Strategic Role of HR in Efficient and Effective Management of the Human Capital Pool

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ABSTRACT

The main center of attention of the 21st century’s organizations now is employee retention and employee commitment as in comparison to profit maximization earlier. Employees are said to be an organization’s greatest asset. Attracting, safeguarding, nurturing and preserving them are a mission in itself, which requires continuous commitment and support. For an organization to get maximum output and quality work it requires effective workforce but with an effective workforce the organization can only go to a certain distance. To gain the maximum out of that workforce the commitment of employees and the turnover ratios requires crafty examination. The employee commitment can have a significant role in employee turnover ratio as it emphasizes on employee eagerness to help colleagues, positive development on productivity and right attitude of employees. This paper aims at understanding reasons for employee attrition and relationship of the same with regards to length of service and number of organizations worked earlierby
an employee. The study suggested that as long as the organization will provide an abundance of career opportunity to an employee they will be reluctant to move out and look for better opportunities.

**Key Words:** Employee Attrition, ITeS-BPO, Retention, echnology-enabled Business Process Outsourcing

**INTRODUCTION**

In past few years, the Indian economy has witnessed a positive change in growth and development, with which the technological and the traditional methods of doing business also changed. The smart organizations are now focusing towards the smart way of doing business instead of being a jack of all trade. Outsourcing the noncore business is the trend being followed by the organizations. BPO are proving to be the obvious choice to make a profit, reduce cost while improving the quality of services also to increase the shareholders wealth. (Shah and Sharma 2006).

Since 2003 the domestic IT- BPO market has seen an upward growth and now is an important place for both small and large IT- BPOs. Earlier only the small and medium businesses were taking an interest in the domestic sector, but for past few years, large players have realized the untapped potential of the domestic IT-BPOs. It all changed after the global market slowdown. The domestic IT BPO market is presumed to be around at 100 billion by 2020, which was given in the NASSCOM- McKinsey's Perspective 2020 study. The market research firm has suggested that the BPO alone will grow at the rate of 33.3 percent in the domestic market, with a revenue of around USD 6.82 billion by 2013. The domestic market is getting help from the
factors like involvement in e-Governance projects by both state as well as central governments and increased used of IT by public and private sectors. The result is that the Indian market customers are being engaged by the small and large IT-BPOs and getting the huge and prestigious deals in return.

Globally improved economic conditions have given confidence to the consumer and businesses. Increased expenditure in IT has driven the growth rapidly and was 4.2% in 2011. Indian IT-BPO industry will not only help the business to manage the expenditure but also will help in cutting the cost by improving the process, workforce practices, and improved information use. The sector continued to improve the value chain in 2011, by focusing on adaptable solutions for businesses.

The problem faced by BPOs since their inception revolves around the host of challenges from the beginning. The two major challenges faced by the BPOs are Internal and External. The internal challenges revolve around the management for mid and senior management and high employee turnover rate. The opposition faced from the politicians and labor unions of US and UK which are against the decision of outsourcing the businesses to India is one major external challenge. The most significant internal challenge is the high rate of employee turnover, which causes business a lot of money, talent, and resources and also not forgetting the expense of training.

LITERATURE REVIEW

Attrition, in Human Resource terminology, refers to the phenomenon of the employees leaving the company. It is usually measured with a metric called attrition rate, which simply measures the number of employees moving out of the company (voluntary resigning or laid off by the company).
According to Wendell French (1997), “Attrition is the voluntary separation of employees from the organization through resignation and retirement.” Reddy, A. Jagan Mohan (2007) defines attrition as “Reduction in the number of employees through retirement, resignation or death.” Pradeep Ekta Kumar (2005) states, “Attrition is the separation of employees from an organisation due to resignation, retirement, death, poaching etc.”

The latest trend of employee turnover has heated up the corporate to come up with a solution to minimize the turnover ratio. To maintain an effective workforce the duties of managers have shifted from just hiring the good employees to retaining them for a longer duration. For an organization to get maximum output and quality work it requires effective workforce but with an effective workforce the organization can only go to a certain distance. To gain the maximum out of that workforce the commitment of employees and the turnover ratios requires canny observation. The employee commitment can have a significant role in employee turnover ratio as it emphasizes on employee eagerness to help colleagues, positive development on productivity and right attitude of employees. As a matter of fact, it helps in team building and better understanding among team members. Basically to maintain an effective workforce organization need to have right people for the right job. The review of different studies which have explored the reasons and effects of attrition is presented as under.

Magner et al. (1996) emphasized that employees feel comfortable to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere. Labov, (1997) highlighted that employees have a strong need to be informed. Organisation with strong communication systems enjoyed lower turnover of staff.
Trevor (2001) suggested that local unemployment rates interact with job satisfaction to predict turnover in the market. Role stressors also lead to employees' turnover. Role ambiguity refers to the difference between what people expect of us on the job and what we feel we should do. This causes uncertainty about what our role should be. It can be a result of misunderstanding about what is expected, how to meet the expectations, or the employee thinking the job should be different. Manu et al. (2004) found that employees quit from organization due to economic reasons. Using economic model they showed that people quit from organization due to economic reasons and these can be used to predict the labour turnover in the market. 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.

Raman (2006) in his study "Strategies to Retain Human Capital in Business Process Outsourcing (BPO) Industry" said that 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 is caused due to the employer; the second can be termed as "Drag Attrition" which is caused due to the employees. The reason for Drive Attrition is many-a-times the employer's policy / policies of terminating the employee at the end of the contract period for employment. Drag Attrition is basically due to the host of insecurities and vulnerabilities associated with the taking up a career with a BPO company.

Borstorff and Marker (2007) conducted an employee survey and interviews at a large international wholesale bakery, the study indicated that health benefits, base pay, and life/work balance were most important to hourly workers. Moreover suggestions on a retention strategy addressing employee’s needs
were also given which includes that a good supervisor relationship is important to retaining employees. Moreover it was discussed that supervisory relationship not only influences job performance, career development, recognition and rewards, it also enhances teamwork, better communication, optimum utilization of organizational resources, and relationships with co-workers, customers, and peers.

Shrivastav A.K. (2010) stated that how the organizational environment works in the BPO industry. Six motives of organizational climate in BPO industry were measured through the paper. Expert Influence, and Extension forms the dominant and backup climates. The affiliation was the weakest of the lot. The exploratory factor analysis of climate motives revealed three meta climates. i) Brazen shrinking combining heightened dependency and de-emphasised affiliation. ii) Empowered collaboration representing heightened Extension and de-emphasised control. iii) Obsession for Expertise combining the heightened expert influence and de-emphasised achievement. Said Shaban Hamed (2010) the research examines the relationship between role clarity, organizational trust and employee’s empowerment, the relationship between employee’s empowerment and job involvement. The author has used a cross-sectional design. A random sample of 862 employees was selected to participate in the study. Self-administered questionnaires were used in data collection. The results proved statistically significant positive relationships between role clarity, organizational trust and employee’s empowerment, and also a statistically significant positive relationship between employee’s empowerment and job involvement, job satisfaction.

Zachariah and Roopa (2012) in their study examined the reasons for employees leaving the Organization, staying back factors, their attitude towards work, work relationships and their
prioritized basic expectations from the organization and they also studied as to whether there is any significant difference in the response among IT professionals of Indian IT and Multinational Companies with respect to the above factors. Based on the analysis of responses of 30 IT professionals carried out, it was found that there was no significant difference among these companies. However with respect to certain demographic factors like total experience, position and sponsored certification programs, it was found that there was significant difference between these companies. The outcome of the study is expected to help the HR Managers of these Organizations in minimizing the attrition rate by developing effective retention strategies specific to their Organization.

Mohamed et. al. (2012) observed that, from an organizational perspective, the higher the intra organizational trust, the more satisfied and productive the employees tend to be. James and Faisal (2013) in their paper aimed at addressing high employee attrition in the BPO sector in Karnataka and Kerala States of India by identifying the critical factors which cause high attrition. The data was collected through a structured questionnaire survey. The study identified 13 factors affecting high employee attrition in BPO industry using Factor Analysis. Multiple regression analysis was also applied to analyze the collected data wherein it was found that the attrition factor employee’s salary has emerged as the most critical factor affecting high attrition in the BPO sector. The paper further clarifies the need to pay immediate attention on introducing highly competitive salary packages in BPO sector organizations for addressing the high attrition problem. It was also revealed that both in Karnataka and Kerala states, absence of good HRM practices is also one of the critical factors causing high attrition. BPO management should also
ensure that their employees are paid enough for the work they do in the organization in which they are working.

Shin (2013) conducted a study to examine the process of organizational change into new entrepreneurship such as corporate spin-offs or intrapreneurship. In the study, the organizational change process is divided into two phases: Change initiation and change diffusion. The study is based on the assumption that organizational change is ignited by an individual or small group of change agents and spread throughout the organization and the system within the organization which help agents to spread the change sentiment. Vibha (2013) through her paper analyzed the recruitment and retention challenges faced by the BPO industry and examined the employee turnover ratio in the first year of their joining in Indore’s leading domestic call centers. Basic factors based on the findings of this study to control attrition were manageable workloads, recognition, and support from their co-workers and management, good opportunities for growth and innovation. Pradeepkant and Siddharth (2015) in their paper concluded that the employee with the age of 35 and above are less likely to change their job than those with age below age 35. Another factor was the proximity of the employee to the family, in the case of married women they were more likely to change the job to be closer to the family. Moreover, it was also observed that people from the rural and semi-urban area are interested in switching the job since they are already staying away from their homes, but it was more in case the employee is less than 35 years old and vice versa.

While many general studies have been carried out on attrition, very less systematic and comprehensive work has been undertaken that gives an in-depth understanding of the problem and identifies the relationship of the problem with tenure of service and the number of organizations worked earlier in order
to combat the most smoldering problem of the present times i.e. attrition. The present study has been undertaken to explore the Relationship amongst tenure of service, the number of organizations worked earlier and Employee Attrition in ITeS-BPO Sector.

METHODOLOGY

ITeS-BPO companies located at NCR (National Capital Region of Delhi) form the population for selecting the sample units. Hence, the survey was limited to companies located in Delhi and other NCR towns. The target population of employees of ITeS-BPO companies included call-floor executives and operational managers at all levels but excluded back-end support staff from departments like Human Resources and administration. ITeS-BPO companies of each size i.e. small, medium and large were considered for this survey. The total sample size of 428 respondents comprises majority of the respondents to be working for more than 36 months (37.8%) followed by less than 12 months (24.2%). The sample had representation of 18.7 per cent respondents working in between to 12 months to 24 months. The remaining 19.2 per cent of respondents were in the group of 24 months to 36 months.

In the distribution of the sample on the basis of the number of organizations worked, before joining the particular organization presently engaged with 28.9 per cent of the sample belongs to the category where they have not worked with any organization before. 28.5 per cent belongs to the second category where the respondents have worked for a company before, respondents who have worked for two companies before is the third category and 30.3 per cent of the sample represents the same. Finally the last category 12.3 per cent of the sample belongs to this group where
they have changed three and more organizations. Although the distribution of the sample slightly varies, the variation is not substantial. In order to measure factors influencing employee attrition a structured questionnaire was developed after discussions with Human Resource managers of few ITeS-BPO companies and individuals working therein. The questionnaire contains 13 statements concerning various alternatives on a 5 point Likert Scale ranging from ‘Strongly Disagree’ to ‘Strongly Agree’ indicating the extent of agreement to reasons for leaving the job. A weight of ‘5’ was assigned for ‘Strongly Agree’ and ‘1’ for ‘Strongly Disagree’. The other categories of scale were ‘4’ for Agree,’3’ for ‘Neither Agree Nor Disagree’ and ‘2’ for ‘Disagree’. A pilot study was conducted with a small sample size of 35 respondents to finalise the questionnaire. The respondents provided comments on clarity of some items and confirmed face (expression) validity of items in the questionnaire. After pre-testing, the necessary modifications were incorporated in the original questionnaire. Analysis of variance (ANOVA) has been done to test for differences among employees in ITeS-BPO companies across tenure of service and the number of organizations worked earlier.

**RESULTS**

In order to bring out the factors affecting employee attrition in the ITeS-BPO companies, data has been analyzed by applying factor analysis. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of Sphericity were applied to verify the adequacy or appropriateness of data for factor analysis. SPSS Software 16.0 version has been used for analyzing the data. Factor analysis using Varimax rotation has been conducted to reduce the multiplicity of variables into selected factors. The
factor analysis conducted on thirteen statements related to employee attrition in an ITeS-BPO company explains 54.808 per cent of the total variance accounted by all the variables. Three factors have been extracted by using principal component analysis and varimax rotation. The first extracted factor FA1 (Non-Fulfilment of Needs and Aspirations) highlights that employees give importance to career growth opportunities for making a decision to leave a company, non utilization of knowledge and experience while doing the job make employees unhappy and drives them towards taking a decision to leave the job. Also employees do need adequate salary for work performance and value the kind of working environment offered by an organization and moreover the inadequate status to an individual does not satisfy his/her power needs. The second factor FA 2 (Poor Work Place Relations) indicates that poor relationship with peer and superiors is important reason contributing to employee attrition. It is from the peer, superior, subordinate interaction and team dynamics that an employee draws his opinion and inferences about the company.

The third factor FA 3 (Personal and Job Issues) suggests that the employees have attached a large proportion of importance to the variables viz. family constraints, inability to stay at the location /city, and transportation problem, that work load was more, and job security was not there. Thus, personal as well as job related issues comprises an important factor of employee attrition. These factors were then compared with nature and size of organization, the result of which is there in the following section.

**Tenure of Service-wise Dimensions Leading to Employee Attrition**

Table 1 reveals the mean scores, F-value and p-value on the three factors leading to employee attrition among the different
employee groups based on the length of service i.e. less than 12 months, 12 months- 24 months, 24 months-36 months and More than 36 months.

Table 1. Tenure of service-wise Dimensions Leading to Employee Attrition

<table>
<thead>
<tr>
<th>Factors leading to employee attrition</th>
<th>Less than 12 months</th>
<th>12 months-24 months</th>
<th>24 months-36 months</th>
<th>More than 36 months</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Fulfilment of Needs and Aspirations</td>
<td>3.21</td>
<td>3.06</td>
<td>3.21</td>
<td>3.53</td>
<td>3.075</td>
<td>.028</td>
</tr>
<tr>
<td>Poor Workplace Relations</td>
<td>2.71</td>
<td>2.63</td>
<td>2.67</td>
<td>2.85</td>
<td>.701</td>
<td>.552</td>
</tr>
<tr>
<td>Personal and Job Issues</td>
<td>3.00</td>
<td>3.10</td>
<td>2.82</td>
<td>3.15</td>
<td>2.323</td>
<td>.075</td>
</tr>
</tbody>
</table>

Note: i) All figures, except F-values and p-values are mean values, df=3/424.

It is clear from the mean scores given in Table 1 that the highest mean score (3.21) for the respondents Less than 12 months is on the factor ‘Non Fulfilment of Needs and Aspirations’. For the group of respondents’ 12 months-24 months the highest mean score is on the factor ‘Personal and Job Issues’ (3.10). The highest mean score accorded by the respondents of 24-36 months (3.21) and more than 36 months of service (3.53) is on the factor ‘Non Fulfilment of Needs and Aspirations’. Thus, except the group 12-24 months, the highest mean score in remaining three age groups is obtained on the factor ‘Non fulfilment of Needs and Aspirations’. The lowest mean score in case of each of the group of
respondents is on the factor ‘Poor Workplace Relations’.

ANOVA test has been conducted to find whether there is any significant difference in the mean scores of each of the factors considered by an employee while making a decision to leave a particular organization across the four tenure of service-wise groups. The results in Table 1 shows that P-value of the factor ‘Non Fulfilment of Needs and Aspirations’ turns out to be significant with f-value of 3.075 at 5 per cent level. The results indicate that the employees belonging to the group of More than 36 months of service agree that they are affected by the factor ‘Non Fulfilment of Needs and Aspirations’ while making a decision for leaving a particular organization. The statements included in this factor are: lack of career opportunity, non-utilization of knowledge and experience, inadequate salary, working conditions were not upto mark, and the status was not adequate. The reason for the same can be that non-fulfilment of needs even after putting in a sufficient service period of more than 36 months makes employees to take a decision to leave the job.

The f-value of the other two factors turns out to be insignificant at 5 per cent level in case of the respondents having different Tenure of service. Thus, there is no difference in the mean score of four groups in case of both the factors. Thus, employees across the four groups have shown same level of agreement with ‘Poor Workplace Relations’ and ‘Personal and Job Issues’ as reasons for leaving the job.

**Number of Organizations Worked Earlier-wise Comparison of Dimensions Leading to Employee Attrition**

Table 2 reveals the mean scores, F-value and p-value on three factors of employee attrition among the four employee groups based on the number of organizations worked earlier viz.
‘None’, ‘One’, ‘Two’, and ‘Three and more’. For all the four groups of employees, the highest mean score is on the factor ‘Non fulfilment of Needs and Aspirations’. The lowest mean score on the factor ‘Poor workplace Relations’ is accorded by employees of all the four groups.

Table 2. Number of Organizations Worked Earlier-wise Comparison of Dimensions Leading to Employee Attrition

<table>
<thead>
<tr>
<th>Factors leading to employee attrition</th>
<th>None</th>
<th>One</th>
<th>Two</th>
<th>Three and more</th>
<th>F-Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Fulfilment of Needs and Aspirations</td>
<td>3.14</td>
<td>3.15</td>
<td>3.30</td>
<td>3.22</td>
<td>1.372</td>
<td>.251</td>
</tr>
<tr>
<td>Poor Workplace Relations</td>
<td>2.73</td>
<td>2.60</td>
<td>2.82</td>
<td>2.70</td>
<td>1.563</td>
<td>.198</td>
</tr>
<tr>
<td>Personal and Job Issues</td>
<td>3.03</td>
<td>3.02</td>
<td>3.08</td>
<td>2.94</td>
<td>.427</td>
<td>.734</td>
</tr>
</tbody>
</table>

To find out whether there is any significant difference among the mean scores of each of the three factors contributing to employee attrition across four groups of employees, classified on the basis of the number of organizations worked earlier, ANOVA has been applied. As observed from the table, the calculated F-value (df=3/424) for each of the factor mentioned in the table is too less to be significant at 5 per cent level of significance. This implies that the respondents of different groups have same level of agreement regarding the each of the factors influencing employee attrition.
CONCLUSION

The results indicate that the employees belonging to the group of More than 36 months of service agree that they are affected by the factor ‘Non Fulfilment of Needs and Aspirations’ while, making a decision for leaving a particular organization. The statements included in this factor are: lack of career opportunity, non utilization of knowledge and experience, inadequate salary, working conditions were not up to mark and the status was not adequate. The reason for the same can be that non fulfillment of needs even after putting in a sufficient service period of more than 36 months makes employees to take a decision to leave the job. Employee retention is a difficult job. But can be controlled by understanding the reason why the employee wants to switch or leave the organization. To engage the employee and to understand his point of view is highly essential. ‘NonFulfilment of Needs and Aspirations’ is the mean reason of the classified groups on the basis of the length of the service. So it is clear that young as well as experienced employee expect instant recognition and continuous career growth. They are more than happy to achieve set goals, milestones and like to take new responsibility and are happy to receive recognition in the form of cash, non-cash incentives, promotions and travel opportunities.

Also the findings of the study helps in concluding that the respondents of different groups in Number of organizations worked earlier have same level of agreement regarding each of the factors influencing employee attrition.

Recommendations

Organizations can come up with the ways to retain its employee like Good communication and transparent policies, making sure that the employee goals are similar to the
organization's goals, also the involvement of the employee in key projects which are beyond one's expertise and different from the current role. Organizations should develop and publish a formal “Career Ladder” or “Career Path”. Employees look forward to various development and learning programmes and plans available to them to grow not only professionally but also personally. Companies need to focus on developing a amiable work environment and providing scope for career growth for excellent performers.

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