

EMPLOYEE RETENTION: A COMPARATIVE STUDY OF INDIAN BPO COMPANIES

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ABSTRACT

Attrition is the biggest problem faced by BPO's. Attrition rate in BPO's is more than the attrition rate in any other sector. It becomes imperative to control this attrition rate. Many schemes have been applied in BPO's for retention. A single tool alone is not sufficient for employee retention. The best results for employee retention can be achieved by applying different tools strategically. This paper highlights the main determinants affecting employee retention in the BPO sector. Further an attempt has been made to fathom out the retention practices prevalent in Indian BPO'S and compare the extent of employee satisfaction with respect to prevalent retention strategies adopted by Genpact and HCL.

KEYWORDS

Attrition Rate, BPO's, Employee Retention, Job Satisfaction.

INTRODUCTION

Emerging trends in today's fast changing corporations are pointing urgently to the need that business and human performance experts must address not only survival and security needs, but also the higher-level needs viz respect, recognition, achievement, and life-long learning. These workplace motivators and satisfiers are potent determinants of retention.

The most challenging issue faced by corporate is to retain their employees as today's global workforce is more mobile than ever before. Retention is one of the important aspects of an organization. The subject retention deals about **identification of human behavior** and **indicates their personnel feeling**. It is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. A good employer knows how to attract and retain his employees. This paper attempts to explore and identify the main determinants or factors affecting employee retention in the BPO sector. It also tries to identify the areas which otherwise are ignored while discussing about retention of employees. Further an attempt has been made to compare the retention practices of two BPO i.e Genpact and HCL.

LITERATURE REVIEW

(Richard Lowther, 2006) identified that Dell has introduced a number of key initiatives which helped to increase employee morale and retention rates, he explained how management buy-in for diversity programs was vital for implementing a successful rollout of initiatives, and has empowered employees to manage their own workloads. (Monsen E & Boss R.W, 2009) study which focuses on employee stress, retention. It confirms that for both managers and staff, role ambiguity is positively related to intention to quit, but reports that, overall, and in opposition to hypotheses, and for both managers and staff, organizational entrepreneurial activity does not negatively influence perceptions of role ambiguity and hence intention to quit. A study undertaken by (Thomas Acton, Willie Golden, 2003) states that the IT workforce of a company may embody its most important strategic asset. Such an asset needs to be managed. At a company level, measures that support and encourage knowledge transfer amongst employees can help minimise the effect of the loss of skilled staff. (Margaret Deery, 2008) discusses the role of work-life balance (WLB) issues in an employee's decision to stay or leave an organization. (Ingg-Chung Huang, Hao-Chieh Lin, Chih-Hsun Chuang, 2006) further added that Marriage, gender, honored employee status, relative pay (both inter-firm and intra-firm wages), speed of promotion and economic cycles had a significant impact on how long the employees retained their jobs.

RESEARCH OBJECTIVES

The Objectives of the study are as follows –

1. To identify and compare the various factors influencing decision of employees to leave BPO's
2. To find out the major factors affecting employee retention in BPO Sector in India.
3. To compare the extent of employee satisfaction with respect to prevalent retention strategies adopted by BPO's

RESEARCH METHODOLOGY

The Research study is Exploratory in nature. Employee Retention questionnaire was used to collect the responses of the people working in BPO's. Two major BPO's were identified-Genpact and HCL. A sample of 100 was taken of which 50 each from Genpact and HCL were surveyed. Convenience sampling method was used to conduct the survey.



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Journal and other articles

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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The questionnaire consisted of **Three Sections**. First section consisted of the demographic profile of the respondents. The second section had a question on the Factors affecting their decision to leave. Third section consisted of 5 questions which dealt with five major parameters that have an influence on retention of employees. These were: The Job itself, The Supervisor, The Department, The Management, Compensation and Benefits. The data was analyzed with the help of SPSS 17. The tools used to analyze the data included **Factor Analysis, Independent t-test and Cronbach's Alpha for testing the reliability of scales**.

DATA ANALYSIS AND RESULTS

Table: 1 Demographic Profile of the respondents

	Variable	Percentage (%)
Organization	Genpact	50
	HCL	50
Respondents Job Title	Team Leader	24
	Team Member	33
	Customer Care Executive	19
	Technical support Executive	24
Education	High School	10
	Bachelors	69
	Masters	21
Gender	Male	73
	Female	27
Age	18-25	63
	26 and above	37

The sample size was of 100 employees from BPO's. Out of which 50 were from Genpact and the remaining from HCL. Out of this 24 percent were Team leaders; 33 percent were Team members; 19 percent Customer Care Executive and 24 percent Technical Support Executive. 10 percent of the respondents had completed their High School; 69 percent were bachelors and 21 percent had done their masters. 73 percent of respondents were males and 27 percent were females. Around 63 percent of employees belonged to the age group of 18 to 25 years and 37 percent of employees belonged to the age group of 26 years and above.

RELIABILITY OF SCALES

The reliability for each of the scales was assessed by computing the coefficient of alpha (α). All coefficient of alpha (α) were found to be greater than 0.5 and therefore, were considered reliable and accepted (Nunnally, J., 1978). Table 2 gives a summarized view of α value for each of the scale.

Table2: Cronbach's Alpha Values for Reliability Analysis

Parameters	Cronbach's Alpha	No. of items
Factors affecting decision to leave	.568	18
The Job itself	.667	10
The Supervisor	.822	7
The Department	.815	4
The Management	.670	11
Compensation and Benefits	.757	5

Factors Affecting Decision to Leave

To identify the factors affecting decision to leave, a no of factors have been analyzed on the basis of mean score comparisons. The opinion indicated as "strongly influenced" has been assigned a weight of 5, the opinion indicated as "influenced" has been assigned a weight of 4, the opinion indicated as "Moderately influenced" has been assigned a weight of 3, the opinion indicated as "weakly influenced" has been assigned a weight of 2, the opinion indicated as "Uninfluenced" has been assigned a weight of 1. The resultant table on this basis against BPO Type as controlling factor is shown below:

Table3: Factors Affecting Decision to Leave

Factors	Genpact (Mean)	HCL (Mean)	Sig. (2 tailed)	T-Value
Another Position/ New Career Opportunity	4.36	4.36	1.00	.000
Dissatisfaction with Pay	4.48	4.08	.008	2.690
Lack of Recognition	3.44	3.70	0.108	-1.624
Dissatisfaction with benefits	2.88	2.76	.650	.455
Working Conditions	3.12	3.20	.689	-.401
Quality of Supervision	3.38	3.36	.904	.121
Self-employment	1.26	1.28	.851	-.188
Type of Work	1.96	2.04	.484	-.702
Conflict with co-workers	1.76	2.26	.000	-4.325
Conflict with Managers	2.66	2.98	.131	-1.523
No advancement opportunities	3.78	3.64	.435	.784
Health Problems	1.70	1.22	.001	3.463
Care for Family member	2.64	3.06	.067	-1.850

Transportation/Commuting problem	3.16	3.14	.927	.092
Relocation/Moving	2.06	2.84	.000	-3.909
Lack of Vacations	1.20	1.12	.414	.821
Company culture	1.84	1.62	.158	1.424
Company instability	3.18	1.30	.000	9.815

The table 3 shows the mean value of each factor affecting employees' decision to leave. For the employees of **Genpact** the most important factors for leaving the organization are **dissatisfaction with pay**, followed by **New Career Opportunity**, **No Advancement Opportunities**, **Lack of Recognition Quality of Supervision**. While the least important factors that would influence their decision to leave an organization are **Lack of Vacations**, **Self Employment**, **Opportunity**, **Health Problems**, **Conflict with Co-workers** and **Company Culture**. So in this organization the most important factor to leave a job is their dissatisfaction with pay.

The case is almost the same with **HCL**, the top most factors influencing their decision to leave an organization are **New Career Opportunity**, **Dissatisfaction with Pay**, **Lack of Recognition**, **No Advancement Opportunities** and **Lack of Recognition**. The least important factors for leaving are **Lack of Vacations**, **Health Problems**, **Self-opportunity**, **Company Instability** and **Company Culture**.

It has been observed that there is a significant difference of opinion in the following factors:

Dissatisfaction with Pay: The employees of Genpact (Mean 4.48)) are more willing to leave an organization due to dissatisfaction with pay.

Conflict with co-workers: The employees of HCL (Mean 2.26) were moderately influenced to leave the organization due to conflict with their co-workers.

Health Problems: Employees of HCL (Mean 1.22) have not been influenced to leave the organization due to health problems as compared to the employees of Genpact.

Relocation: Employees of HCL (Mean 2.84) are more likely to leave the organization due to relocation as compared to the employees of Genpact.

Company Instability: Most of the employees of Genpact (Mean 3.18) are leaving the organization due to company instability as compared to the employees of HCL.

PARAMETERS FOR EMPLOYEE RETENTION

In order to gain an insight into the parameters that affect employee retention, literature review was employed to identify 5 areas which have a significant influence on employees' retention. They were **The Job itself**, **The Supervisor**, **The Department**, **The Management** and **COMPENSATION AND BENEFITS**

Each of these major areas had a number of item statements and each respondent was asked to indicate the degree of agreement or disagreement with each of the item statement on a scale of 1 to 5 with **1 being defined as Strongly Disagree** and **5 as Strongly Agree** respectively. **Factor Analysis** was used to understand the interdependence amongst the factors, using principal component analysis method in SPSS windows.

ADEQUACY OF THE DATA FOR FACTOR ANALYSIS

Table 4: KMO and Factor Loading

Parameters	KMO	Factor Loading
Job itself	.457	60.24
Supervisor	.519	63.28
Department	.518	62.475
Management	.574	70.213
Compensation & Benefits	.503	52.88

Table 4 shows the **Kaiser-Meyer-Olkin (KMO)** and **Factor Loading** for each of the parameters.

As shown above on the basis of the KMO values, only T-test has been conducted for two parameters - **Job Itself** and **Compensation and benefits**. While for the other three parameters - Supervisor, Department and Management both factor analysis along with T-test has been undertaken.

THE JOB ITSELF

In order to fathom out the comparative view of the employees of both the BPO's and the results are as follows:

Table 4.1: Mean Comparison of BPO's Employees on the basis "The Job Itself "

Parameter	Genpact (Mean)	HCL (Mean)	Sig (2 tailed)	T-Value
Challenging Job	3.24	3.62	.026	-2.266
Skills Were effectively used	3.48	3.60	.599	-.528
Effective Job orientation	3.30	3.26	.821	.227
Reasonable Work Load	2.74	2.96	.231	-1.206

Sufficient Resources available	4.62	4.18	.000	4.342
Safe , comfortable work environment	4.20	4.24	.790	-.267
Satisfied Performance Feedback Policy	2.76	3.60	.001	-3.382
Satisfied Job	2.92	2.74	.301	1.041
Work Life Balance	2.14	2.58	.041	-2.075
Availability of Training / Educational opportunities	2.20	1.74	.016	2.461

Table 4.1 indicates that for the variables **Challenging Job**, **Sufficient resources available**, **Satisfied with performance feedback**, **Work Life balance** and **Availability of Training and educational opportunities**, the respondents possess a significant difference of opinion.

- Challenging Job**- Employees of HCL(Mean 3.62) feel that the work is more challenging than the employees of Genpact (Mean 3.24)
- Satisfied with performance feedback policy**- Employees of HCL(Mean 3.60) were a bit more satisfied with their organization performance feedback policy as compared to their counter parts in Genpact.(Mean 2.76)
- Work life balance** - HCL (Mean 2.58) follows relatively better work life balance practices than Genpact(Mean 2.14)
- Sufficient Resources available** - Employees of Genpact (Mean 4.62) are better equipped with resources than HCL(Mean 4.18)
- Availability of Training and educational opportunities** – Employee of Genpact (Mean 2.20) are indifferent with regard to the availability of training and educational opportunities whereas the employees of HCL(Mean 1.70) seems to be dissatisfied with the training and educational opportunities provided to them in the job.
- There is no significant difference of opinion among the respondents of both BPO's on **skills were effectively used**, **Effective job orientation**, **reasonable work load**, **Safe and comfortable work environment** and **Satisfied with the job**.

THE SUPERVISOR

This particular question dealt with the **Supervisor** of the respondents. In order to study this particular domain initially there were 7 statements. Factor Analysis was used to understand the interdependence amongst these 7 statements.

The factor analysis **results are shown in Tables 4.2a; 4.2b**. The variance explained by extracted components, and the rotated components have been displayed in Table 6b. The total variance shown in the Table 4.2a accounted for by all of the three components explains nearly 63 percent of the variability in the original 7 variables. The original dataset was reduced by using these three components. Varimax rotation was applied for these seven variables. The factor loadings of these four variables were then observed and variables were **clubbed into 3 factors**. The factors were named accordingly.

Table 4.2a: Total Variance

Total Variance			
Component	Eigen values		
	Total	% of Variance	Cumulative %
1	1.813	25.897	25.897
2	1.531	21.871	47.768
3	1.086	15.512	63.280

Factor I: **Supervisor's knowledge of job**

Knowledge of job	.864
Knowledge of supervision	.863

Factor II: **Support to Employees**

Open to suggestions	.796
Recognized employee contribution	.650

Table 4.2b: Rotated Component Matrix

	Component		
	1	2	3
Knowledge of job	.864	-.126	.080
Knowledge of supervision	.863	.072	-.144
Open to suggestions	.082	.796	.222
Recognized employee contribution	-.394	.650	-.033
Communicated with employees	-.165	-.221	.647
Encourages co-operation	.044	.681	-.302
Effort to hear employee concerns	.100	.158	.731

The **Rotated Component Matrix** reveals **three factors** (which represents the three broad perceptual dimensions about employee retention)

Factor 1 Supervisor's knowledge of job.

Factor 2: Support to employees.

Factor 3: Communication with employees.

Thereafter, to have a comparative view the factors affecting retention of employees in sampled BPO's, a **T- test was conducted**. Results of independent t-test are recorded in Table 4. 2c.

Table 4.2c: Mean Comparison of BPO's Employees on the basis "The Supervisor"

Parameters	Genpact (Mean)	HCL (Mean)	Sig. (2-tailed)	T value
Supervisor's Job knowledge	5.6816	6.6317	.000	- 3.679
Support to employees	7.0114	7.3018	.217	-1.245
Communication with employees	4.5375	4.6331	.500	-.677

Table 4.2c indicates that for the variable **Supervisor's Job knowledge**, the employees of HCL (mean 6.6317) agree that their supervisor had adequate knowledge of the job in comparison to employees of Genpact (mean 5.6816)

For the variables **Support to employees and Communication with employees** the respondents of both the BPO's have same opinion i.e the employees feel that their supervisors are open to suggestions, provide recognition for their work but feel that there exists a communication gap about the work to be done.

THE DEPARTMENT

This question dealt with the **Department** of the respondents. Factor Analysis was used to understand the interdependence amongst these 4 statements. The result showed that the **KMO and Bartlett's test values as 0.518** which was considered as adequate to apply factor analysis. The criteria for extracting initial factors were Eigen value of over 1.

The factor analysis **results are shown in Tables 4. 3a, 4. 3b**. The variance explained by extracted components, and the rotated components are displayed in Table 3b. The total variance of about 62 percent shown in table 3a was considered as appropriate for a research study of this nature.

Varimax rotation was applied for these four variables. The factor loadings of these four variables were then observed and variables were **clubbed into 2 factors**. The factors were named accordingly.

FACTOR ANALYSIS

Table 4.3a: Total Variance

Total Variance Explained						
Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.385	34.635	34.635	1.291	32.273	32.273
2	1.114	27.840	62.475	1.208	30.202	62.475
3	.811	20.275	82.750			
4	.690	17.250	100.000			

Table 4. 3b

Rotated Component Matrix ^a		
	Component	
	1	2
Had Synergy in its various operations	.227	.737
Had Adequate equipment	.783	-.059
Was adequately staffed	.781	.144
Had efficient and effective Working conditions	-.129	.801

The **Rotated Component Matrix reveals two factors** (which represents the four broad perceptual dimensions about employee retention)

Factor 1 incorporates the variables ---- the department had adequate equipment and the department was adequately staffed. Since all these variables are related to resources, it has been labeled as **Adequate resources available**.

Factor 2: incorporates the variables ----- the department had synergy in its various operations and having efficient and effective Working conditions. Therefore this factor has been labeled as **Effective and Efficient department**.

To gain further insight into the department itself affecting retention of employees, a qualitative analysis tool was used ----- **T- test**. Results of independent t-test is recorded in Table 4.3c

Table 4.3c: Mean Comparison of BPO's Employees on the basis "The Department"

Parameters	Genpact (Mean)	HCL (Mean)	Sig. (2-tailed)	T value
Adequate resources available	5.6778	6.4755	.000	-5.056
Effective and efficient department	5.0959	5.2548	.436	-.781

Table 4.3c indicates that for the variable **adequate resources**, the employees of HCL(**6.4755**) mean strongly agree that their department has adequate equipment and is adequately staffed in comparison to employees of Genpact (mean 5.6778)

For the variable **Effective and efficient department** the employees of both the BPO's have similar opinion. This implies that the employees of both BPO's agree that their departments have good synergy and efficiency in their working.

THE MANAGEMENT

This question dealt with the **Management** of the respondents' organization. In order to study this particular domain initially there were 11 statements.

Factor Analysis was used to understand the interdependence amongst these 11 statements. The result showed that the **KMO and Bartlett's test values as .574** which was considered as adequate to apply factor analysis.

The factor analysis **results are shown in Tables 4.4a; 4.4b**. The total variance of about 70 percent shown in table 4.4a was considered as significant for a research study of this nature.

Varimax rotation was applied for these eleven variables. The factor loadings of these eleven variables were then observed and which were then **clubbed into 5 factors**. The factors were named accordingly.

FACTOR ANALYSIS

Table 4.4a

Total Variance Explained						
Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.190	19.907	19.907	2.002	18.203	18.203
2	1.922	17.469	37.376	1.833	16.660	34.863
3	1.385	12.589	49.964	1.478	13.438	48.301
4	1.195	10.859	60.823	1.309	11.901	60.201
5	1.033	9.389	70.213	1.101	10.012	70.213

Table 4.4b

Rotated Component Matrix ^a					
	Component				
	1	2	3	4	5
Fair & Equal Treatment	.697	-.150	.165	-.120	-.181
Available to discuss issues	.799	.097	-.258	.150	-.077
Welcomed Suggestions	.678	.291	.108	.099	.250
Maintained consistent policies	.030	.712	.330	.183	-.219
Provided recognition for achievements	.013	.799	-.095	-.182	-.070
Encouraged Co-operation and Collegiality	.098	.617	-.239	.337	.195
Provided Development opportunities	.004	.098	.045	.875	.075
Encourages Open Communication	-.240	.141	-.767	.170	-.076
Treats Employees with Respect	-.062	-.091	.024	.048	.929
Promoted Diversity	-.415	.359	.321	-.478	.171
Provides Equitable Compensation	-.417	.155	.709	.239	-.071

The **Rotated Component Matrix reveals five factors** (which represents the four broad perceptual dimensions about employee retention)

Factor 1 incorporates the variables ---- Management gave fair and equal treatment, was available to discuss job related issues and welcomed suggestions and encouraged feedback. Thus, all these variables together have been named as **Fair treatment towards employees**.

Factor 2: incorporates the variables ----- Management maintained consistent policies and practices, provided recognition for achievements, encouraged Co-operation and Promoted diversity. Thus all these variables have been named as **Management support to employees**.

Factor 3: incorporates the variables ----- **Provides Equitable compensation**.

Factor 4: incorporates the variables ----- Management provided development opportunities and Encourages open communication. Thus, these variables clubbed together have been labelled as **Open communication and development opportunities**.

Factor 5: incorporates the variables ----- **Treats employees with respect**.

Thereafter, to gain further insight into the factor Management of the BPO's affecting retention of employees, we used a qualitative analysis tool- **T-test**. Results of independent t-test is recorded in Table 4.4c

Table 4.4c

Parameters	Genpact (Mean)	HCL (Mean)	Sig. (2-tailed)	T value
Fair Treatment by management towards employees	6.7284	6.8453	.712	-.371
Management support to employees	8.5255	8.2679	.401	.844
Provides equitable compensation	1.4464	2.0845	.000	-4.897
Open Communication & development opportunities	2.5453	2.8482	.057	-1.928
Treats employees with respect	3.6231	3.7160	.479	-.711

Table 4.4c indicates that for the variable **Provides equitable compensation**, T value was found to be significant at 0.05 level of significance, thus respondents have significant difference of opinion. It has been observed that the employees of HCL(mean **2.0845**) disagree that their management provides equitable compensation in comparison to employees of Genpact (mean 1.4464).

For the other variables the employees of both the BPO's have similar opinion, as they **agree** that their management **gives fair treatment and support their employees**. However employees of both the organization feel that there exists a **communication gap** between them and their management therefore **less development opportunities** are provided and they cannot treat **employees with respect**.

COMPENSATION AND BENEFITS

Table 4.4d

Parameter	Genpact (Mean)	HCL (Mean)	Sig. (2 tailed)	T-Value
Medical insurance package	2.48	2.38	.611	.510
Health care plan	2.58	2.12	.007	2.772
Savings plan	1.48	1.84	.001	-3.298
Retirement program	1.36	1.34	.843	.199
Job market competitiveness of salary	2.90	2.74	.411	.825

* Significant at 0.05 level of significance.

Table 4.4d indicates that for the variables **health care plan and savings plan**; T value was found to be significant at 0.05 level of significance, thus respondents has **significant difference** of opinion.

The employees of HCL (mean 2.12) feel that the **health care plan** is inadequate in comparison to employees at Genpact (mean 2.58).

The employees of Genpact (mean 1.48) are dissatisfied with the **Savings plan** provided by their organization in regards to employees of Genpact (mean 1.84)

Employees of both the BPO's are dissatisfied with **Medical insurance package, Retirement plans and Job market competitiveness of salary..**

FINDINGS

The major findings of the study are as follows:

- The most important factors affecting employees' decision to leave are Dissatisfaction with Pay, New career Opportunity, No advancement and Development opportunities, Lack of Recognition, Quality of Supervision.
- Employees agree that their supervisors have knowledge of the work and provide recognition, but feel there is communication gap between them and their supervisor about the work to be done.
- The employees are also dissatisfied with the :
 - Compensation and benefits offered to them
 - Career development opportunities and work life balance
 - Training and Educational opportunities available to them.

SUGGESTIONS AND CONCLUSION

Hence it is observed that organizations should aim at developing effective talent management policies and practices that demonstrate commitment to human capital as they result in more engaged employees and thus lower turnover. Consequently, employee engagement would have a substantial impact on employee productivity and talent retention. In addition, organizational culture and leadership development also have a significant impact on talent retention. Taking these factors into consideration, an integrated approach to talent management offers a pathway toward sustaining outstanding business results. But, the best retention intervention is not a single point resolution and organizations in this sector should understand that employees don't leave companies rather the companies enforce them to leave, so it is the duty of the policy makers to adopt best retention strategies to retain their best brains.

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Hoping an appropriate consideration.

With sincere regards

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