

A STUDY OF BUSINESS PROCESS OUTSOURCING (BPO) METHODS IN RETENTION: INDIAN PERSPECTIVE

PALLE PADMA

Research Scholar, Dept. of Management,
Sri Satya Sai University of Technology & Medical Sciences,
Sehore, Bhopal-Indore Road, Madhya Pradesh, India

Dr. Rajesh Sharma

Research Guide, Dept. of Management,
Sri Satya Sai University of Technology & Medical Sciences,
Sehore, Bhopal Indore Road, Madhya Pradesh, India

ABSTRACT

The Indian BPO industry faced an attrition rate of 30-40%, costing the average Rs. 500 crore in recruitment and training. The total loss due to attrition was estimated to be 25% of the annual revenue. A synergy between incentives, higher education programmes, career growth programmes, selection of right person for the right job and changes in the organizational commitment helped organizations in bringing the attrition rate under their control to some extent. But all these efforts had cost implications. The study identifies some creative retention strategies/practices being followed by companies are flexi time, fun@ work, training and development opportunity, bridging the gap, work with friends, and best reward system etc. The objective of the paper is to understand the retention strategies adopted by selected Indian BPO companies and to discuss the alternative measures to curtail the attrition without eroding the cost competitiveness. Further the author feels that organizations must understand employee retention and its causes will ultimately have a competitive advantage. To avoid the damage and costly effects of increased turnover, organizations need to act now to improve their retention efforts. In this age of high stakes and unpredictable market and organizational changes, organizations must educate their managers and create an environment where today's top talent can thrive.

KEYWORDS: Attrition, retention, BPO, talent, strategies, incentives, performance, crunch, and human capital

INTRODUCTION

HR professionals all over the world, working in BPO industry are breaking their heads to formulate Retention Strategies but nothing is working in their favor. The average attrition rate in this sector is still 35-40% (Sharma, 2008). The rapid growth of the outsourcing industry has resulted in both high turnover and labour shortages and at the same time provided employment opportunities to a new group of employees: young upwardly mobile college graduates. This particular demographic profile is prone to high turnover and presents new managerial challenges (Kuruvulla&Ranghanatahan, 2009). Despite of so many benefits and privileges associated with BPO industry it's a matter of concern to understand reasons behind changing pattern of attrition. It is true that attrition rate in India lesser than the prevalent attrition rate in the US market (around 70 percent), but the challenge continues to be greater considering the recent growth of the industry in the country. If a person leaves after the training it costs the company about Rs 60,000. For a 300- seater call centre facing the normal 30 percent attrition, this translates into Rs 60 lakh per annum (Chaturvedi, 2007). Organizations spend a huge amount of money and time to train their employees and bridge the gap. New recruits spend about six months learning of the trade despite the fact that recruits are most talented lot coming from most prestigious institutes viz IITs and IIMs (Jha, 2009). Moreover, hiring of a new employee normally costs around 35% or more of the average employee salary (<http://www.contentwriter.in>). Keeping in view the high attrition rate and talent crunch HR professionals in BPO industry have been adopting new generation retention strategies for different categories of employees.

Human capital is the most crucial resource on which the ITES depends. Employee retention refers to the ability of an organization to retain employees. Changes in business environment, demographics and LPG have created new opportunities as well as escalated the level of competition in the BPO industries. Human resources are the life blood of any organization. It is essential to protect the essence resource as talented and motivated employees play key role in overall development and in the success of the organization. It is very important to control this attrition rate. A single tool like training will not help to retaining employees in near future. Retaining employee will be beneficial for the employee as well as organization. The companies have to bring innovative and motivating retention tools and techniques for retaining qualitative manpower. Attrition in BPOs has terrible effect on the organization. The high attrition cost increases the cost of organization too. The more people leave an organization, the more it is a drain of companies resources. Therefore it is extremely necessary to curb attrition not only for an individual firm but also for the industry as whole.

THE BPO INDUSTRY

The concept of outsourcing is a business practice that has gained momentum over the last decade. In the mid-1990s, outsourcing was viewed as viable means to achieve cost control or economies of scale. Outsourcing is being pursued as an active business strategy in the current economic scenario, since it enables a firm to focus on core competency areas. Business process outsourcing (BPO) is a broad term referring to outsourcing in all fields. A BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process. The following three terms are used to indicate the type of service provider;

1. Offshore: In this case the service provider is located far away from the company which is outsourcing work and the communication and control is exerted using IT enabled tools over long distance of telecom network.
2. Onshore: In this case the service provider is located on the shore.
3. Nearshore: The service provider is located near the shore in a somewhat lower cost country location in nearby countries (Tayal and Jain, 2007).

Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry. Few of the motivation factors as to why BPO is gaining ground are: Factor Cost Advantage, Economy of Scale, Business Risk Mitigation, Superior Competency and Utilization Improvement (Himachali, 2007). Generally outsourcing can be defined as - An organization entering into a contract with another organization to operate and manage one or more of its business processes. Different Types of Services Being Offered By BPOs namely:

(A) Customer Support Services: Customer service offerings create a virtual customer service center to manage customer concerns and queries through multiple channels including voice, e-mail and chat on a 24/7 and 365 days basis.

(B) Technical Support Services: Technical support offerings include round-the-clock technical support and problem resolution for OEM customers and computer hardware, software, peripherals and Internet infrastructure manufacturing companies. These include installation and product support, up & running support, troubleshooting and Usage support.

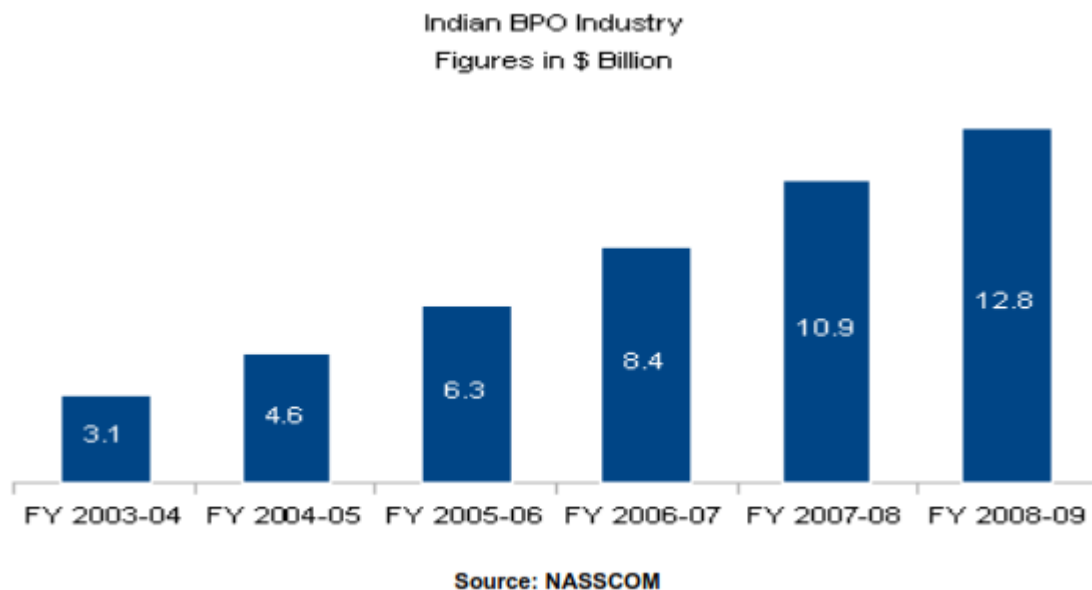
© Telemarketing Services: Telemarketing outsourcing services target interaction with potential customers for prospecting like either for generating interest in products and services, or to up-sell / promote and cross sell to an existing customer base or to complete the sales process online.

(D) Employee IT Help-desk Services: IT help-desk services provide technical problem resolution and support for corporate employees.

(E) Insurance Processing: Insurance processing services provide specialized solutions to the insurance sector and support critical business processes applicable to the industry right from new business acquisition to policy maintenance to claims processing.

Over the last decade, the BPO industry has grown at a frenetic pace. However, the last two years have been challenging for several service providers due to the uncertain economic conditions. The Indian BPO industry that was growing at a rapid pace (CAGR of 30+ %) from 2004-2008, experienced a slowdown for the year 2008-09 (with a growth rate of 17% per annum). Revenues from the Indian BPO industry were \$12.8 b in FY 2008-09 (Exhibit: 1). The BPO segment was valued at \$9.5 billion in 2006-07 and contributed \$8.4 billion of the outsourcing industry's total exports of \$31 billion. By 2012, the BPO segment is expected to overtake the software services segment in terms of overall value (Ranganathan and Kuruvilla, 2007).

Exhibit I: The BPO Industry Revenues



The year 2009 saw many BPOs expanding their operations. While some BPOs expanded their operations by setting up new centers and expanding their own branches others explored the acquisition option to grow their business. This is a result of the move towards a mix of multiple locations, on-shore, near-shore and offshore; as a means to serve customers better and de-risk operations. Several BPOs including Wipro,

Convergys, Aegis BPO, WNS, First Source, Infosys and Zenta expanded operations within and outside India. The global outsourcing market has been expanding at a rapid pace in the past few years as outsourcing has become an integral function of every organization in the past 10 years or so. Companies have been benefiting through global sourcing partnerships in terms of cost savings, enhanced business efficiency, ability to explore new markets, reduction in time-to-market and products and services among others. Leading global organizations have realized the importance of outsourcing and offshoring and are increasingly outsourcing their non-core activities to low-cost countries such as India, China, Ireland, and Philippines among others. India has taken centre stage in the global outsourcing arena and Indian vendors are progressively adopting more new business models with a blend of onshore, offshore and near-shore operations that gratify their clients and help them to increase their top line and bottom line. India continues to dominate the global business process off shoring market by offering value-added services to its global clients. Global organizations are increasingly outsourcing their business needs owing to rapidly changing business scenario, intense competition from peers, and rising globalization, to improve their performance. Offshoring of business services are done in different ways, such as moving the production from parent company by establishing a foreign captive affiliate, which is also known as captive off shoring. Besides, it also involves outsourcing of business activities to a third party service provider – either domestic or foreign owned. As mentioned earlier, India's comparative advantage are its huge talent pool, higher working population, improved infrastructure facilities, and innovative business processes, which offer significant cost benefits to international clients. India's share in global business process off shoring increased steadily from 32% in 2004 to 35% in 2008, according to data from UNCTAD-Everest Research Institute. In recent times, however, the Philippines have been emerging as a business process offshore destination; in 2008, it had a 15% share in the global business off shoring up from 9% in 2004. In India, several cities are emerging as favourable destinations for US-based and Europe-based companies to establish their delivery centres in cities such as Bangalore, Gurgaon, Hyderabad, Pune, Mumbai and Chennai.

THE GROWING TALENT CRUNCH

Former president APJ Abdul Kalam recently said that only 25 per cent of graduating students were employable as the rest were poor on technical knowledge, English proficiency, and the critical thinking that the IT and IT-enabled services industry wanted for the emerging Knowledge Process Outsourcing sector. Iran Karnik, former NASSCOM president, puts the blame at the door of India's education system, saying that only 25 per cent of the country's engineering graduates deserve jobs. No wonder companies today have to invest heavily in training fresh graduates, helping them to unlearn and pick up skills. As there are dramatic changes in politics and business as well as international scenarios, there is a need to keep updating the syllabus almost every year. ManoharChellani, Secretary General, Education Promotion Society for India, New Delhi, points out that there is tremendous scope for improving the quality of education in India, and delay in doing it will cost us heavily. Though the IT industry needs 3.5 lakh engineers a year, only 1.5

lakh are available. This could lead to a shortage of over five lakh engineers in the next few years. Presently, it employs over 350,000 but is short of around 90,000 workers. In another year, the shortfall is expected to cross 200,000. In 2007, the job market was vibrant. 2008 promises to be better as India goes on to vitalize its various sectors, which require over 1,000 CEOs across industries. Promising to grow by the day is Business Process Outsourcing (BPO), which has the potential to employ around 23 lakh in another two years. It has rapidly grown to become a \$9.5 billion industry (Menon, 2008). But again, the BPO sector has been seriously affected by the lack of trained personnel. Attrition is the order of the day as salaries sky rocket. As today, most of organizations are suffering from talent crunch, formulation of good ERM strategy and its successful implementation can reduce the intensity of problem. The concept of ERM is based on the conviction that satisfied employees tend to be more loyal, more motivated, more likely to have positive impact on the retention of customers, all of which is better for business bottom line (Bhardwaj and Sharma, 2010)

STRUCTURE OF ATTRITION

In spite of the salaries and facilities being high (especially for a graduate who starts his / her career with a BPO company) the average attrition rate is very high in this industry (Singh, 2003). A 2004 study of turnover in seven large 'third-party' call centres showed a wide variation in turnover rates, ranging from as low as 12 per cent to as high as 62 per cent, with a mean turnover of 30 per cent (Remesh, 2004). There is considerable agreement in international research (Batt et al. 2006; Deery and Kinnie, 2004) that call centre jobs are organised in a 'tayloristic' fashion: highly repetitive, with tightly regulated lunch and restroom breaks, targets in terms of number of calls to be made and a very high degree of monitoring of employee activity. Indian call centres are apparently no different (Remesh, 2004; Taylor and Bain, 2005). Pradhan and Abraham (2005) argue that using a different name and adopting a different persona during work hours can cause questioning of one's identity and can lead to what they term the 'multiple personality disorder'. There are numerous reasons for the attrition to be high which can be categorized into two broad classifications. The first can be coined as "Drive Attrition" which caused due to the employer; the second one can be termed as "Drag Attrition" which caused due to the employee.

A. Drive Attrition: The reasons for Drive Attrition are due to employer's policy / policies of terminating the employee at the end of the contract period for employment. Also the quality policy of the BPO companies guides them to retain only the most productive employee and hence makes them to terminate employee at regular intervals. A BPO company operates 24 hours a day and 365 days a year. The companies do not have a particular day as weekly off for its employees. Graveyard shifts and odd hours which suit the foreign clients create lot of problems to the employees. Symptoms of Insomnia and even depression are caused due to change of 24-hour biological rhythm of the body, and also, loss of employee's personal life hence Drive attrition rate shoots up (Kakkar, HarGovind, 2007).

B. Drag Attrition: It is basically due to the host of insecurities and vulnerabilities associated with the taking up a career with a BPO company. They are: no career prospects, lack of creativity, monotony of work, stressful job, switching job for higher salaries, and drive towards higher education (Singh et al, 2002). Further BPO company work does not provide any scope for skill up gradation for the employee. The employer trains the employee to speak good English and nothing else which adds to the Drive attrition rate. Also the nature of job in a typical BPO company is psychologically very stressful. The working hours are artificially created which affect the natural rhythm of human body. The symptoms of chronic fatigue, gastrointestinal problems, peptic ulcer, insomnia and even depression are caused due to change of 24-hour biological rhythm of the body, Listing out the reasons for non-retaining of human capital include lack of growth opportunity for the employees, lack of time based promotion, poaching of employees by other competitive BPOs for higher salaries, employees quitting to pursue higher education, loss of employees personal life, employees physical stress and health reasons, uneasy relationship with peers or managers. While the average attrition rate had dropped to 7.8% for Indian industry in mid-2009, it had almost double to 15% by the end of the year 2010 as the job market improved according to HR surveys. Companies like Infosys, Genpact has taken several measures to prevent attrition rates from going further (Mamgain and Puri, 2010).

2.1 Cost of Attrition to the company Abbassi and Hollman (2000) further indicate that when an organization loses a critical employee, there is negative impact on innovation and major delays in delivery of services to customers, consequently affecting the profitability of the organization. Hale (1998) studied recruitment costs to be 50 to 60 per cent of an employee's first year's salary and up to 100 per cent for certain specialized high-skill positions. It will become significantly more important in the years ahead to recognize the commitment of individuals to an organization, as well as the organization's need to create an environment in which one would be willing to stay (Harris, 2000). The company's ability to retain the kind of workers wanted and needed has a direct impact on its profitability and effectiveness. The costs are both direct and indirect. There are the direct costs to recruit and train, and even greater indirect costs in loss of productivity. Less obvious are the costs of maintaining morale when there are change and threats of job cuts (Howatt, 2007).

A. Recruitment Costs

1. The cost of advertisements; agency costs; employee referral costs; internet posting costs.
2. The cost of the internal recruiter's time to understand the position requirements, develop and implement a sourcing strategy, review candidates backgrounds, prepare for interviews, conduct interviews, prepare candidate assessments, conduct reference checks, make the employment offer and notify unsuccessful candidates. This can range from a minimum of 30 hours to over 100 hours per position.
3. Calculate the cost of the various candidate pre-employment tests to help assess candidates' skills, abilities, aptitude, attitude, values and behaviors.

B. Training Costs: The cost of orientation cost of departmental training, and the cost of the person(s) who conduct the training and the cost of various training materials.

C. New Hire Costs: The cost of bring the new person, the cost of a manager's time spent in developing trust and building confidence.

3. Retention Strategy so far Adopted

Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tool. Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence failing to retain a key employee is a costly proposition for an organization. Various estimates suggest that losing a middle manager in most organizations costs up to five times of his salary. Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Retention of key employees and treating attrition troubles has never been so important to companies. The most frequent methods for increasing employee retention have been to provide orientation and some level of mentoring support and guidance, at least for novice educators if not all new employees. It increases retention to some extent, perhaps as much as 15-20% (Sweeny, 2008). Most of BPO companies as a part of retention strategies offering the legal and mandatory benefits such as provident fund and gratuity. Other benefits which are entitled by BPO professionals are (Bhamidi, 2008):

1. Group Medi-claim Insurance Scheme: This insurance scheme is to provide adequate insurance coverage of employees for expenses related to hospitalization due to illness, disease or injury or pregnancy in case of female employees or spouse of male employees. All employees and their dependent family members are eligible. Dependent family members include spouse, non-earning parents and children above three months
2. Personal Accident Insurance Scheme: This scheme is to provide adequate insurance coverage for Hospitalization expenses arising out of injuries sustained in an accident. This covers total / partial disablement / death due to accident and due to accidents.

3. Subsidized Food and Transportation: The organizations provide transportation facility to all the employees from home till office at subsidized rates. The lunch provided is also subsidized.
4. Company Leased Accommodation: Some of the companies provides shared accommodation for all the out station employees, in fact some of the BPO companies also undertakes to pay electricity/water bills as well as the Society charges for the shared accommodation. The purpose is to provide to the employees to lead a more comfortable work life balance.
5. Recreation, Cafeteria, ATM and Concierge facilities: The recreation facilities include pool tables, chess tables and coffee bars. Companies also have well equipped gyms, personal trainers and showers at facilities.
6. Corporate Credit Card: The main purpose of the corporate credit card is enable the timely and efficient payment of official expenses which the employees undertake for purposes such as travel related expenses like Hotel bills, Air tickets etc
7. Cellular Phone / Laptop: Cellular phone and / or Laptop are provided to the employees on the basis of business need. The employee is responsible for the maintenance and safeguarding of the asset.

DIMENSIONS OF RETENTION STRATEGY

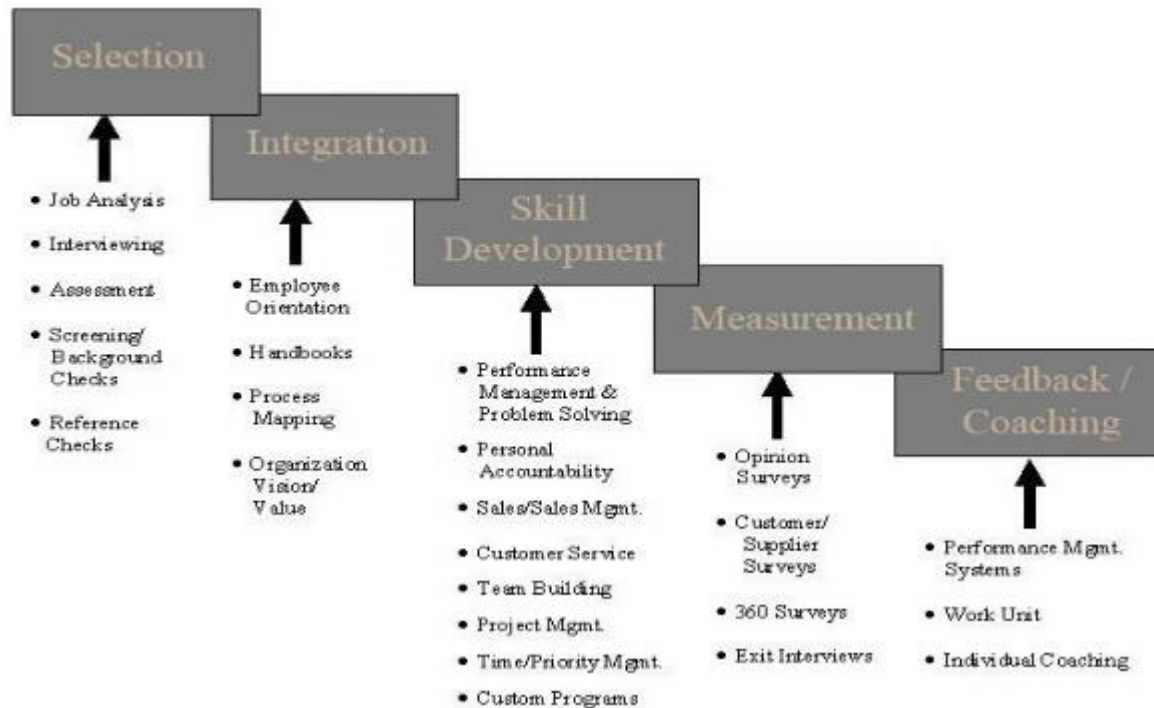
Designing of retention strategies would be determined by factors like corporate competitive strategy, importance of human resource as a driving factor and the immediacy of the situation. Retention strategy of any organization may have the following dimensions:

(I) Employees to be Retained: Murty (2004) identifies three categories of employees-those who would need to be retained indefinitely; those who are critical to the organization in the short run and those who are easily replaceable. Once such sets of employees are identified, any organization can easily customize its retention strategies in order to encourage organizational loyalty among employees. Those who fall under the first category may be offered lucrative compensation packages and schemes, which may have long term positive repercussions. Those who are critical to the organization in the short run would be those whose supply would be lesser in the short run or those who would be critical to any project that necessitates completion in the short run. They would thus be the 'celebrities' in the watch of the market (Murty, 2004). Retention of such critical talents would necessitate offers which would shine bright in the short run. The third categories of employees, who are easily replaceable, have the least priority in retention; they may be offered voluntary separation from the organization (Piyali, 2006).

(ii) Reasons behind Retention: According to the American Management Association, the cost to replace an employee who leaves is, conservatively, 30 percent of their annual salary. For those with skills in high demand, the cost can rise to a frightening 1.5 times the annual salary to replace them. Research of the most

profitable companies in America indicates that happy employees produce more, and are less likely to leave. The impact of excessive employee turnover on organizations has been found to have engendered far-reaching consequences, even to the extent of jeopardizing efforts to attain organisational objectives (Abbasi and Hollman, 2000).

Exhibit II: Retention Model



CHALLENGES FOR AHR PROFESSIONALIN BPO

Span of Control: Managing huge number of people in minimal amount of time is a major difficulty faced by HR professionals. For managing huge workforce, the HR manager has to be extremely keen and skilled in managing all the employees.

Brand equity: People still follow the old concept of BPO being low-brow which has to be eliminated by providing skills and expertise to the employees.

Pre-job training: Many times induction is not imparted to new employees which lead to waste of talent, time resources, there is no standard curriculum, which could be designed and followed.

Benchmarks: No standard benchmarks for compensation and benefits, performance or HR policies. Everyone is framing their own targets

CONCLUSION

Retention strategies have to be carefully executed keeping in mind the people involved because it revolves around them. Feedbacks from employees have to be worked upon, and their inputs included in making it a success effort (Figure: II). The huge gap in the demand-supply for specialized skill-sets is still widely prevalent, availability of raw talent far exceeds that of polished skill-sets, educational system lags behind in experiential learning and providing practical knowhow. All these hindrances further act as roadblock, affecting the chances of companies to recruit and retain the best available and polished talent pool. The author concludes that strategies worked best when an organization is successful in demonstrating the 'what's in it for me' to the individual employee. Finally the author remarks that the average costs of replacing today's defecting work force are eating away at the profitability of even the healthiest organizations. Even when the bottom line remains intact, the loss of just a handful of key employees who have a special expertise or who maintain valued customer relationships can shake an organization to its roots. In this age of high stakes and unpredictable market and organizational changes, organizations must educate their managers and create an environment where today's top talent can thrive. The alternative is unacceptable.

REFERENCES

- Bbasi, S. and Hollman, K. (2000). Turnover: The Real Bottom Line. *Public Personnel Management*, 29 (3), 333-342.
- Blankertz, L.E. and Robinson, S.E. (1996). Who is Psychosocial Rehabilitation Worker?" *Psychiatric Rehabilitation Journal*., 19 (4), 1996, 3-13.
- Brannick, Joan (2001). Seven Strategies for Retaining Top Talent. *Journal of Business Strategy*. Vol. 22, No. 4, 28-31.
- Manishaben Jaiswal "Big Data concept and imposts in business" *International Journal of Advanced and Innovative Research (IJAIR)* ISSN: 2278-7844, volume-7, Issue- 4, April 2018 available at: http://ijairjournal.in/Ijair_T18.pdf
- Manishaben Jaiswal " SOFTWARE QUALITY TESTING " *International Journal of Informative & Futuristic Research (IJIFR)* , ISSN: 2347-1697 , Volume 6, issue -2 , pp. 114-119 ,October-2018 Available at: <http://ijifr.com/pdfsav/23-12-2019214IJIFR-V6-E2-23%20%20OCTOBER%202018%20a2%20files%20mergeda.pdf>
- Batt, R., V. Doellgast, H. Kwon, M. Nopany, P. Nopany and A. da Costa (2006), *The Indian Call Centre Industry: National Benchmarking Report Strategy, HR Practices, & Performance*, CAHRS Working Paper #05-07 (Ithaca, NY, Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies), Retrieved from <http://digitalcommons.ilr.cornell.edu/cahrswp/7>.
- BhamidiSrikanth (2008). Retention Strategies in ITES-BPO Industry. Retrieved from <http://toostep.com/insight/retention-strategies-in-ites-bpo-industry>.
- BhardwajSatendra and Sharma Ambrish (2010), Talent Retention: A Challenge in Digital Era, *Trends and Strategies*. *KAIM Journal of Management and Research*. 3(1), 80-85.

ChaturvediVijit (2007). Indian BPO Industry: Features, Challenges and Remedies. Retrieved from http://www.indianmba.com/Faculty_Column/FC595/fc595.html .

Deery, S. and N. Kinnie (2004). Call Centres and Human Resource Management . Hampshire: Palgrave Macmillan. Employee retention Tools.(n.d). Retrieved from <http://www.contentwriter.in/articles/hr/employee-retentiontools.htm>.

GhoshPiyali (2006). Retention Strategies in the Indian IT Industry.Indian Journal of Economic and Business.Retrieved from http://findarticles.com/p/articles/mi_m1TSD/is_2_5/ai_n25012647/.

Hale, J. (1998). Strategic Rewards: Keeping Your Best Talent from Walking out the Door. Compensation and Benefits Management, 14(3), 39-50.

Harris, J. (2000). Finding and Keeping Great Employees. Training, 36(4), 118-123.