

# **Employee Attrition and Retention: Exploring the Dimensions in the urban centric BPO Industry**

**Synopsis of the thesis to be submitted in fulfillment of the  
requirement for the Degree of**

**DOCTOR OF PHILOSOPHY  
in  
MANAGEMENT**

**By  
Santoshi Sen Gupta  
Enrollment No: 064009502**

**Under the guidance of  
Dr. Aayushi Gupta**



**JAYPEE INSTITUTE OF INFORMATION TECHNOLOGY, NOIDA  
A-10, SECTOR 62, NOIDA, INDIA**

## TABLE OF CONTENTS

<b>S. No.</b>	<b>Topic</b>	<b>Page No.</b>
1.1	Basic Introduction	3
1.2	Need of the research	5
1.3	Aim of the research	6
1.4	Objectives of the study	9
1.5	Research Methodology	10
1.6	Significance of the Study	10
1.7	Scope of the study	11
2.0	Literature Review	11
2.1	Introduction	11
2.2	BPO: An overview	12
2.2.1	Market Size of BPO in India	12
2.2.2	Growth of Indian BPO Industry	12
2.2.3	Attrition in BPO	13
2.3	Employee Motivation	15
2.4	Employee Involvement	15
2.5	Hackman and Oldham's Job Characteristic Model	16
2.6	Conceptual model of the research	16
3.0	Research Methodology	17
4.	Exploring the dimensions of attrition in the BPO industry	18
4.1	Secondary Data Analysis	18
4.2	Primary Data Analysis	21
5.	Exploring the dimensions of employee retention	24
5.1	Retention Factors	24
5.2	Regression Model of Retention	26
5.3	Model Validation	28
6.	Conclusions	28
6.1	Analogy with established theories	28
6.2	Implications of the Study	30
6.3	Recommendations: Developing Retention Strategy	31
6.4	Limitations and scope for further research	33

## **1.1 Basic Introduction**

BPO! One reads the word and myriad of well-groomed youth on calls, fast money, and phenomenal lifestyles seem to flash the mind in a jiffy. That's just the start. One reads it again, contemplates over it, dives into the unveiled afflictions, and gives it a second thought and a completely differing depiction blazes the mind. Lopsided working hours, unimaginable attrition rate, stress and burnout exhibit its ugly side. No matter how the seesaw balances between the pros and cons, the fact remains conspicuous, loud and unchanged. BPO, Business Process Outsourcing, is the mantra of employment, the buzz of present, and the promise of future!

The last decade saw an upheaval in the growth and development of the Indian economy, which was accompanied by the revolution in the technological front and a radical change in the way businesses were done. Instead of being the jack of all trades, the smart organizations have now redefined the way of working and now aim at being the master of their core business. Outsourcing the non-core processes in order to concentrate on the core ones is how the companies prefer to work now. BPO has become the obvious strategic choice of the companies looking at the visible profits of cost reduction while improving the quality of service, increasing shareholder value etc. (Shah and Sharma 2006). With the whirlpool of opportunities the Indian Business Process Outsourcing sector seems to be on a happy ride. It has emerged rapidly, and its exports have grown from \$565 million in 2000 to about \$7.3 billion in 2005 (Budhwar et al. 2006). With the boat steaming ahead in the global markets, India has already become the most privileged destination. Hence such an eternal inventory of opportunities simply showcases a phenomenon which is no less than the renaissance for our Indian markets.

Today, India is the hottest destination for any company that wants to outsource its business processes. From a negligible size in early 2000 to a gigantic size today, the BPO sector has been growing at an unprecedented rate. In 2003, India accounted for 75 percent of the total BPO offshore delivery value that was expected to increase by 55 percent annually over the next five years (Neale 2004). According to Scholl et al. (2003), India's revenue from BPO operations was expected to grow from approximately \$1 billion in 2002 to \$13.8 billion in 2007 and its share of supply was projected to be 57 percent of the offshore BPO market. According to Nasscom, the Indian IT-BPO industry (including domestic market) recorded an overall growth of 28 per cent (currency adjusted), clocking revenues of \$52 billion in FY07-08 up from \$39.6 billion in FY06-07. 2008 was a year of revolution for the Indian IT – BPO sector as it began to re-engineer challenges posed by macro-economic environment, with the worldwide spending aggregate expected to reach nearly USD 1.6 trillion, a growth of 5.6 per cent over the previous year. The BPO exports are up by 30 per cent (in US dollars), registering revenues of

\$10.9 billion (Nasscom 2009). Indian IT-BPO grew by 12 per cent in FY2009 to reach USD 71.7 billion in aggregate revenue. Software and services exports (includes exports of IT services, BPO, Engineering Services and R&D and Software products) reached USD 47 billion, contributing nearly 66 per cent to the overall IT-BPO revenue aggregate. IT-BPO exports (including hardware exports) reached USD 47.3 billion in FY2009 as against USD 40.9 billion in FY2008, a growth of 16 per cent. Contrary to the sunny side of the story, we have a dark side of the BPO too.

The flip side of the BPOs revolves around the host of challenges that they have been facing since their very inception. The major challenges being faced by the BPO industry in India can be classified into internal and external challenges. 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 (National Performance Review 1997). It means not only loss of talent, but also includes the cost of training the new recruits. According to Mehta et al. (2006), of all the challenges posed to BPO organizations at various levels, attrition, absenteeism and motivating employees are the major ones that dominate at the middle level. The attrition rate in the industry has been hovering around 35%, which is quite high for any industry. An average Indian call center employee works with a company for 11 months, where as an average UK call center employee stays in a company for 3 years. 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).

Attrition in BPOs 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. Many researchers have worked

enormously on the BPO sector, citing its challenges, issues, and opportunities in and around employee performance, employee satisfaction, employee turnover etc.

## **1.2 Need of the research**

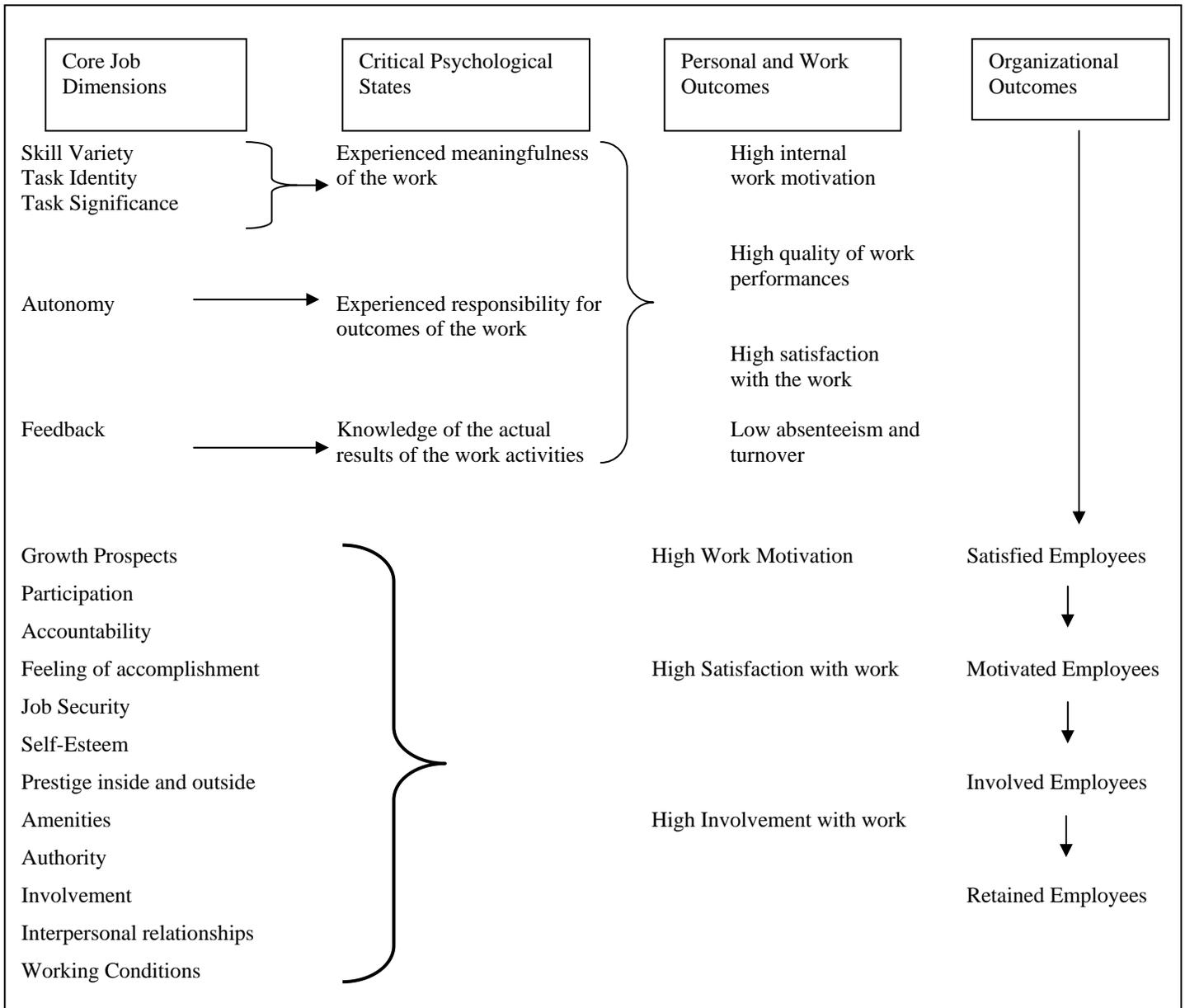
Most research in the BPO sector has addressed only specific problems related to its environmental analysis like challenges, growth and opportunities, the problem of attrition, the HRM systems, and issues of job stress, job satisfaction, individual performance etc. Research done in the area of employee motivation and satisfaction has discussed domains like education (Sharma and Jyoti 2008, Smerek and Peterson 2006), private public employment (Demoussis and Giannakopoulos 2007), financial institutes (Kazemzadeh and Bashiri 2005), ITES industry (Dash et al. 2008), oil industry (Okpara 2006), government ministries (Al-Ajmi 2006), labor market (Brown et al. 2007), to name a few but not much inclusive and structured work has been done in the domain of BPO sector. Literature review has also shown how various researchers have identified a plethora of reasons behind the escalating problem of attrition and how many of them have even suggested recommendations to combat it (Misra 2007, Prakash and Chowdhary 2004, Joshi 2004). Many researchers have also worked on various domains like the HRM systems and practices (Budhwar et al. 2006), job satisfaction (Sharma 2006, E-sat survey 2005), and burnout prevention (Kanwar et al. 2008). However, no systematic and comprehensive work has been found that collaborates all the facets viz. attrition, retention, employee motivation, involvement etc to combat the most smoldering problem of the present times i.e. attrition. Another interesting thing that emerged from prior researches and focused group interviews taken for pilot survey is that reducing attrition may not always mean increasing retention. Attrition may reduce if the negative characteristics of the job are taken care of. However, that does not mean employees increase their willingness to stay in the same organization. Thus different set of factors emerged for attrition and retention respectively. 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 can not 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.

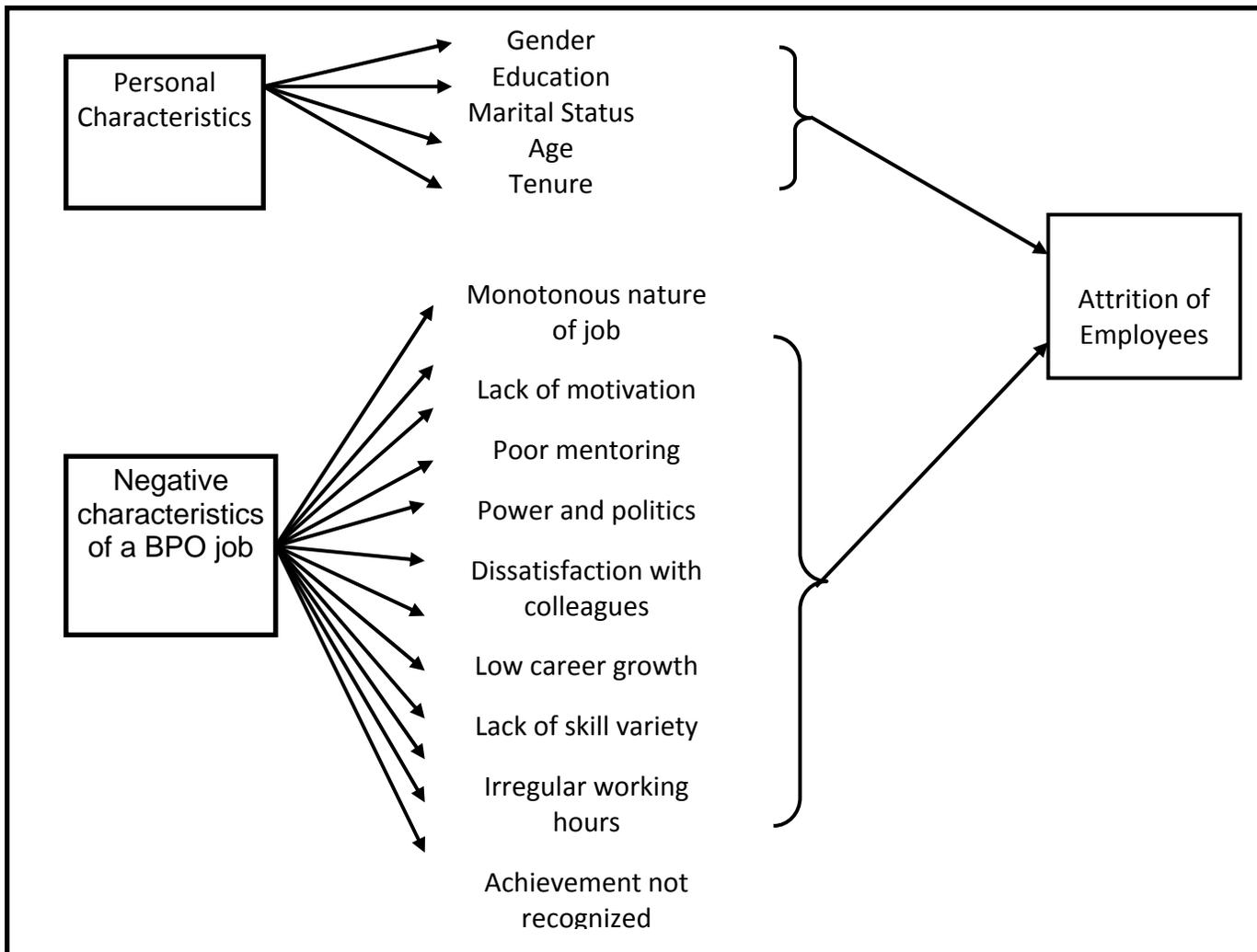
### **1.3 Aim of the research**

This research aims to produce a model for employee retention conjoining it with other aspects of perceived attitudes viz. employee motivation, employee satisfaction, employee involvement and life interest and work compatibility etc. To attain the aim of the research, the Hackman and Oldham's Job Characteristics model (1976) was taken as the basic foundation. Hackman & Oldham (1976) proposed the Job Characteristics Model, which is widely used as a framework to study how particular job characteristics impact on job outcomes, including job satisfaction. The model states that there are five core job characteristics (skill variety, task identity, task significance, autonomy, and feedback) which impact three critical psychological states (experienced meaningfulness, experienced responsibility for outcomes, and knowledge of the actual results), in turn influencing work outcomes (job satisfaction, absenteeism, work motivation, etc). The basic hypothesis of this research that employee motivation, employee satisfaction, employee involvement, and life interest and work compatibility lead to prolonged sustenance is an extension of this model with minor modifications in it. It is proposed that the Job Characteristics model is modified by redefining job dimensions as growth prospects, accountability, sense of accomplishment, self-esteem, job security, interpersonal relationships, working conditions, by extending organizational outcomes as satisfied, motivated, involved and retained employees. Figure 1 is the modified Hackman and Oldham's Job Characteristics model which has been taken as the base to study the research questions pertaining to this research. The new model is also designed to be of use as a management tool and must therefore be simple and flexible enough to be of use to the management of an organization. Typical management questions would involve the likely motivational impact of job redesign, such as increasing employees' level of control and responsibility over their work behavior or introducing a scheme whereby employees participate in certain management decisions. The model should therefore allow managers to manipulate a host of job characteristics and investigate the likely effects upon the motivation, performance and sustenance of the workforce. This study aimed at exploring the dimensions of attrition and retention. Based on our ground work; initial survey and personal interviews held with the BPO employees, it was found that factors that contribute to attrition are quite different from the factors that contribute to retention. Thus based on this, we developed two basic models of our research as shown in figure 2 and figure 3.



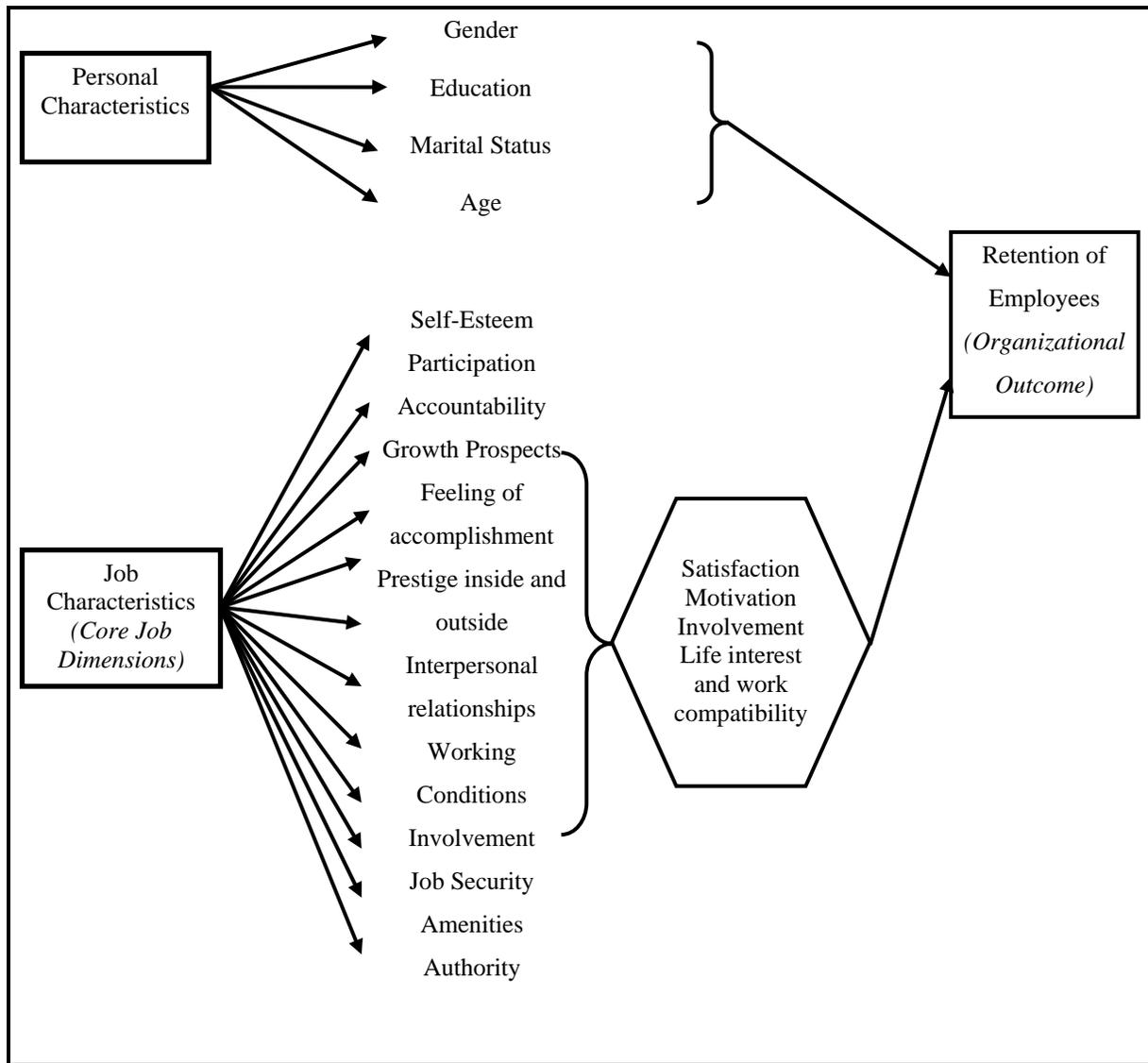
**Figure 1: Modified version of Hackman and Oldham's Job Characteristics Model**

Based on the Hackman and Oldham's Job Characteristics Model and the modifications made to it, a clearer and more lucid pictorial framework of the model is given in Figure 2 and 3. Figure 2 clearly illustrates the basic constructs of the attrition model: personal characteristics, negative job characteristics (job dimensions), and the final resultant as attrition. Figure 3 illustrates constructs of retention model i.e. personal characteristics, intrinsic job dimensions and the resulting level of satisfaction, motivation and involvement (work outcomes) and the final result i.e. retained employees (organizational outcomes).



**Figure 2: Basic model for attrition**

Figure 2 clearly suggests the personal characteristics as age, education, gender, marital status and tenure along with the negative characteristics of a BPO job i.e. monotonous nature of job, lack of motivation, poor mentoring, power and politics, dissatisfaction with colleagues, low career growth, lack of skill variety, irregular working hours, achievement not recognized etc. These two collectively result in the attrition of employees. The question is how much do these factors actually contribute to attrition. Similarly figure 3 describes the personal characteristics and core job dimensions which are intrinsic in nature and how do they contribute to retention of employees.



**Figure 3: Basic model for retention of employees**

### 1.4 Objectives of the study

The major motivation of this thesis is derived from the studies of Mehta et al. (2006), Budhwar et al. (2006), Shah and Sharma (2007), Misra (2007). It is clear from the review of earlier research that solutions are required to some specific problems of practical importance in the field of escalating attrition in BPOs. The broad objective of this thesis is to identify the root causes of attrition in BPOs, analyzing the level of employee motivation, satisfaction and involvement, generate a model for maximizing sustenance of employees in the organization and come up with concrete recommendations, which will eventually be valuable to the organizations to retain their employees for a long term. The specific objectives of this thesis are:

1. To identify and rank the factors of attrition in BPOs based on accumulative literature review and secondary data.
2. To explore and analyze the dimensions of attrition in BPOs based on primary data collected from field survey.
3. To identify and explore the dimensions of employee retention in BPOs based on primary data collected from field survey.
4. To develop a regression model for escalating the stay of employees in BPOs and give recommendations for the same.
5. To assess the existing level of employee motivation and validate the model by studying the impact of recommendations on a small patch.

### **1.5 Research Methodology**

The general intent of this descriptive study was threefold. Therefore a systematic and organized methodology was obtained for the research study. A survey design was used to obtain the required information. The population for this study comprised of employees working in various BPOs in the National Capital Region. A sample size of 500 was chosen for this study. Simple random sampling technique was used to gather data from the respondents, because of which respondents diverged from every age group, gender, organization, marital status etc. but were restricted only to low and middle level employees, where the attrition is highest. The questionnaire was intricately designed to tap the demographic variables including age, education, gender, marital status, and tenure of the respondents. It also gathered information about the factors responsible for attrition, the factors that can be employed to retain the employees in a BPO, their overall level of satisfaction, motivation, involvement and life interest and work compatibility. Main data collection began in the month of July 2008. Statistical Package for the Social Sciences (SPSS) version 17.0 was religiously used for the statistical analyses.

### **1.6 Significance of the Study**

The significance of the study lies in the detonation of the BPO industry in the recent years. Where on one hand the sector is growing with leaps and bounds, on the other the employee turnover has been alarmingly high, thus costing a lot to the company. The middle level and low level employees are victims of dearth of motivation and employee satisfaction also seems to be brandishing. The study is an attempt to assess the patterns of attrition in BPO and analyze the relationship among employee

motivation, job satisfaction and employee retention, so as to utilize employee motivation to retain employees in an organization. Thus, not only is it significant for academicians but also for professionals who can exploit it to control the employee turnover.

### **1.7 Scope of the study**

Although the development of motivation model to tackle the problem of attrition in the BPO sector has inputs from a variety of sources including primary and secondary sources, the study is confined to the data collected from the national capital region of India. Moreover, only selected facets of job characteristics have been considered for the study. There are many which can be included in order to assess employee motivation. Therefore the scope of the study is limited to the geographical location of the sample size and also to the selected dimensions of personal characteristics and employee motivation.

## **2. Literature Review**

### **2.1 Introduction**

With the boat of success steaming ahead in the global markets, India has already become the most privileged destination for Business Process Outsourcing. The word which one would simply lisp in the beginning of this century has become the most pronounced and sought after term. Generating revenues, fostering employments, elevating the living standards, an eternal inventory of opportunities simply showcase a phenomenon which is no less than the renaissance for our Indian markets. Many researchers have talked about BPOs in their works, highlighted its capability as money making sector, showcased its doom of high employee turnover, sketched out its strengths, weaknesses, opportunities and threats, and also chalked out its dynamics of HR. Other researchers have extensively worked on various perceived attitudes of employees like their satisfaction, motivation, its influence on their tenure, their loyalty, commitment etc. This chapter unfolds all the relevant literature about the BPO industry in India, theories and research works of employee motivation and satisfaction, and collaborates the findings to tackle the problem of attrition in this sector.

## **2.2 BPO: An overview**

Grossman and Helpman's (2005: 135) statement, "We live in an age of outsourcing," clearly designates that outsourcing has now become an acknowledged, accepted and established business strategy. One of the most familiar forms of outsourcing is business process outsourcing (BPO), i.e., transferring the operational ownership of one or more of the firm's business processes to an external supplier that, in turn, administers the processes according to some predefined metrics (Ghosh and Scott, 2005; Stone, 2004). BPO or Business Process Outsourcing thus refers to the rearrangement of entire business functions to some other service providers, primarily in low cost locations. The service provider may be either self-owned or a third party. This relocation or transferring of business processes to an external provider is essentially to accomplish increased shareholder value.

Some of the general services provided by the BPOs are Receivables and Payables, Inventory Management, Order Processing, Cash flow Analysis, Reconciliation, Data Entry, Payroll Processing, QuickBooks Accounting, Financial Statement Preparation and Accounting Services. Some of the web based services include live online sales and order entry, E-commerce transaction support, Live online enquiry handling, Web Design/Development.

### **2.2.1 Market Size of BPO in India**

Speedy transformation is taking place in the global BPO market. It is escorted by increased investments in BPO services. Most of the principal business companies of the world are adopting BPO as a strategic business solution. The BPO industry is quite assorted, with several sub-segments, each exhibiting its own unique and exclusive characteristics. The size of the global BPO market was projected to be \$173bn by 2007, of which \$24.23bn would be outsourced to offshore contractors (Gartner 2005). Of this, India has the potential to generate \$13.8bn in revenue. "The projection includes revenues of pure play Indian BPO service providers, captives operations of MNCs operating in India, third party service providers and BPO subsidiaries of IT services firms.

### **2.2.2 Growth of Indian BPO Industry**

BPO is a varied and speedily growing offshore market with an estimated annual growth rate of 60 percent (Tapper, 2004). Brown and Stone (2004) reported that BPO accounted for 34 percent of the global outsourcing contract value in 2004 and estimated that BPO services would grow from \$1.3

billion in 2002 to \$4.3 billion in 2007. The Indian BPO sector has emerged rapidly, and its exports have grown from \$565 million in 2000 to about \$7.3 billion in 2005. These exports were projected to increase to \$20 billion by 2007 and employment in the sector was expected to rise from its current level of 300,000 to over 1.1 million by 2008 (Chanda, 2005; NASSCOM, 2005a). The first NASSCOM-McKinsey study (Indian IT Strategy, 1999) had set an ambition of USD 50 million in exports by 2008, and as a matter of fact, the industry has been on track to achieve this figure. The aspiration for 2010 however, is expected to witness a delay of three to four quarters on account of the global meltdown. The IT-BPO industry has traveled from a USD 4 billion sector in 1998 to a breathtaking USD 52 billion in 2008 employing over 2 million people (NASSCOM 2009). Looking at the hit side of the fabulous growth of the BPO industry, a number of leading software service companies also made a foray into the BPO domain, either directly, or through the mergers and acquisitions route. Most Indian IT leaders today such as Wipro, Patni, Satyam, HCL, among others, have presence in this market. The segments like customer care and administration showed a promising growth of over 75% which was the highest among all.

2008 was a year of transformation for the Indian IT – BPO sector as it began to re-engineer challenges posed by macro-economic environment, with the worldwide spending aggregate estimated to reach nearly USD 1.6 trillion, a growth of 5.6 per cent over the previous year. In the global market, software and services touched USD 967 billion, an above average growth of 6.3 per cent over past year and the worldwide BPO grew by 12 per cent, the highest among all technology related segments. 2008 was a strong year as number of contracts, total contract value and annualized; and contract values exceeded as compared to 2007. Among all users above average growth was witnessed in the Government, Healthcare and manufacturing segments (NASSCOM 2009). Indian IT-BPO grew by 12 per cent in FY2009 to reach USD 71.7 billion in aggregate revenue

### **2.2.3 Attrition in BPO**

Attrition is defined as a reduction in the number of employees through retirement, resignation or death and attrition rate is defined as the rate of shrinkage in size or number (BPO India 2009). Attrition of employees in a limited measure is desirable for influx of new ideas in any type of organization. It helps organizations to maintain their agility in fast changing environment. It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization. However if attrition increases beyond a certain level, the gains are transformed into

pains. Recruiters explain that high attrition rates significantly increase the investment made on employees (Prakash and Chowdhury 2004). 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.

There is an escalating paucity of the appropriate skills gained through the education system, which is short on quality and relevance. Because of dearth, hiring new talent has become more expensive. In 1999, the average pay packet of an entry-level agent was \$160–\$180; now it is \$300–\$350. Due to high attrition rates, every employee who leaves costs the company another \$900–\$1100 to recruit and train a replacement. Finding the right candidate and sustaining it is now becoming a problem. Years ago, the success rate of choosing the right candidate was 20 percent (Rediff.com, 2005a, 2005b; Sangameshwaran and Rai, 2005). Besides this, BPO employees are experiencing problems related to stress, sexual and racial abuse, and dissatisfaction at work (Walletwatch, 2003; Cacasnas, 2004; Singh, 2005b; Witt et al., 2004; Rose and Wright, 2005; Houlihan, 2002). Inside a BPO organization, HR related issues arising at all levels have become significantly alarming and need to be addressed soon. Major HR-related issues standing as problems in the various levels of management include attrition, HR policies, absenteeism, performance appraisal, and manpower allocation (Mehta et al. 2006). In organizing, the major concerns at the lower management level are related to job design and job requirements, like night shifts, monotony, and long hours. At the middle-management level, critical issues were related to HR, organizing, and motivation. Middle-level managers have difficulty retaining good employees, motivating them to put in their best effort, and keeping them happy. Often managers are not trained to work with teams and directing and motivating numerous teams simultaneously is challenging (Mehta et al 2006).

Attrition in the BPO industry is two fold. 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 per cent of those who quit leave the industry (Prakash and Chowdhury 2004).

### **2.3 Employee Motivation**

Employee motivation has been extensively reviewed for this research. Literature on the established well known motivation theories has been reviewed as one of the final results of our study shows intrinsic motivation factors as a significant dimension of employee retention in the BPO industry. Theories of motivation were intricately studied to understand the concept of motivation as an important predictor of employee turnover. Motivation theories have been broadly classified into need based theories and process based theories. These theories form the pedestal of all work on motivation. Here these theories have been discussed to understand the philosophy of motivation so as to incorporate the same in the study of employee retention. Johnson and Gill (1993) describe motivation in work organizations as “the processes by which people are enabled to and induced to choose to behave in particular ways”. Motivation is therefore coupled with a search for the ways by which members’ job performance and productivity may be enhanced or maintain.

### **2.4 Employee Involvement**

Literature on employee involvement was also extensively reviewed as one of the significant determinants of employee retention came out as involvement factors. Many researchers have worked on employee involvement and participation at various levels and in various domains. Employee involvement is an important attribute of job satisfaction, employee motivation and even employee retention. Employee involvement has a direct correlation with productivity, quality, efficiency, absenteeism, and even motivation. Employee involvement has received much attention in the area of work organization in recent decades. Although changes in the work organization during the last decades are diverse and difficult to summarize by a few key concepts, there has emerged an agreement that employee involvement and monetary incentive systems are important measures in modern personnel management (Delery and Doty 1996), (Appelbaum et al. 2000), (Godard 2004). Addison et al. (2000) shows that establishments of different sizes might be affected differently by employee involvement. Employee involvement produces improved enterprise performance through diverse channels including enhanced discretionary effort by employees (Jones et al 2003). There is also a high association between peer review and employee involvement in work organization and better the peer review, better is the efficiency towards work. Employee involvement also affects the important

dimensions of individual performance, organizational citizenship behavior, defined as individual discretionary behavior that promotes the organization and is not explicitly rewarded. The main principle behind all initiatives for increasing the involvement of workers is to get the lower-level staff more involved in the decision making and work processes, and to grant these employees greater autonomy and control over job tasks and methods of work (Cappelli and Rogovsky 1994). Typical measures are teamwork, lean management, and reduced hierarchic levels (Godard 2004).

## **2.5 Hackman and Oldham's Job characteristics model**

Hackman and Oldham's Job characteristics model has been used to develop the conceptual model for the research. The Job Characteristics Model by Hackman and Oldham (1976) focuses on the interaction between the psychological states of employees, the job characteristics that are believed to determine these states and the attributes of individuals that determine how positively a person will respond to a complex and challenging job. Few of the aspects of the model have been amended with reasons. This amended model then generates a base for the theoretical skeleton of the research model.

## **2.6 Conceptual Model of the research**

The Hackman and Oldham's Job Characteristics Model was taken as the foundation to generate a conceptual model for the research. The three psychological states applied in the model are experienced meaningfulness of the work; experienced responsibility for the outcomes of the work and knowledge of the actual results of the work activities. All these can be purely classed as intrinsic to the job itself. Consequently, the model predicts only intrinsic (internal) motivation. The effects of extrinsic rewards, such as pay and other benefits, self-esteem, job security, hours of work and working conditions, etc. and the resulting extrinsic motivation are ignored. Moreover, there are several job dimensions that have been found to have an effect on worker satisfaction and motivation that are not included in Hackman and Oldham's formulation of the model. It may also be argued that personal and work outcomes need to be amended. The outcomes limit to high internal work motivation, high quality of work performances, high satisfaction with work, and low absenteeism and turnover. It may be noted here that along with personal outcomes as mentioned here, involvement with work may also breed as a result of the critical psychological states. The personal and work outcomes may be redefined as high work motivation, high work satisfaction and high work involvement. If this be the case, it may result in organizational outcomes too. Organization outcome will be a chain of events, wherein the

organization cultivates satisfied employees; who feel motivated; show high involvement and hence retains employees.

The research aims to find out the factors that cause attrition, how do these dimensions vary across the personal characteristics, what factors actually contribute to attrition. Similarly, it studies whether satisfaction, motivation and involvement enhance the stay of an employee in the organization. Thus, based on our literature review, we assume that personal characteristics and job characteristics together lead to the level of satisfaction, motivation and involvement in an employee, which further leads to their sustenance in the organization for a long term.

### **3. Research Methodology**

The general intent of this descriptive study was threefold. Therefore a systematic and organized methodology was obtained for the research study. A survey design was used to obtain the required information. The population for this study comprised of employees working in various BPOs in the National Capital Region. A sample size of 500 was chosen for this study. Simple random sampling technique was used to gather data from the respondents, because of which respondents diverged from every age group, gender, organization, marital status etc. but were restricted only to low and middle level employees, where the attrition is highest. The questionnaire was intricately designed to tap the demographic variables including age, education, gender, marital status, and tenure of the respondents. It also gathered information about the factors responsible for attrition, the factors that can be employed to retain the employees in a BPO, their overall level of satisfaction, motivation, involvement and life interest and work compatibility. Main data collection began in the month of July 2008. Statistical Package for the Social Sciences (SPSS) version 17.0 was religiously used for the statistical analyses.

A questionnaire was intricately designed to tap the factors responsible for attrition, the factors that are expected to be present in a specific job for retention. The instrument was divided into 4 parts. The first part gathered information about the personal profile of the respondents which included their age, gender, education, marital status, and tenure. Part II consisted of questions about their reasons for change or probable change in their jobs. Part III aimed at knowing what according to the respondents is important for their sustenance in an organization. And last of all, Part IV was about their overall perception of the work which included their level of satisfaction, level of motivation, level of involvement and level of life interest and work compatibility.

To test the validity of the instrument, a pilot study was done on 100 participants in the month of January 2008. Based on their responses, validity tests were done to check for the validity and usability of the instrument. Cronbach alpha, KMO measure of adequacy and Bartlett's test of sphericity were conducted. Cronbach alpha was calculated to measure the internal consistency reliability of the instrument. The cronbach alpha came as 0.898 for Part II and 0.963 for Part III thus the instrument was considered reliable for the study. Kaiser-Meyer-Olkin test was done to measure the homogeneity of variables and Bartlett's test of sphericity was done to test for the correlation among the variables used. The KMO value for part I of the instrument was 0.745, and for part II was 0.767, both of which are acceptable as a middling value. The Bartlett's test showed significant results for both the parts and hence the instrument was accepted for further study. Table 1 summarizes the entire result viz. cronbach alpha, KMO test values, and Bartletts's significance of the instrument. On getting quite meritorious results of the validity, the instrument was floated for data collection.

**Table 1: Tests of Validity of the questionnaire**

	No. of items	Cronbach's Alpha	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity	
<b>Part II</b>	21	.898	.745	Approx. Chi-Square	6052.012
				df	210.000
				Sig.	.000
<b>Part III</b>	20	.963	.767	Approx. Chi-Square	12554.051
				df	190.000
				Sig.	.000

#### **4. Exploring the dimensions of attrition in the BPO industry**

##### **4.1 Secondary Data Analysis**

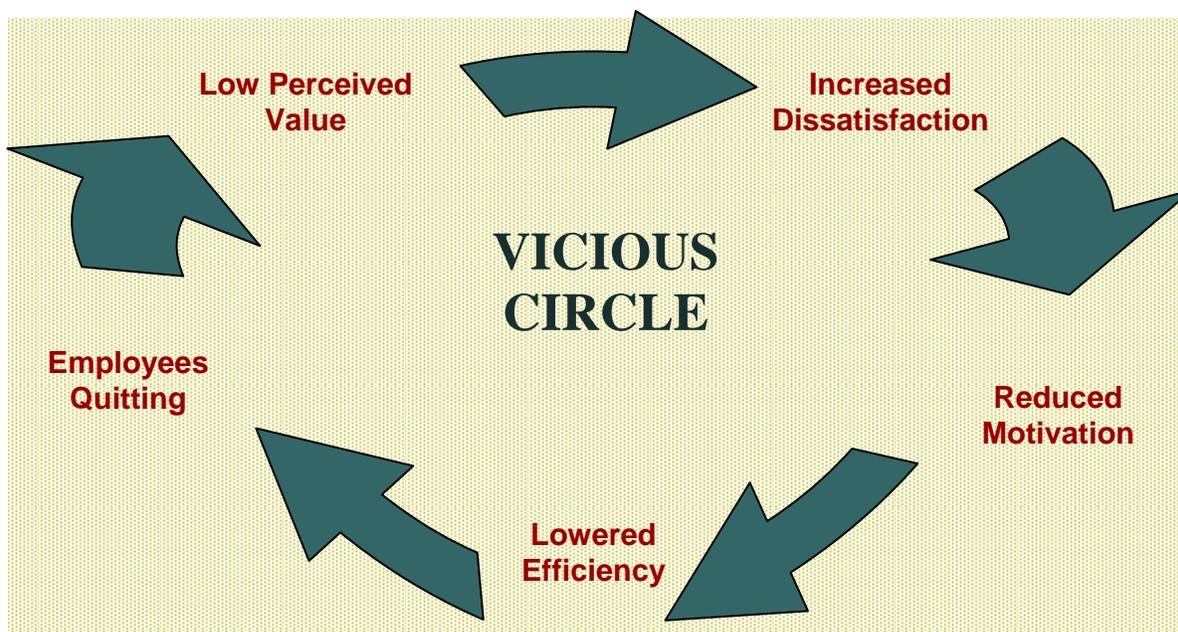
In order to gain a deeper understanding about the phenomenon of high attrition, and identification of the factors behind it, a lot of literature on BPO, particularly what got published during 2004 and 2005 was studied in detail. Major causal factors for high attrition in Indian BPO industry identified in this study were based on qualitative research using secondary data. These were compared with causal factors for attrition identified through personal interview with a number of BPO employees in the NCR. There was a close similarity between the two results, authenticating the qualitative research on causal agents for attrition identified in this study. The study ranked low perceived value and monotonous work as number one factor attrition. Rank two was shared by high salary expectation and unusual working hours. Next factor was disillusioned employees; rank four was shared by stress and

burnout, pressure to perform on metrics, and lack of motivation. Finally rank five was jointly shared by lack of security and social interaction.

**Table 2: Summary of ranks from secondary study**

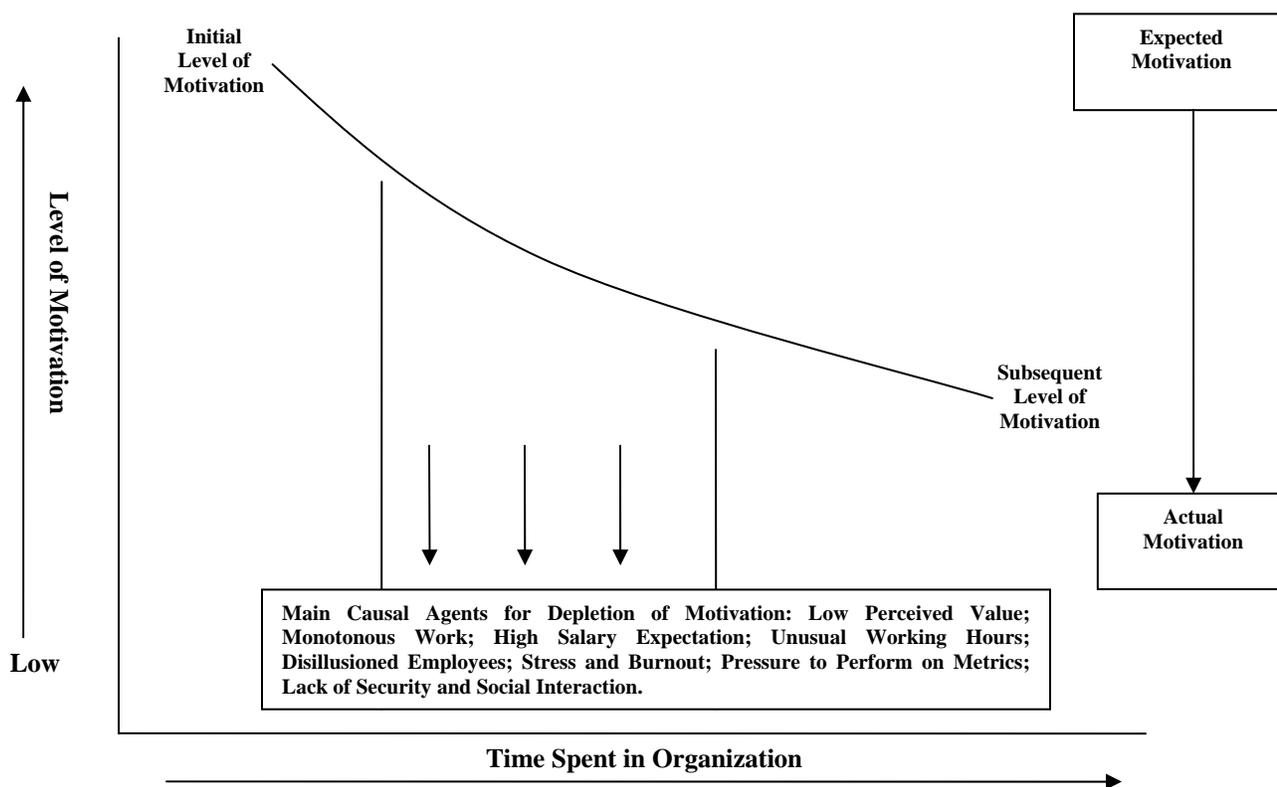
Causal Agents / Factors	Score (on 1) (Rank)
Higher Salary Expectation	0.7 (Rank-II)
Lack of Security	0.3 (Rank-V)
Lack of Social Interaction	0.3 (Rank-V)
Monotonous Work	0.8 (Rank-I)
Unusual Working Hours	0.7 (Rank-II)
Pressure to perform on Metrics	0.5 (Rank-IV)
Low Perceived Value	0.8 (Rank-I)
Disillusioned Employees	0.6 (Rank-III)
Stress and Burnout	0.5 (Rank-IV)
Lack of Motivation	0.5 (Rank-IV)

On the basis of these ranks and factors, an interesting inference was drawn. Low perceived value stands out as the most significant factor for attrition. Increased dissatisfaction leads to reduced motivation, which in turn results in lowered efficiency. When the efficiency is lowered, employees are not able to deliver their expected output which results in their leaving the job. When employees quit, the perceived value is further lowered. Thus a vicious circle is formed as shown in figure 4.



**Figure 4. Vicious Circle of attrition**

Moreover, it gives rise to the prevalent gap in motivation in this industry as shown in Figure 5. BPO industry is growing at a sweltering pace but the gap between the actual and expected level of employee motivation in the industry is increasing due to the formation of a vicious circle. New employees join the industry with excitement (because of big bucks and vibrant work culture) resulting in higher levels of motivation. However, they soon get disillusioned as the realities strikes in. Employee motivation gets a beating at a fast pace. Gap between the actual and expected level of employee motivation increases as the employee spends longer time in BPO industry. The objective concluded some findings about attrition through the way of motivation.



**Figure 5. Motivation Gap**

Motivational measures appropriate for BPO employees need a close examination and implementation on a high priority. Thus, the first objective was effectively achieved as it resulted in the formation of vicious circle of attrition and also gave a clear picture of the gap in motivation prevalent in the BPO industry. The next objective aimed at exploring the dimensions of attrition based on the primary data collection.

## 4.2 Primary Data Analysis

**Objective 2. To explore and analyze the dimensions of attrition in BPOs based on primary data collected from field survey.**

The second objective was fulfilled with the help of a number of statistical analyses that included factor analysis, regression, t-test, Duncan's mean test, and correlation. In order to identify and evaluate the factors behind attrition based on primary data, factor analysis was done. Principal component analysis was the method of extraction. The Kaiser rule for number of factors to extract was applied. 8 factors were extracted viz. dispirited perceptual factors, unfavorable working conditions, hostile organizational culture, discontented personal factors, substandard nature of job, uncongenial organizational support, low self-fulfillment, and mystified career path.

**Table 3: Factors for attrition from factor analysis**

Factor	Item	Factor Loading	Factor Name
1	• Low Perceived Value	.8622	Dispirited Perceptual Factors
	• Lack of Equality	.8278	
	• Lack of Advancement Opportunities	-.6494	
	• Incompatible Policies	.5026	
2	• Dissatisfied with Working Conditions	.7693	Unfavorable Working Conditions
3	• Power and Politics	.7974	Hostile Organizational Culture
	• Dissatisfied with Colleagues	-.4809	
	• Lack of Teamwork	.4482	
	• Dissatisfied with compensation	-.8269	Discontented Personal Factors
	• Personal Reasons	.6595	
	• Dearth of self-motivation	.6893	
5	• Lack of Skill Variety	.5135	Substandard Nature of Job
	• Monotonous Nature of Job	.5021	
	• Absence of Challenge	.8519	
6	• Irregular Working Hours	.3608	Uncongenial Organizational Support
	• Emphasis on quantity over quality	.5456	
	• Ineffective Supervision	-.4222	
7	• Lack of Autonomy	-.4471	Low Self-Fulfillment Factors
	• Achievement not recognized	.8373	
8	• Poor Mentoring	-.6229	Mystified Career Path
	• Unsure of career growth	.8151	

The next step involved computing the correlations between the independent variables and the dependent variable in order to find out the relationship between the two. Substandard nature of job, dispirited perceptual factors, discontented personal Factors, uncongenial organizational support, and hostile organizational culture have significant correlations with the dependent variable that is probability of quitting the organization. All the correlations are positive. It should be noted here that

the dependent variable in the equation is the employee's probability of quitting the organization and all the independent variables are positively correlated with it. That means these pessimistic dimensions like substandard nature of job, dispirited perceptual factors, discontented personal factors etc are positively correlated with the employees' probability of quitting an organization. The only three variables which do not have a significant correlation are low self fulfillment factors, mystified career path and unfavorable working conditions. That means it cannot be said with statistical significance that probability of quitting increases with the increase of uncertainty of career growth or poor mentoring or even achievement not being recognized.

**Table 4: Relationships (Correlation coefficients) between factors of attrition, and probability of quitting the organization (N=500)**

Factors of attrition	Probability of quitting
Substandard Nature of Job	0.42**
Dispirited Perceptual Factors	0.30**
Discontented Personal Factors	0.23**
Uncongenial Organizational Support	0.23**
Hostile Organizational Culture	0.17**
Low Self-Fulfillment Factors	0.04NS
Mystified Career Path	0.03NS
Unfavorable Working Conditions	0.03NS

\*\* Significant at .01 level.

Regression analysis was also done in order to find out the contribution of these factors to the stay of an employee. Substandard nature of the job, discontented personal factors, uncongenial organizational support, dispirited perceptual factors and hostile organizational culture are the main determinants of attrition in the BPO industry. The value of multiple R is 0.60 and the value of r square is 0.36 in the equation. It states that 36% of the attrition in a BPO is explained by these factors. An employee tends to leave the organization because of the substandard nature of the job, discontented personal factors, uncongenial organizational support, dispirited perceptual factors and hostile organizational culture.

$$Y = 1.78 + 0.38X_1 + 0.42X_2 + 0.34X_3 + 0.33X_4 + 0.09X_5$$

Where,

- Y = Stay in the organization
- X<sub>1</sub> = Substandard nature of job
- X<sub>2</sub> = Discontented personal factors
- X<sub>3</sub> = Uncongenial organizational support
- X<sub>4</sub> = Dispirited perceptual factors
- X<sub>5</sub> = Hostile organizational culture

These dimensions were then compared across all the personal characteristics i.e. age, gender, marital status and education. In the **gender** dimension, factors like dispirited perceptual factors, unfavorable working conditions, discontented personal factors, monotonous nature of job, and low self fulfillment factors had significant difference in the mean values of males and females. Dispirited perceptual factors, discontented personal factors, and low self-fulfillment factors were ranked higher by male employees.

In the **marital status** dimension, significant difference was found in the mean values of dispirited perceptual factors, unfavorable working conditions, discontented personal factors, hostile organizational culture, uncongenial organizational support and low self fulfillment factors. Uncongenial organizational support, hostile organizational culture, low self-fulfillment factors, discontented personal factors, and dispirited perceptual factors as factors responsible for attrition were ranked higher by married employees as compared to unmarried employees.

In the **education** dimension, all the factors except for mystified career path had significant differences in mean and standard deviation values between graduate and post-graduate respondents. Factors like hostile organizational culture, uncongenial organizational support, and dispirited perceptual factors were highly significant as compared to others. Hostile organizational culture, uncongenial organizational support, monotonous nature of job, discontented personal factors, and unfavorable working conditions were all ranked higher by graduates as compared to post graduates. Post graduate employees ranked perceptual factors and self-fulfillment factors as important reasons for leaving an organization.

In the **age** dimension, dispirited perceptual factors and monotonous nature of job showed highly significant differences in mean and standard deviation values. Mystified career path, unfavorable working conditions and hostile organizational culture were other significant factors. Organizational culture, working conditions, nature of job was ranked highest by employees less than 25 years of age. Dispirited perceptual factors along with mystified career path were ranked highest by employees more than 35 years of age than other less aged employees.

When the dimensions were compared across the three **tenure** groups, uncongenial organizational support, hostile organizational culture, low self-fulfillment factors, and discontented personal factors showed significant differences in mean and standard deviation values. Unfavorable working conditions, dispirited perceptual factors and substandard nature of job did not have any significant difference in the mean values or standard deviations. F value was highest in case of organizational

support. This factor was ranked highest by respondents with less than 1 year of job. Hostile organizational culture, discontented personal factors, and mystified career path was ranked highest by respondents with more than 3 years of experience. Employees with 1 to 3 years of experience ranked low self fulfillment factors as the highest. Thus the second objective of exploring the dimensions of attrition through primary data was successfully achieved.

## 5. Exploring the dimensions of employee retention

### 5.1 Dimensions of retention

**Objective 3. To identify and explore the dimensions of employee retention in BPOs based on primary data collected from field survey.**

For the fulfillment of the third objective, a series of statistical analyses were done. It began with factor analysis, followed by mean tests to compare the dimensions across various characteristics and ended with the computation of correlations. In order to identify and evaluate the factors behind retention based on primary data, factor analysis was done. Principal component analysis was the method of extraction. The Kaiser rule for number of factors to extract was applied. All total 4 factors were extracted viz. intrinsic motivation factors; hygiene; life interest and work compatibility factors; and involvement factors.

**Table 6: Factor Analysis of the factors of retention**

Factor	Item	Loading	Factor Name
1.	• Opportunity for personal growth and development in my job position.	.8308	Intrinsic Motivation Factors
	• Opportunity in my job position to give help to other people.	.4028	
	• Feeling of self-esteem a person gets from being at my position.	.7554	
	• Authority connected with my position.	.5306	
	• Feeling of self fulfillment a person gets from being in my job position (i.e. feeling of being able to use one's own unique capabilities, realizing one's potentialities)	.8109	
	• My role at the current job position.	.4458	
	• Prestige of my job position inside the organization.	.6149	
2	• Amenities like housing, conveyance, medical benefits provided.	.3075	Hygiene Factors
	• Opportunity to develop close friendship in my job position.	.4998	
	• Salary offered for my job position.	.8405	
	• Facilities provided for effective working (lighting, air conditioning, seating etc.)	.6316	
	• Security of my job position.	.7643	

3	• Feeling of worthwhile accomplishment in my job position.	.3053	Life Interest and Work Compatibility Factors
	• Opportunity one gets to move ahead in life and become fairly well-known and well-off.	.4692	
	• Consideration given by the government to this profession.	.8048	
	• Prestige of my job position outside the organization (that is regard received from others not in the organization.)	.8696	
4	• My overall involvement in the work	.3516	Involvement Factors
	• Sense of accountability for a person at my job position.	.3158	
	• Opportunity in my job position for participation in the determination of methods and procedures.	.7969	
	• Opportunity for independent thought and action.	.6832	

The dimensions of retention so formulated after the factor analysis were then compared across the various personal characteristics of the respondents chosen for the study. On the basis of **gender** comparison, extrinsic hygiene factors, involvement factors and life interest and work compatibility factors had their mean values significantly higher in case of females as compared to males. On the basis of **marital status** comparison, the mean value of involvement factor was higher in case of married employees than unmarried ones. On the basis of **education**, all the factors except involvement factors had significant differences in mean and standard deviation values between graduate and post-graduate respondents. Life interest and work compatibility factors, intrinsic motivation factors and extrinsic hygiene factors were all ranked higher by post graduates as compared to graduates. On the basis of **age** comparison, extrinsic hygiene factors, life interest and work compatibility factors and intrinsic motivation factors showed highly significant differences in mean and standard deviation values. Extrinsic hygiene factors; life interest and work compatibility; and intrinsic motivation factors were ranked higher by employees more than 35 years of age than other less aged employees. On the basis of **tenure** groups, intrinsic motivation factor and life interest and work compatibility was ranked highest by the respondents with more than 3 years of tenure. Involvement factor was ranked highest by the second tenure group i.e. with 1-3 years of tenure in the present organization.

Relationships were also found out between the various retention factors and the perceived attitudes of the employees. All the correlations had positive and significant coefficients, thus stating the fact that if an organization is able to exploit the retention factors, viz. motivation factors, hygiene factors, involvement factors, and life-interest and work compatibility, the employees can readily and voluntarily express their willingness to continue.

## 5.2 Regression Model for retention

**Objective 4. To develop a regression model for escalating the stay of employees in BPOs and give recommendations for the same.**

For the fourth objective, regression analysis was done. The dependent variable was sustenance in an organization, and the independent variables were personal characteristics viz. age, gender, education, marital status, and retention factors viz. motivation factors, extrinsic factors, involvement factors, and life interest and job compatibility factors. All these eight factors were put in the model as independent variables and willingness to continue in the organization was put as the dependent variable. Intrinsic motivation factors, employee involvement factors, age and education are the main determinants of retention. The value of multiple R is 0.60 and the value of r square is 0.36 in the equation. It states that 36% of the retention in a BPO is explained by these factors. An employee's sustenance in an organization can be rightfully explained by these factors.

$$Y = 1.78 + 0.47X_1 + 0.15X_2 - 0.13X_3 - 0.11X_4$$

Where,

Y = Stay in the organization

X1 = Intrinsic Motivation Factors

X2 = Involvement Factors

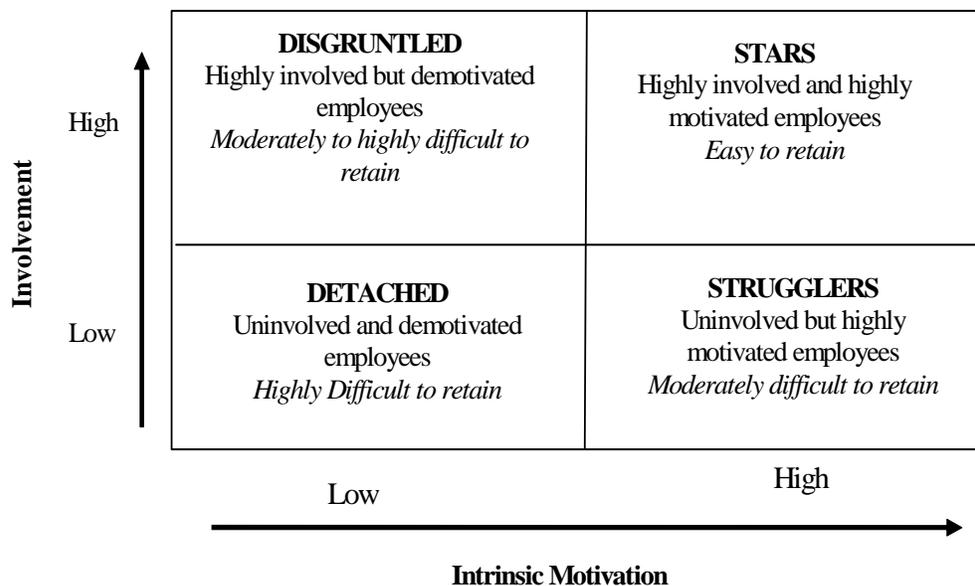
X3 = Age

X4 = Education

After forming the regression model, value for each respondent's willingness to stay in the organization was calculated. These predicted values were then compared to the actual values as given by the respondents. There was a strong correlation between the actual and predicted values. The correlation came out to be 0.659\*\* which was significant at 0.01 level. Thus, on the basis of the regression model it can be concluded that intrinsic motivation factors; and involvement factors are quite instrumental in retaining the employees in an organization and at the same time, age and education negatively contribute to the sustenance of the employees in the organization. Employee involvement is a proven tool to motivate and retain employees and according to the result here, it can be constructive in the Indian BPOs too. In the West, there has been ongoing interest in getting workers more involved in various processes, such as decision-making and information sharing. Employee participation adds to employees' growth needs and sense of achievement through a healthier deployment of their dexterity and potential. Employee participation in planning and decision making and in articulating new policies

also acts an important tool to improve employee motivation. Finding ways to intrinsically motivate employees to improve effectiveness and performance can have long lasting impact on their sustenance too.

Based on the two dimensions i.e. motivation and involvement which, according to the regression model, significantly contribute to the sustenance of an employee in the organization, employees can be broadly classified into four broad categories. There are people who are woefully inadequate in both dimensions i.e. neither are they involved in the work, nor are they motivated to perform. We may call such people as ‘detached’ who leave the organization for no rhyme or reason, hence extremely difficult to be retained. Next comes the ‘disgruntled’ who get involved in the given assignment but lack aspiring motivation. Such people are moderately to highly difficult to be retained as they lack in the basic intrinsic motivation. The other two segments comprise of ‘strugglers’ and ‘stars’ who are at the higher end of the motivation continuum. The former may be relatively lower in their involvement as compared with the latter. ‘Strugglers’ lack involvement but have a high degree of intrinsic motivation, because of which they struggle hard to work. It is moderately difficult to retain them. The ease and art lies in fulfilling their involvement needs by expanding their responsibilities, empowering them, making them involved in decision making etc. ‘Stars’ are highly motivated and highly involved in the work, and thus they are the easiest to be retained. ‘Disgruntled’ and ‘strugglers’ are the focus segments, which a company would not want to lose. They need to be enhanced, protected, valued and retained by pulling away all the non-retentive forces and kicking the retentive forces into high gear.



**Figure 4: Involvement vis-à-vis Intrinsic Motivation: Effect on employee retention**

### **5.3 Model Validation**

**Objective 5. To assess the existing level of employee motivation and validate the model by studying the impact of recommendations on a small patch.**

For the final validation of the regression model, a small patch test was done on a sample of 50 employees in Intelnet Private Ltd. Few concrete recommendations were made to the process manager of this BPO and he was asked to stringently apply these recommendations. The employees chosen for this study were the ones who had said they would leave the organization if they were offered work with the same pay elsewhere. Data which was collected, after three months of implementation, was analyzed statistically. The response scores were put in the regression equation as derived from the fourth objective and the resultant willingness to stay in the organization was calculated. The comparison with their original scores clearly revealed that there was an escalation in the scores. Also, the predicted scores and the actual scores of the willingness to continue in the organization was put under correlation. It was found that both the values were strongly and significantly correlated with each other, with coefficient as 0.66\*\*. Finally, employees were classified under four broad categories based on their level of involvement and motivation viz. detached, disgruntled, strugglers and stars.

## **6. Conclusions**

### **6.1 Analogy with established theories**

The regression model for the retention of employees in a BPO explains two important factors i.e. intrinsic motivation factors and involvement factors. This result is robustly analogous with all the prevalent and established theories of motivation viz. Herzberg's theory, Maslow's theory, Alderfer's Theory, McClelland's Theory. According to all these theories, the higher order needs revolve around self esteem, or self-actualization in one way or the other. According to Maslow's theory, the higher-level needs are self-esteem and self-actualization. Only when one need is satisfied, another higher-level need emerges and motivates the person to do something to satisfy it. A satisfied need is no longer a motivator. Only the next level of needs in the hierarchy will act as motivators. Once a level of needs has been satisfied they no longer act as motivators and the individual then directs attention towards the next level of needs in the hierarchy. Herzberg draws a parallel with Maslow's theory but with a subtle difference. According to his theory, motivator factors are factors that are intrinsic to the job, such as the content of the work itself and the availability of opportunities for responsibility, advancement and recognition for achievement. The motivator factors, which Herzberg described as "complex factors

leading to this sense of personal growth and self-actualization”, would then be able to act on that employee and increase job satisfaction and productivity. Thus, according to this theory, in order to motivate workers towards higher productivity, it is important to ensure that the motivators are utilized to arouse the instinct of the employees. Herzberg’s motivator and hygiene factors can be mapped onto Maslow’s hierarchy of needs with the motivator factors corresponding to the higher order needs of ego and self-actualization.

Next, according to Alderfer’s ERG theory, growth needs involve the intrinsic desire for personal development and include the intrinsic element of Maslow’s esteem category as well as self-actualization needs. Finally according to McClelland’s theory, people with a high achievement need have a compelling drive to succeed. They strive for personal achievement rather than rewards and have a desire to do something better or more efficiently than it has been done before. They seek situations where they can attain personal responsibility for finding solutions to problems, where they can receive rapid feedback on their performance so they can tell easily whether they are improving or not, and where they can set moderately challenging goals.

The established theories correlate motivation with performance and productivity. The study done here finds the correlation between motivation and willingness to continue in the organization. It is an established truth, that if the employee feels intrinsically motivated to work and also engenders sense of belongingness and involvement with his work, he is likely to stay longer with the organization. The intrinsic motivation factors take account of the feeling of self-fulfillment, prestige inside the organization, opportunity for advancement, opportunity for growth, authority connected, feeling of self-esteem, role at the current job position and opportunity to help others. Factors like self-fulfillment, self-esteem, prestige, advancement, growth and authority are closely connected with the higher order needs of Maslow and Herzberg and growth needs or need for achievement by Alderfer and McClelland respectively. Figure 17 gives a pictorial representation of the close correspondence of the various need-based theories and the intrinsic motivation factors responsible for retention of BPO employees. Thus, in a BPO job, in order to retain employees it is important to infuse the sense of fulfillment and esteem, by giving recognition, independence, job variety, expanding the span of their control. Their career graph has to be judiciously managed so as to provide them with a lucid picture of their growth and sustainability in the organization. Authority renders empowerment and empowerment inspires a positive feeling for the job and organization to the employee. All these factors, along with ingraining a spirit of involvement in the employee, can actually be utilized to retain the employees for a fairly longer term.

## 6.2 Implications of the Study

Based on the conclusions derived after the in-depth and comprehensive study, few implications can be made about employee retention. 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 on going 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. Employee retention does matter. 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. Attempt should be made not to orchestrate the retention strategies in isolation but ensuring that it forms a part of the overall strategies for fortifying the pull on the human talent, which include sourcing, staffing and development strategies in addition. It should also be noted here that retention policies should be highlighted at par with other policies so as to ascertain that the employees feel they are highly valued. Once the employees working in the organization are made to feel that the organization holds high degree of attachment towards them, it shall be easy to incorporate retention strategies. The organization should inculcate the value of people asset and the duty of retention across all levels.

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.

### **Inculcating the retention culture**

The most important aspect of inculcating the retention culture is to emphasize upon the employees that the organization values them. Culture of retention should prioritize the I-I-I model i.e. Introduce-Inculcate-Involve. The details are as follows:

- **Introduce** to the employees that the organization holds high degree of attachment towards them values them and believes in sustaining them.
- **Inculcate** the culture in the organization communicating to the employees that retention of employees is not just a segregated task of the H.R, but is the responsibility of the whole family. Season the work culture that is in sync with the philosophy of retaining the employees.

- **Involve** employee more in planning retention strategies as coworkers understand better than supervisors.

Few ways to create a culture of retention should include taking care of the intrinsic motivation needs of the employees, and involvement factors. For creating a culture of retention in the organization the following should be kept in mind:

**Even the ordinary has something extraordinary:** No role within the organization should be viewed as "ordinary". Everyone should be given the opportunity and the goal of being extraordinary.

**Create a mission, act upon it, and feel proud about it:** A mission which a team can take pride in should be created.

**Shape up a free atmosphere; break away redundant policies:** People should not be strangled by micro-managing or by burying them in policies and procedures. Only the necessary guidelines and tools should be given. A free and liberated atmosphere should be given to the employees. **Celebrate activities, not just performance.** Small little progresses should also be celebrated and recognized. Activities, efforts, and modest improvements instead of big results should be noted and praised.

**Create, Innovate, and Designate:** Empowering employees for decision making, innovation and creativity is the key to foster a positive atmosphere and enhance employee involvement. Allowing the employees to play, have fun and experiment with newness; encouraging them to contribute to others (employees, customers and the community) in extraordinary, innovative and novel ways; designating employees with expansion of their responsibilities horizontally, and empowering them can have multiplying effects on the loyalty of the employees.

### **6.3 Recommendations: Developing Retention Strategy**

Organizations should have a proactive retention strategy which helps in reducing employee turnover. Retention plan strategies should be different for different level of employees, because their roles are different; their needs are different; what motivates them are different and what makes them leave are also different. Based on the study it has been seen that dimensions of satisfaction and motivate are significantly different for employees on the basis of age, gender, marital status and education. Then, the regression model revealed that intrinsic motivation and involvement factors, as well as age and education level contribute to the sustenance of employees in the organization. Thus based on the findings, it can be said if the employees are motivated and involved in the work they can be retained.

The ease of retention would depend on their degree of motivation and involvement. It is desirable to plan employee retention strategy by an organization, which should cover following aspects:

- Reciprocity is the key. Employees are investors in the company and expect a return on investment. The return can be in the form of recognition, empowerment and authority.
- Retention must be part of the organization's DNA. Successful organizations have woven retention and engagement deeply into their structure.
- Loyalty is never given. Loyalty must be earned; even satisfied employees sometimes leave. Therefore, develop sense of loyalty among the employees.
- Organizations must be seen as employers of choice. One has to compete on compensation and benefits, but win on culture, learning and development.
- Stars include more than just the top 10% -- or 1%! Stars are people at any level who sustain in the organization and bring value to it.
- Each generation of employees has different reasons for staying. For the first time in modern history, there are varied generations working side-by-side in most companies of this industry. Generational differences continue to pose new challenges to today's employers. Thus, retaining them needs a generation-centric approach.
- Mentor widely and in both directions. Build learning relationships in all directions and hold all partners responsible for the success.
- Train intelligently. Provide on-going retention training in manageable bites – make it a continuous effort and find ways to size the retention plan to the specific demographics of the organization.
- Create a development culture. “Career development is the right thing for the organization (identifying and developing future leaders), the right thing for the employee (creating a development environment), and a key retention component.”
- Recognize managers who keep employees. Meaningful recognition remains a potent energizer for employees and managers alike.

## **6.4 Limitations and scope for further research**

The research study is limited to a few aspects. Firstly, the study has considered only limited variables while assessing attrition, retention, and other perceived attitudes of the employees. Secondly, measuring attitudes of respondents is quite subjective. Although great care was taken for precision, yet there may be certain gaps which need to be rectified. Thirdly, the model needs to be tested on a larger dataset. Although dozens of letters were sent out to companies asking whether they would be willing to take part in this research, only two organizations have so far agreed to do so. Perhaps many felt that the domain of attitudes like involvement, motivation and satisfaction of their workforce (or perhaps lack of it) was a sensitive area and believed that it would reflect poorly on the organization. However, if more variables are taken into consideration, and if the questions used to measure the respondents' attitudes toward work are re-evaluated and adjusted, a better result can be attained.

It should be noted that the study was conducted in the National Capital Region (NCR) of India. Further research can be conducted by adding a couple of facets to it. The study can be replicated in other sectors where attrition has become a common problem. IT industry has close similarities with that of a BPO industry with an equally alarming rate of attrition. Similar study can also be done in sectors like hospitality, infrastructure, retail, education etc. as intrinsic motivation becomes a pillar for performance, loyalty and eventual sustenance almost everywhere.

## LIST OF REFERENCES

1. Addison, John T., Stanley Siebert, Joachim Wagner, and Xiangdong Wie (2000), Worker participation performance: evidence from Germany and Britain, *British Journal of Industrial Relations* 38, 7-48.
2. Appelbaum, Eileen, Thomas Bailey, Peter Berg, and Arne L. Kalleberg (2000), *Manufacturing advantage – Why high performance work systems pay off*, Ithaca: ILR Press.
3. Barney, Jay. “*Firm Resources and Sustained Competitive Advantage.*” *Journal of Management* 17 (March 1991): 99–120.
4. Bhatnagar, Akshay. “*Wake Up Big Boys, Service Unavailable, BPO Ads Are Hot.*” *Economic Times* (21 February 2005). <[economictimes.indiatimes.com/articleshow/10263662.cms?headline\\_Wake\\_up\\_...](http://economictimes.indiatimes.com/articleshow/10263662.cms?headline_Wake_up_...) > (Accessed on February 21, 2010).
5. Bleuel, W. 2001. “*Curbing the “cycle of failure”.* Available: [http://www.scantronsurveys.com/surveysimple/cycle of failure.htm](http://www.scantronsurveys.com/surveysimple/cycle%20of%20failure.htm)
6. BPO India (2004), “*Attrition in Indian BPO Industry*”, <http://www.bpoindia.org/research/attrition.shtml>, last accessed February 11, 2010.
7. Budhwar, P, Luthar, H. and Bhatnagar, J (2006) “*The Dynamics of HRM Systems in Indian BPO Firms.*” *Journal of Labor Research* Vol. XXVII, No. 3
8. Cacasnas, Zoe. “*The Offshoring Craze: What to Think About Before You Jump.*” *Human Resources Management International Digest* 13 (March 2005): 36–38.
9. Cappelli, Peter and Nikolai Rogovsky (1994), New work systems and skill requirements, *International Labor Review* 2, 205-220.
10. Cappelli, Peter and Rogovsky, Nikolai, “*Employee Involvement and Organizational Citizenship: Implications for Labor Law Reform and 'Lean Production'.*” *Industrial and Labor Relations Review*, July 1998.
11. Chakravorty, B. (2005), “*BPO E-Sat 2005*”, Dataquest, November 15, pp. 22-28, available at [www.iseva.com/news-events/downloads/iSeva-The-preferred-employer.pdf](http://www.iseva.com/news-events/downloads/iSeva-The-preferred-employer.pdf). Last accessed on February 06, 2010.
12. Chalos, Peter and Jaeyoung Sung. “*Outsourcing Decision and Managerial Incentives.*” *Decision Science* 29 (Fall 1998): 901–19.
13. Chanda, Rupa. “*Spreading the Benefits of BPO Growth.*” *Financial Express* (April 5, 2005). <[www.financialexpress.com/fe\\_full\\_story.php?content\\_id\\_87026?headline\\_spre...](http://www.financialexpress.com/fe_full_story.php?content_id_87026?headline_spre...)> (Accessed on April 5, 2010).

14. Christopher, Eelna. "Offshoring Goes Complex, but It Pays." The Economic Times Online (12 January 2005). <economictimes.indiatimes.com/articleshow/988808.cms> (Accessed on January 25, 2010).
15. Currie, Wendy L. and Leslie P. Willcocks. "New Strategies in IT Outsourcing: Major Trends and Global Best Practices–Report." London: Business Intelligence Ltd., December 1997.
16. D’Aveni, Richard and David J. Ravenscraft. "Economics of Integration versus Bureaucracy Costs: Does Vertical Integration Improve Performance?" *Academy of Management Journal* 37 (October 1994):1167–206.
17. Delery, John E. and D. Harold Doty (1996), Modes of theorizing in strategic human resource management: Tests of universalistic, contingency and configurational performance predictions, *Academy of Management Journal* 39, 802-835.
18. DiRomualdo, Anthony and Vijay Gurbaxani. "Strategic Intent for IT Outsourcing." *Sloan Management Review* 39 (Summer 1998): 67–80.
19. Dyer, Jeffrey H. and Harbir Singh. "The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage." *Academy of Management Review* 23 (October 1998): 660–79.
20. Feeny, David, Mary Lacity, and Leslie P. Willcocks. "Taking the Measure of Outsourcing Providers." *Sloan Management Review* 46 (Spring 2005): 41–48.
21. Finlay, Paul N. and Ruth M. King. "IT Outsourcing: A Research Framework." *International Journal of Technology Management* 17 (No. 1–2 1999): 109–28.
22. Freeman, Richard, Morris Kleiner, and Ostroff, Cheri. 2000. "The Anatomy of Employee
23. Ghosh, Biswadip and Judy E. Scott. "Interorganizational Knowledge Management in a BPO." Omaha, The 11th Americas Conference on Information Systems (August 2005).
24. Gilley, Matthew K. and Abdul Rasheed. "Making More by Doing Less: An Analysis of Outsourcing and Its Effects on Firm Performance." *Journal of Management* 26 (Issue 4 2000): 763–90.
25. Godard, John (1999), *When do workplace reforms really work? An exploration of why reform program effectiveness varies*, mimeo, University of Manitoba.
26. Godard, John and John T. Delaney (2000), Reflections on the 'high performance' paradigm's implications for industrial relations as a field, *Industrial and Labor Relations Review* 53, 482-502.
27. Gorsuch, R. L. 1983. *Factor Analysis*, 2nd ed. Hillsdale, New Jersey: Lawrence Erlbaum Associates
28. Grossman, Gene M. and Elhanan Helpman. "Outsourcing in a Global Economy." *Review of Economic Studies* 72 (January 2005): 135–59

29. Gupta, Sharika, *Employee Retention* (December 27, 2004). Available at SSRN: <http://ssrn.com/abstract=640430>
30. Houlihan, Maeve. “*Tensions and Variations in Call Centre Management Strategies.*” In Stephen Deery and Nicholas Kinnie, eds. *Call Centres and Human Resource Management: A Cross-National Perspective*. London: Palgrave Macmillan, 2002, pp. 75–101.
31. <http://www.indiamarks.com/guide/Top-10-BPO-s-in-India-A-Nasscom-Report/1059/>
32. Huselid, Mark A. (1995), The impact of human resource management practices on turnover, productivity, and corporate financial performance, *Academy of Management Journal* 38, 635-672.
33. Ichniowski, Casey, Thomas A. Kochan, David Levine, Craig Olson, and George Strauss (1996), What works at work: Overview and assessment, *Industrial Relations* 35, 356-374.
34. *Improving Organizational Performance*. San Francisco: Jossey-Bass.
35. *Involvement and its Effects on Firms and Workers,*” NBER Working Paper No. 8050.
36. Isukapally, Mythri, *Employee Retention-Talent Management* (November 2006). Available at SSRN: <http://ssrn.com/abstract=948142>
37. Jones, Derek C. and Kato, Takao, *The Effects of Employee Involvement on Firm Performance: Evidence from an Econometric Case Study* (September 2003). William Davidson Institute Working Paper No. 612.
38. Joshi, R. (2004), “*Innovative Retention Strategies for Indian BPO’s (Part One)*”, CiteHR Human Resource Management Community, available at <http://www.citehr.com/hr-strategy-vt25866.html>, last accessed on February 11, 2010.
39. Kakabadse, Andrew and Nada Kakabadse. “*Outsourcing: Current and Future Trends.*” *Thunderbird International Business Review* 47 (March–April 2005): 183–204.
40. Kanwar, Y.P.S.; Singh, A.K.; and Kodwani, A.D. “*Work-life Balance and Burnout as Predictors of Job Satisfaction in the IT-ITES Industry*”, *Vision-The Journal of Business Perspective*, Vol.13, No.2, April-June, 2009, pp. 1-12.
41. Kern, Thomas, Leslie P. Willcocks, and Eric Von Heck. “*The Winner’s Curse in IT Outsourcing: Strategies for Avoiding Relational Trauma.*” *California Management Review* 44 (Winter 2002): 47–69.
42. Klein, Paula. “*Outsourcing Third Wave.*” *Information Week* 761 (November 1999): 126–27.
43. Lawler, Edward E. III. 1986. *High-Involvement Management: Participative Strategies for*
44. Levine, David I. and Tyson, Laura D’Andrea. 1990. “Participation, Productivity and the Firm’s Environment,” in Blinder, Alan S., ed., *Paying for Productivity*, Washington, D.C.: Brookings Institution, 183-236.

45. March, James G. and Robert I. Sutton (1997), Organizational performance as a dependent variable, *Organization Science* 8, 698-706.
46. Mehta, A. et al. (2006) “*Challenges and opportunities of Business Process Outsourcing in India.*” *Journal of Labor Research* Vol. XXVII, 3.
47. Misra, P. (2007) “*Increasing Rate of Attrition in BPO.*” *Management and Labor Studies* Vol. 32, 1.
48. NASSCOM. “*BPO Job Potential Stays High: NASSCOM.*” (2005a). <[sify.com/finance/fullstory.php?id\\_13866657?headline\\_BPO\\_job\\_potential\\_sta](http://sify.com/finance/fullstory.php?id_13866657?headline_BPO_job_potential_sta)> (Accessed on August 6, 2009). <[nasscom.org/artdisplay.asp?Art\\_id\\_2781](http://nasscom.org/artdisplay.asp?Art_id_2781)> (2005b) (Accessed on May 24, 2010). *Nasscom’s Handbook: IT Enabled Services Background and Reference Resource*. New Delhi: National Association of Software and Service Companies, 2001.
49. Neale, Helen. “*Offshore BPO Delivery.*” *NelsonHall BPO and Outsourcing Subscription Service: Nelson-Hall*, 2004 <[www.nelson-hall.com](http://www.nelson-hall.com)>.
50. Pande, Bhanu “*Sun, Survey Can’t Deter the Call of Duty.*” *Economic Times Online* (July 29, 2005). <[economictimes.indiatimes.com/articleshow/msid-1185174,prtpage-1.cms](http://economictimes.indiatimes.com/articleshow/msid-1185174,prtpage-1.cms)> (Accessed on May 8, 2010).
51. Prahalad, C.K. and Gary Hamel. “*The Core Competencies of the Corporation.*” *Harvard Business Review* 68 (May–June 1990): 79–91.
52. Prakash, S. and Chowdhury, R. (2004). “*Managing attrition in BPO*”, In *search of Excellence*, Cool Avenues, [http://www.coolavenues.com/know/hr/s\\_1.php](http://www.coolavenues.com/know/hr/s_1.php). Last accessed on: February 06, 2010.
53. Quinn, James B. “*The Intelligent Enterprise: A New Paradigm.*” *Academy of Management Executive* 6 (November 1992): 48–63.
54. Quinn, James B. and Frederick G. Hilmer. “*Strategic Outsourcing.*” *Sloan Management Review* 35 (Summer 1994): 43–55.
55. Ramchandran, Kumar and Sudhir Voleti. “*Business Process Outsourcing (BPO): Emerging Scenario and Strategic Options for IT-enabled Services.*” *Vikalpa* 29 (January–March 2004): 49–62.
56. Ravichandaran, Ram. “*BPO, ITES Sectors to Hot Up in 2005, Says NASSCOM Report.*” *Financial Express* (March 9, 2005): 2.
57. Rediff.com “*What Indian BPO Industry Needs.*” (2005a). <[us.rediff.com/money/2005/apr/23bpo.htm](http://us.rediff.com/money/2005/apr/23bpo.htm)> (Accessed on May 1, 2010).———. “1000 Jobs Offshored – 10mn Saved!”

- (2005b). <[us.rediff.com/money/2005/jan/24bpo.htm?headline\\_BPO:\\_1000\\_jobs\\_£10\\_...](http://us.rediff.com/money/2005/jan/24bpo.htm?headline_BPO:_1000_jobs_£10_...)> (Accessed on January 25, 2010).
58. Rose, Ed and Gillian Wright. “*Satisfaction and Dimensions of Control among Call Centre Customer Service Representatives.*” *International Journal of Human Resource Management* 16 (January 2005):136–60.
59. Sangameshwaran, Prashad and Amit R. Rai. “*Are Indian BPOs Losing Their Cutting Edge?*” *Business Standard* (March 22, 2005): 1.
60. Shah, H. and V. Sharma. (2007) “*Can Job Satisfaction Enhance Individual Performance: Empirical Study from BPO Sector.*” *Global Journal of Business Management* Vol. 1, 1.
61. Sharma, Purti, *Business Process Outsourcing in India - Growth, Performance And Future Challenges* (March, 24 2009). Strategic Outsourcing - Business Process Outsourcing: Current Scenario And Future Challenges, pp. 351-357, Deep and Deep Publications, Pvt. Ltd, New Delhi, 2007. Available at SSRN: <http://ssrn.com/abstract=1367552>
62. Shaver, J. Myles (1998), Accounting for endogeneity when assessing strategy performance: Does entry mode choice affect FDI survival?, *Management Science* 44, 571-585.
63. Singh, Harsimran. “*Circa 2010: KPO v/s BPO, KPO Wins.*” *Economic Times* (March 11, 2005a). <[economictimes.indiatimes.com/articleshow/1057153.cms?headline\\_Move\\_over...](http://economictimes.indiatimes.com/articleshow/1057153.cms?headline_Move_over...)> (Accessed on March 21, 2010).———. “*Is the BPO Iceberg Melting Under Attrition Heat?*” *Economic Times* (February 10, 2005b). <[economictimes.indiatimes.com/articleshow/1036152.cms?headline\\_BPO\\_attrition.](http://economictimes.indiatimes.com/articleshow/1036152.cms?headline_BPO_attrition.)> (Accessed on April 11, 2010).
64. Steensma, H. Kevin and Kevin G. Corley. “*Organizational Context as a Moderator of Theories on Firm Boundaries for Technology Sourcing.*” *Academy of Management Journal* 44 (April 2002): 271–91.
65. Steers, R. (1987) *Motivation and Work Behaviour*, London: McGraw Hill
66. Stone, Lisa. “*New BPO Definitions Clarify Service Offerings.*” *Research Note* (October 2004): Gartner Research, Document G00123758 <[www.gartner.com](http://www.gartner.com)>.
67. Tapper, David. “*Worldwide and U.S. IT Outsourcing Services 2004–2008 Forecast: A Potential Perfect Storm.*” *Market Analysis* (April 2004): IDC, Document 31089 <[www.idc.com](http://www.idc.com)>.
68. The Hindu. “*UK Firms Save 10mn Pounds for Every 1000 Offshored Jobs.*” (January 25, 2005): 2.
69. Vohra, Kushal, *Systems Approach to Retention of Critical Employees.* Available at SSRN: <http://ssrn.com/abstract=662442>
70. Walletwatch. “*Call Centre Attrition Puts HR Managers to Test.*” (April 2003). <[www.samachar.com/biz/fullstory.html](http://www.samachar.com/biz/fullstory.html)> (Accessed on May 8, 2010).

71. Witt, L.A., Martha C. Andrews, and Dawn S. Carlson. *“When Conscientiousness Isn’t Enough: Emotional Exhaustion and Performance among Call Center Customer Service Representatives.”* *Journal of Management* 30 (February 2004): 149–60.