of the family during an emergency or provide child care on a regular basis. This social structure has changed dramatically in many countries. People now relocate farther from their homes and use trains and airlines for traveling back and forth. There is a loss of family infrastructure and, as a result, workers are reluctant to work longer hours and on odd shifts.

Economic Factors: With increasing competition for skilled employees, providers started to entice workers with higher pay and other benefits. Workers soon discovered that they could increase their wages significantly just by taking a job with a company down the street. Employees are also becoming more interested in equity interest in employers and are savvy about companies' market financial conditions and positioning. This has created both a gap and a promised opportunity (when going public) for non-public companies.

Employees have also started comparing non-monetary benefits and are becoming more selective in choosing employers. For example, on-site daycare is a rather unusual benefit in many developing countries. As mentioned above, when a worker does not have a family support system, this becomes a desirable benefit.

Maturity Factors: Outsourcing organizations have grown rapidly and have built up larger organizations in a shorter period of time than established professions. As a result, organizations have had to quickly train and develop their workforce, and more importantly, the management team. Since most educational programs only provide foundations and not practical industry based experience, providers have had to create and deploy their own development programs – whether it is process knowledge or English proficiency.

Employees soon discovered that by going through such a program, they increased their marketability and could demand higher compensation by turning to a competitor. Thus, the loosening of loyalty, coupled with their ability to leverage on-job training, created a more mobile workforce. Another impact of high and fast growth has been a dearth of qualified, experienced middle level managers. Companies have responded by poaching middle level managers from their competition, in turn, creating a market demand that employees use to their advantage.

Impact of Higher Turnover: The obvious impact of high turnover is a higher cost of recruiting, training and retaining employees. Employers have to maintain a large recruiting organization and have to constantly search among available candidates, including those working for their competitors. Ironically, this has further exacerbated the turnover problem for the industry as a whole. Providers have had to increase their compensation – salary as well as benefits – in order to stay competitive in the marketplace.

In recent years, many of the offshore providers have indicated that they have had reduced margins from the business in order to cope with these salary increases. Annual increases of more than 10-15% have become norm for most locations, and these increases cannot be offset with increased delivery prices, since most economies are not growing at that rate. For example, many of the U.S. companies either do not allow price increase due to "cost of living" adjustment or limit it to the generally accepted U.S. cost of living changes which have been around 2-4% annually.

Providers are also finding that they cannot retain and motivate middle-level managers. This increases delivery and management exposure and reduces continuity and work-customer experience. Customers, who are not used to seeing gaps in middle management, find this frustrating and feel that they are being used as a training ground for the providers.

Managing Turnover Successfully

This is an issue resulting from high growth and success. Companies did not have to face this in the past, when the labor pool was bigger. Providers made sure that they kept recruiting on a large scale, knowing that the business would grow to use those employees, and at the same time, backfill the openings. Now that growth slowed, this approach is no longer an effective solution for high employee turnover.

Early on, the human resources department was mostly dedicated to recruiting and training. Now, those departments have to start thinking like older established businesses and create functions like organizational development, succession planning and employee relations/communication. My experience has shown that well managed providers now include human resources as a key organization in building and maintaining the delivery organization.

They constantly survey the marketplace and establish benchmark salary and benefit programs competitively. They also develop strong relationships with educational and training institutions so that they have a steady stream of qualified candidates for consideration. I know of companies who have recruited college graduates even when their business is not demanding a high recruiting level. These companies believe that such actions create a level of loyalty for college students and administrators.

Companies that are facing high turnover of middle and senior management have also started a more formal succession planning program where employees are made aware of their future predicted roles and levels. This approach helps employees see where they can go in the future and what they need to learn/develop before being promoted. Employee counseling about current and future development needs are integrated with training and job exposure programs and communicated to employees.

Middle and upper level management have come to recognize – just as in established industries – that human resource management is as critical a part of their job as designing and managing delivery solutions to their customers.

Retaining Employees: Companies are also designing retention and promotion programs that can address their employee's needs more effectively. One of the more common retention strategies has been to offer a "sign up or retention" bonus to employees that is paid over multiple years – enticing employees to remain with the company.

Loyalty may be a virtue of the past but companies can create programs that generate a level of continuity and stability in the workforce. It's expected that the outsourcing industry will continue to grow for the foreseeable future, but competition for workers will also increase. (The graying of the workforce" is already a common theme for developed and developing countries). In order to succeed, companies will have to strengthen their human resources programs as well as their products and services.

RESEARCH AND ANALYSIS

It includes three sets of independent factors: demographic, controllable, and uncontrollable. Turnover intention is the dependent variable in our study. Turnover intention has been used very often in past research.

Demographic Factors

Demographic factors that have been found to have stable relationship with turnover intention in past research include age, tenure, level of education, level of income, and job category (managerial or non-managerial). Several studies have reported negative relationship between turnover intention and three demographic factors, tenure and income level (e.g., Arnold & Feldman, 1982; Cotton & Tuttle, 1986; Gerhart, 1990; Mobley et. al, 1979; Price & Mueller, 1986; Wai & Robinson, 1998; Weil & Kimball, 1995, and others).

In view of the above, we hypothesize as follows:

H1: Demographic factors are associated with turnover intention.

H1a: Tenure of an employee in a company is negatively associated with his or her intention to leave.

H1b: Level of income is negatively associated with turnover intention.

H1c: Non-managerial employees have greater intention to quit than managerial employees

Controllable Factors

Job satisfaction (satisfaction with pay, satisfaction with nature of work, and satisfaction with supervision), organizational commitment, and organizational justice (distributive and procedural) are the controllable factors in our framework (see Figure 1). We term them controllable factors in that organizations have control over them. The relationship between job satisfaction and turnover is one of the most thoroughly investigated topics in the turnover literature. Many studies report a consistent and negative relationship between job satisfaction and turnover (e.g., Cotton & Tuttle, 1986; Arnold & Feldman, 1982; Bluedorn, 1982; Mobley, 1982; Price, 1977, and many others), as dissatisfied employees are more likely to leave an organization than satisfied ones. Turnover studies in Singapore that supported the negative relationship between job satisfaction and turnover include Lam et al. (1995), Koh and Goh (1995), and Aryee et al (1991). Although past research suggests a stable negative relationship between job satisfaction and turnover, job satisfaction alone has been found to account for small percentage of the total variance in a turnover model – less than 15% (Blau & Boal, 1989). The fact that the relationship (between job satisfaction and turnover) is not stronger does not suggest that satisfaction should not be measured. It does suggest that measures of satisfaction must be combined with other measures to effectively predict and understand turnover (Mobley, 1982:45). A scrutiny of past research on job satisfaction suggests that most of the studies have examined the effect of overall satisfaction on turnover

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with only a few investigating the relationship between turnover and the specific aspects of job satisfaction such as pay, supervision, and nature of work. Koh and Goh (1995) noted that the use of overall satisfaction conceals the vital effects of different job facets on turnover.

They classified job satisfaction into eight categories: supervision, company identity, kind of work, amount of work, physical working conditions, co-workers, financial rewards, and career future. There are three major limitations of their study, however. First, they subsumed organizational commitment (company identity) within job satisfaction. Thus, their findings have confounded the effects of job satisfaction and organization commitment. The second major problem of their study is that some of their measures had reliabilities as low as .43. Low reliabilities of scales make their findings suspect. The last major limitation of their study concerns generalizability of their findings. The authors examined non-managerial clerical employees in the banking industry which is a highly selected group of employees.

H2: Job satisfaction is negatively associated with turnover intention.

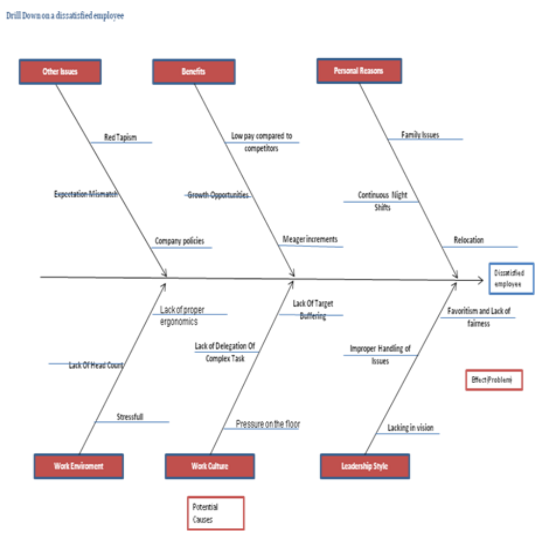
Specifically:

H2a: Satisfaction with pay is negatively associated with turnover intention.

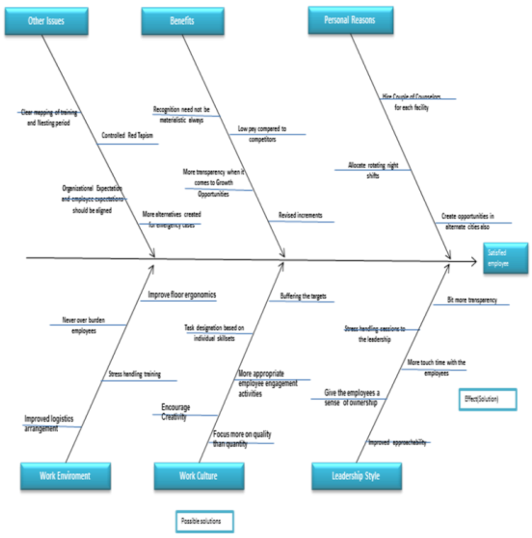
H2b: Satisfaction with nature of work is negatively associated with turnover intention.

H2c: Satisfaction with supervision is negatively associated with turnover intention

ANALYSIS



Fish bone analysis of Problem



Fishbone analysis of proposed alternative

CONCLUSION

The basic reasons for employee dissatisfaction were

1. Work Environment
2. Work Culture
3. Leadership Style

4. Benefits
5. Personal reasons
6. Other Issues

The issues are related to training, nesting, and red-tapes'. The conflict in employee and organizational expectation due to high employee turnover and Lack of leadership bandwidth has also been determined.

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