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# **Attrition and Retention the Real Challenge-a Study with Special Reference to IT and ITES Organizations in Bangalore**

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**ABSTRACT:** 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. Attrition in the BPO industry is twofold. 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. Most research has been focusing on attrition issues and antecedents besides consequences. However, the research has not been extended to ascertain behavioural intentions of employees based on the impact of various factors determinants. This research fosters a holistic view.

**KEYWORDS:** Attrition, Retention, IT and ITES.

## **I. INTERESTING FACTS ABOUT THE INDIAN BPO INDUSTRY**

- a) The BPO sector in India is estimated to have reached a 54 per cent growth in revenue
- b) The demand for Indian BPO services has been growing at an annual growth rate of 50%
- c) The BPO industry in India has provided jobs for over 74,400 Indians. This number is continuing to grow on a yearly basis. The Indian BPO sector is soon to employ over 1.1 million Indians (70% of India's BPO industry's revenue is from contact centers, 20% from data entry work and the remaining 10% from information technology related work) Indian BPOs handle 56% of the world's business process outsourcing.

## **II. 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 billion 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 breath-taking USD 52 billion in 2008 employing over 2 million people (NASSCOM 2009). Looking at the hit side of the fabulous growth

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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.

### III. 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.

### IV. STATEMENT OF PROBLEM & RESEARCH QUESTIONS

There are negligible studies examining the simultaneous roles (impact) of involuntary attrition and voluntary attrition. The following research gaps were also observed:

There are studies galore about statistics on projects, revenue, growth and recession, and emerging markets. However, most research has been undertaken mainly by NASSCOM or Rating agencies. *There are hardly any studies using causal models.*

Research on I.T. industry in India has been predominantly in the areas of operations and marketing management. Very few studies have tried to address issues related to Human Resource Management (HRM) except those focusing on outsourcing, payroll management, working in shifts, talent management and workforce diversity. *This research will focus on employee integration and maintenance which is key to HR Return on Investment.*

The majority of research has been focusing on involuntary attrition. Negligible research has been carried out on voluntary attrition. *This research addresses the need of studying both involuntary and voluntary attrition and related issues.*

Most research has been focusing on attrition issues and antecedents besides consequences. However, the research has not been extended to ascertain behavioural intentions of employees based on the impact of various factors determinants. *This research fosters a holistic view (model).*

#### Research Questions for survey:

RQ1: Do certain variables have an effect on involuntary attrition?

RQ2: Do certain variables have an effect on voluntary attrition?

RQ3: Does involuntary attrition have an effect on behavioural intentions?

RQ4: Does voluntary attrition have an effect on behavioural intentions?

RQ5: Do demographics have an effect on involuntary attrition, voluntary attrition and behavioural intentions?

### V. OBJECTIVES OF THE RESEARCH

The primary objective of the research was to study issues related to attrition and retention in IT / ITES companies.

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The secondary objectives of this research were:

- a. To identify factors causing involuntary attrition in IT/ITES companies.
- b. To identify factors causing voluntary attrition in IT/ITES companies.
- c. To study the behavioural intentions (attrition) of employees.
- d. To assess impact of involuntary attrition and voluntary attrition on behavioural intentions in IT/ITES companies.
- e. To explore suggestions for reducing attrition rates and improving employee retention.

## VI. HYPOTHESES

### Main Research Hypotheses:

- i.  $H_{01.1}$  Environment factors have no effect on involuntary attrition.
- ii.  $H_{01.2}$  Training and development factors have no effect on involuntary attrition.
- iii.  $H_{01.3}$  Organisational culture and strategy have no effect on involuntary attrition.
- iv.  $H_{01.4}$  Job-specific factors have no effect on involuntary attrition.
- v.  $H_{02.1}$  Personal functional factors have no effect on voluntary attrition.
- vi.  $H_{02.2}$  Personal dysfunctional factors have no effect on voluntary attrition.
- vii.  $H_{03.1}$  Involuntary attrition has no effect on behavioural intentions.
- viii.  $H_{03.2}$  Voluntary attrition has no effect on behavioural intentions.

## VII. RESEARCH METHODOLOGY

**Design:** Causal research design was employed for data collection, analysis and testing conceptualized model used in this research.

**Conceptual Framework:** Conceptual framework of the current research was based upon research gaps and exhaustive review of literature. The rationale behind constructing this framework was that it attempts to facilitate a more holistic model relating to involuntary and voluntary attrition issues and its impact on behavioural intentions. The research model has been significantly inspired and partly adapted from research work authored by (i) Branham, Leigh (ii) Arokiasamy, Anantha Raj A. (iii) Michaels, Charles E. and Spector, Paul E. (iv) Reed Consulting (v) Ongori, Henry (vi) Das, Bidisha Lahkar and Baruah, Mukulesh.

Factors affecting involuntary attrition comprised environmental factors, training and development factors, organisational culture and strategy, and job-specific factors. Factors affecting voluntary attrition comprised functional personal factors and dysfunctional personal factors. Factors affecting Behavioural intentions (attrition) were involuntary attrition and voluntary attrition.

The scope of the research broadly encompassed sub themes like involuntary attrition, voluntary attrition, behavioural intentions, retention strategies and demographics.

**Sampling Design:** The population comprised employees (Human Resource Management and Administrative department) from IT and ITES companies. The frame comprised. Employees (Human resource management and administrative departments) from IT and ITES companies in Bangalore. Proportionate Stratified Sampling was employed wherein strata was based on company type (IT & ITES). The list of companies was sourced from NASSCOM. The sample size was 456 (IT & ITES) employees.

**Data Collection Design:** Primary Data Collection Method was survey method for. Primary Data Collection Instrument was undisguised structured questionnaire. Secondary data was sourced from periodicals, World Wide Web and company reports.

**Statistical Tools:** The main tools used for statistical analysis were Percentages, Means, Standard deviation, Structural Equation Modelling (SEM), t-test, chi-square test, and ANOVA test.

**Validity and Reliability:** The variables impacting attrition chosen for this research have been sourced from literature wherein the content validity of using such variables has already been demonstrated. Construct validity is how well the items

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on the inventory represent the variable. The independent variables used have been well established in literature. Cronbach alpha for items used in research instrument for pilot study was 0.708 and for survey was 0.879 (more than the minimum acceptable value of 0.7).

## VIII. LIMITATIONS

The limitations of the research were:

- (a) The study is focused on attrition issues and retention only and other dynamics of human resource management are not under its purview;
- (b) The study is restricted to IT and ITES companies only; and
- (c) There may be changes in the work environment and HR policies in the future which in turn may influence changes in employees' expectations and perceptions.

## IX. MAJOR FINDINGS

Major Findings based on survey:

- i. There will be 1 unit increase in involuntary attrition for every 0.661 unit increase in job-specific factors.
- ii. There will be 1 unit increase in involuntary attrition for every 0.769 unit increase in organizational culture and strategy factors.
- iii. There will be 1 unit increase in involuntary attrition for every 0.501 unit increase in training and development factors.
- iv. There will be 1 unit increase in involuntary attrition for every 0.543 unit increase in environmental factors.
- v. There will be 1 unit increase in voluntary attrition for every 0.824 unit increase in dysfunctional personal factors.
- vi. There will be 1 unit increase in voluntary attrition for every 0.458 unit increase in functional personal factors.
- vii. There will be 1 unit increase in behavioural intentions for every 0.416 unit increase in involuntary attrition.
- viii. There will be 1 unit increase in behavioural intentions for every 0.369 unit increase in voluntary attrition.

### 1. Research Question 1

Research Question 1 (RQ1): Do factors have an effect on involuntary attrition?

H<sub>01.1</sub>: Environmental factors have no effect on involuntary attrition.

H<sub>01.2</sub>: Training and development factors have no effect on involuntary attrition.

H<sub>01.3</sub>: Organisational culture and strategy factors have no effect on involuntary attrition.

H<sub>01.4</sub>: Job-specific factors have no effect on involuntary attrition.

**Table 1**  
**Involuntary attrition and variables**

Variables			Standardised Regression weights	S.E.	t value	p value
Job-specific factors	<---	IA	0.661			
Organizational Culture and Strategy	<---	IA	0.769	0.077	13.172	<0.001**
Training and Development factors	<---	IA	0.501	0.065	9.191	<0.001**
Environmental factors	<---	IA	0.543	0.079	9.222	<0.001**

IA – Involuntary Attrition; \*\* Significant at 1% level

The coefficient of **job-specific factors** being 0.661 represents the effect of job-specific factors on involuntary attrition, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected.

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Hence job-specific factors have an effect on involuntary attrition. The positive coefficient implies that for every 0.661 unit increase in job-specific factors, there is 1 unit increase in involuntary attrition.

The coefficient of **organizational culture and strategy factors** being 0.769 represents the effect of organizational culture and strategy factors on involuntary attrition, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence organizational culture and strategy factors have an effect on involuntary attrition. The positive coefficient implies that for every 0.769 unit increase in organizational culture and strategy factors, there is 1 unit increase in involuntary attrition.

The coefficient of **training and development factors** being 0.501 represents the effect of training and development factors on involuntary attrition, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence training and development factors have an effect on involuntary attrition. The positive coefficient implies that for every 0.501 unit increase in training and development factors, there is 1 unit increase in involuntary attrition.

The coefficient of **environmental factors** being 0.543 represents the effect of environmental factors on involuntary attrition, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence environmental factors have an effect on involuntary attrition. The positive coefficient implies that for every 0.543 unit increase in environmental factors, there is 1 unit increase in involuntary attrition.

## 2. Research Question 2

Research Question 2 (RQ2): Do factors have an effect on voluntary attrition?

H<sub>02.1</sub>: Dysfunctional personal factors have no effect on voluntary attrition.

H<sub>02.2</sub>: Functional personal factors have no effect on voluntary attrition.

**Table 2**  
**Voluntary attrition and variables**

Variables		VA	Standardised Regression weights	S.E.	t value	p value
Dysfunctional Personal Factors	<---	VA	0.824			
Functional Personal Factors	<---	VA	0.458	0.048	8.334	<0.001**

VA – Voluntary Attrition; \*\* Significant at 1% level

The coefficient of **dysfunctional personal factors** being 0.824 represents the effect of dysfunctional personal factors on voluntary attrition, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence dysfunctional personal factors have an effect on voluntary attrition. The positive coefficient implies that for every 0.824 unit increase in dysfunctional personal factors, there is 1 unit increase in voluntary attrition.

The coefficient of **functional personal factors** being 0.458 represents the effect of functional personal factors on voluntary attrition, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence functional personal factors have an effect on voluntary attrition. The positive coefficient implies that for every 0.458 unit increase in functional personal factors, there is 1 unit increase in voluntary attrition.

## 3. Research Question 3

Research Question 3 (RQ3): Do factors have an effect on behavioural intentions?

H<sub>03.1</sub>: Involuntary attrition has no effect on behavioural intentions.

H<sub>03.2</sub>: Voluntary attrition has no effect on behavioural intentions.

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**Table 3**  
**Behavioural intentions and variables**

Variables			Standardised Regression weights	S.E.	t value	p value
BI	<---	IA	0.416	0.031	5.790	<0.001**
BI	<---	VA	0.369	0.040	4.478	<0.001**

IA – Involuntary Attrition; VA – Voluntary Attrition; BI – Behavioural Intentions

\*\* Significant at 1% level

The coefficient of **involuntary attrition** being 0.416 represents the effect of involuntary attrition on behavioural intentions, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence involuntary attrition have an effect on behavioural intentions. The positive coefficient implies that for every 0.416 unit increase in involuntary attrition, there is 1 unit increase in behavioural intentions.

The coefficient of **voluntary attrition** being 0.369 represents the effect of voluntary attrition on behavioural intentions, holding other variables as constant. The p value is significant at 1% level and therefore the null hypothesis is rejected. Hence voluntary attrition have an effect on behavioural intentions. The positive coefficient implies that for every 0.369 unit increase in voluntary attrition, there is 1 unit increase in behavioural intentions.

## X. CONCLUSION

Flexibility in work / time and Communication flow in the company are the environmental Factors that require greatest attention for improvement. Coaching / mentoring by superiors and Career advancement are the training and development factors that require most attention for improvement. Employee empowerment (powers in decision-making) and Motivation Levels are the organizational culture and strategy variables that require most attention for improvement. Job Life span (job security) and Nature of job assignments are the job-specific variables that require the most attention for improvement.

The mean rating for involuntary attrition indicates a majority rating of “high”. The mean rating for functional personal factors indicates a majority rating of “very high”. The mean rating for dysfunctional personal factors indicates a majority rating of “very high”. The mean rating for behavioural intentions indicates a majority rating of “probably continue in the job”.

The facets of involuntary attrition and voluntary attrition contributing significantly to behavioural intentions (in terms of attrition) was compiled and documented through review of related literature and conceptual framework for research was formulated. It served as a starting point from where problem areas in terms of employee maintenance and integration that needed immediate attention were identified. This study provides immense insights for HR managers to suitably change their retention strategies to ensure minimal or no attrition. It served as a barometer to gauge the level of satisfaction with determinants affecting involuntary and voluntary attrition. It helped in ascertaining the retention strategies currently being employed by IT and ITES companies and related benefits.

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