

A Study on Employee Retention in BPO Industry in Kerala

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ABSTRACT

Kerala is a best off-shore destination of BPO industry because of low costs, high quality workforce, location attractiveness, capability and efficiency. Kerala BPO's have tremendous growth but low retention rate dampening the growth of this sector. The main challenges of human resource managers are retention of star employees and skill shortages, so human resource management force to make some policies and strategies to retain their best employees. Various factors affecting employee retention in BPO companies have been discussed in the academic literature over the years. This study is conducted to find out the main causes of employee turnover and controlling practices for retaining employees in the organization through structured questionnaire on a sample size of 600 respondents from BPO's in Kerala. The results showed that there is a positive impact of factors affecting employee retention.

Keywords: Employee retention, satisfaction, stress, quality of work life, supportive work environment.

INTRODUCTION:

Business Process Outsourcing means outsourcing non-core business functions, such as human resources, logistics, customer contract, and information technology services to a third party vendor for a fee. Vendors mean those who have expertise and good reputation for in time delivery of service. It helps to reduce costs and specialize in a limited number of core areas (Quinn & Hilmer, 1994). BPO industry has mainly two stages. At first wave outsource business concentrate only labour intensive, manufacturing process now the current wave of outsourcing include knowledge intensive professional services such as research and development, accounting, and legal support (Teirlinck & Spithoven, 2013). India, China and the Philippines are the major countries doing BPO business. In India revenue from BPO industry is US\$30 billion, according to the national industry association. The BPO industry is a small portion of the total outsourcing industry in India. The total revenue from BPO and IT services industry is US\$154 billion in 2017. India is a vital destination for outsourcing business and expects the GDP growth rate 8-10% for the next decade (Pramanik, Ayan, 2017). In India outsourcing business started a decade ago. Outsourcing business started in companies like GE in 1997 later GE become Genpact in 2004. The main objectives of these companies was to achieve economies of scale through labour cost arbitration. Later companies like Convergys opened centers in India and provide third party services to client's world from India. Short time ago Indian BPO companies like Infosys have joined the new trend by acquiring BPO companies in India. Outsourcing companies need skilled management, employees, technology and process for providing better quality services and timely delivery to customers (Click and Duening, 2005). But recently series of surveys and interviews observed that employee attrition is higher between the age group of 20-25 years. The young professional leaves the organization within 3 months of joining because of slow career growth, poor relation with colleagues, work life imbalance and for higher studies (Raina & Anupama, 2006; Ramiya & Bhas, 2008). High rate of turnover is never good to the organization. It will decrease the morale and commitment of existing employee's. High attrition rate affect organizational productivity, low market share and increase training and recruitment cost. Growing organizations should adopt flexible strategies to retain

talents in the company. If the organization has failed to retain skilled employees they cannot compete and sustain in today's competitive market. This means the real challenge of human resource managers is to maintain right salaries and other variable rewards in a tight market (Trevor, 2003).

Kerala BPO industry has tremendous growth in recent years. Human resource management has to follow better management practices to recruit qualified, skilled talents and also to retain these employees in the organization. The major variables identified from the earlier academic literatures that lead to employee retention in BPO industry are mainly satisfaction, stress, quality of work life and supportive work environment (Lilian, 2012). Job satisfaction is a positive emotional feeling towards the work. It depends on expectations of employee and what they actually get from it. Employee's job satisfaction depends on organizations reward systems, power distribution, individual differences, self esteem. Management should take necessary steps for employee satisfaction, otherwise they will shift to other organization (Lankau & Scandura, 2002). Another study revealed that occupational stress will adversely affect employees physically and mentally. So it leads to job dissatisfaction, low commitment and poor work performance. Stress directly affects employee's performance. This leads to decrease in organizational productivity, low production, and decrease profitability of the company and create negative impression in the market. Finally increased level of stress leads to high labour turnover, low morale and output (Omolara, 2008).

As employees working in IT industry need to complete work within allotted time, they are forced to work at odd hours. It makes the work life balance more difficult compared to other industries. IT professional admits that they are not able to spend enough time with their family. Work life imbalance negatively affects their work (Shubham Goswami, 2014). A supportive management can increase flexibility with respect to the working hours of employees and reduce conflict between work and life of the employees. Work life balance is very important to enhance job satisfaction. Quality of work life meet twin goals enhance effectiveness of organization and improve quality of work life of employee's (Barkha Gupta, Anukool, Manish and Hyde, 2016). Employees working in service oriented industry need good working environment for designing and implementing new services. Management should provide good health policies and better physical surroundings for retaining employees (Edvardsson, Bengtveand Gustavsson, 2003). Better Supportive work environment helps to balance employees work and personal life. Imbalance between work and personal life create stress, increase absenteeism and employees turnover (Ronald Burke 2010). Organizations should provide good supportive work environment and sufficient policies for retaining employees in the organization. It helps to increase production, reduce cost .and also balance employees work and personal life.

On the basis of literatures reviewed in the BPO sector. The researcher identified a research gap in factors affecting employee retention. So many literatures are progressed in describing employee retention in BPO sector in Kerala. This study concentrates on important factors affecting employee retention in BPO industry in Kerala. To best of the knowledge no studies have revealed factors, which affect employee retention. According to this study factors affecting employee retention are job satisfaction, supportive work environment, quality of work life and stress. These are not yet tested in Kerala context. On the basis of above discussion and literature researcher put forward following objectives.

OBJECTIVES OF THE STUDY:

1. To identify the important factors affecting employee retention in BPO industry in Kerala.
2. To analyze the effect of these factors on employee retention in BPO industry in Kerala.

This study carefully addresses the factors affecting employee retention. The current study provides so many contributions to human resource managers, employee's customers and government. This study helps human resource managers to identify the factors affecting employee retention and make strategies to retain best talents in the organization. This study empirically investigates the factors that affect employee retention and present carefully. Employees are beneficiaries because they get better packages and working conditions from employers. Customers and government are the other beneficiaries because high satisfied work force gives quality output with predetermined time and create better image in global market. Simultaneously, academic community is another beneficiary because this study explores some new areas of factors that affect employee retention in BPO industry in Kerala.

Thus in the first section we deals with introduction, in second and third sections deals with literature review and hypothesis and fourth section explain research methodology in detail, followed by discussion and conclusion. The last stage of the study deals limitations and directions for the future research.

LITERATURE REVIEW & HYPOTHESIS FORMULATION

Employee satisfaction & Employee retention:

Herzberg's (1966) theory has two factors motivators and hygiene factors; these are related to employee's job satisfaction. As per this theory employees need a positive feeling towards the work which leads to job satisfaction. These are achievement, recognition, responsibility, development potential and the nature of work. These factors are called motivators. It enables employees to create job satisfaction and give better performance to the organization. The factors leading to dissatisfaction are called hygiene factors such as supervision, remuneration, management. These factors create dissatisfied employees and it affect employee performance. Job satisfaction is the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values (Loke, 1969). Job satisfaction directly affect employee's turnover and indirectly affect their job performance and productivity. Keeping all these factors in mind, employee's satisfaction positively leads to lower attrition rate.

H1 employee satisfaction has a positive impact on employee retention

Job stress & Employee retention:

Occupational stress is not easily defined. So many studies associated with stress not only form an academic perspective but also the implications for occupational practices. Researchers proposed so many theories but Theory of Preventive Stress Management (TPSM) is a better to explain stress. According to this theory individuals experience a variety of stressors that create stress response and stress related outcomes. Both employee and employer suffer huge cost associated with occupational stress. There are varieties of stressors, which affect either positively or negatively similarly, stress response are shown either positive or negative (Hargrove, Quick, Nelson, & Quick, 2011). Occupational stress is harmful to employees and employers. It affects employees physically and emotionally so they feel discomfort and unable to cope with the demands being made on them. Employers do not expect best from their employees because stress affects their performance and also affect organization performance in competitive market (Omolaro 2008; Michie, 2006). Leaders or managers are responsible to make subordinates more comfortable and take sufficient measures for reduce stress. Stressed leaders create stressed organizations and employees. Therefore stress is positively leads to employee retention.

H2 employee stress has a positive impact on employee retention

Employee quality of work life & Employee retention:

Researchers proposed so many theories but this study adopt spillover theory to explain importance of QWL in the organization. This theory explains there is similarity between work environment and family environment because what occurs in work environment will directly affect employee's family environment (Champoux, 1978; Duxbury & Higgins, 1991). According to this theory employees have a tendency to carry their emotions, attitudes, skills and behaviors that they establish at work into their family life and vice versa (Crouter, 1984). As per this theory employees can feel positive or negative spillover. Positive spillover means high level of satisfaction and negative spillover means stress in employees (Parasuraman, 1996; Sirgy, 2001; Zedeck, 1992; Zedeck and Mosier, 1990). Another study revealed that QWL helps to improve productivity through improvement in humans. QWL indicate the level of happiness or dissatisfaction with one's career (Allen, 2001). If the organization does not provide good QWL, the employees will not be motivated towards their work. QWL covers psychological, organizational and social aspects of work life. Therefore, we propose that better working condition provided by the management helps to retain employees in the organization hence.

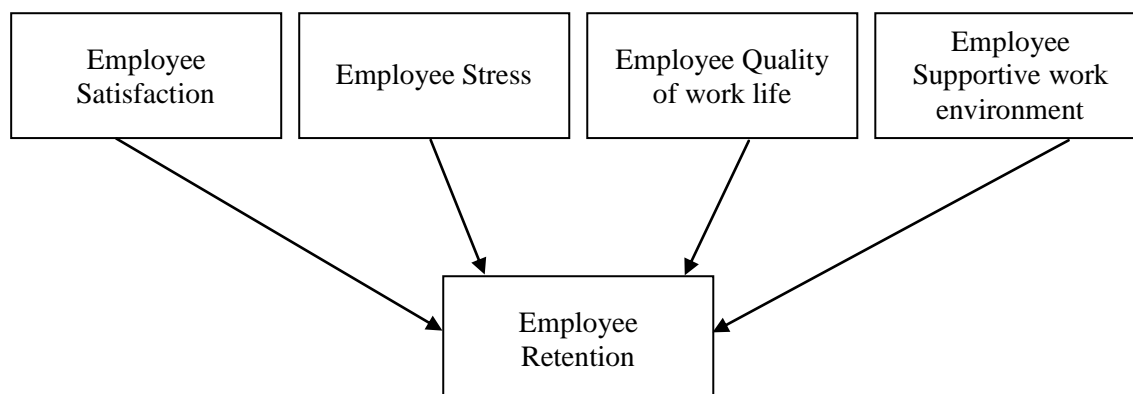
H3 employee quality of work life has a positive impact on employee retention

Supportive work environment & Employee retention:

Employee's performance depends on supportive work environment provided by the organization. March and Simon's organizational equilibrium theory is an appropriate model to explain SWE. This theory suggests that employee retention is based on incentives provided by the organization and expected contribution from an individual (Kennedy and Daim, 2010). The work environment factors include supervisory support, organizational support and peer group support (Broad and Newstrom, 1992). Providing better working environment is important to employees working in service oriented industry. Employees working environment is necessary for boosting their interest levels towards jobs, in turn improving their productivity and organizational commitment. This helps to retain employees in the organization. Supportive Work Environment practices are found to have a significant effect on employee turnover. Therefore; we propose that organization supportive working environment helps to retain employees in the organization hence.

H4 employee supportive work environment has a positive impact on employee retention

Conceptual Model:



METHODS:

Sample and Procedure:

To identify the factors affect employee retention in BPO industry in Kerala 320 sample respondents were selected which constituted a total of 600 samples. Employees selected as samples from Team leaders and employees working in same level. These industries are situated at Thiruvananthapuram, Ernakulum and Kozhikode District to explore the actual context of the employees among different districts. The researcher had written to the management of the selected BPOs to get the approval from companies to conduct survey. The researcher highlighted the importance and the benefit of the study and also promised to maintain the confidentiality of the identity of all participating individuals and companies. After obtaining approval, the researcher sought the cooperation of the human resource managers and team leaders in these companies to distribute questionnaire to the team leaders and these team leaders in turn distributed the subordinate-questionnaires to their respective immediate subordinate.

Questionnaire Development:

The questionnaire was prepared for the top, middle and lower level employees of the BPO sector for studying factors affecting employee retention. The first section of questionnaire started with information relating to demographic profile of the respondents like gender, age, working experience, name of the company, tenure, position, number of employees, and salary range. Statements in the section II tried to elicit the factors effecting employee retention. Emphasis was given on the four drivers of retention such as job satisfaction, stress, quality of work life and supportive work environment. The attributes selected were measured using a 5 point Likert type scale having response from strongly disagree to strongly agree corresponding to the value of 1-5. A total of 640 questionnaires were distributed out of which 420 were received in a completed form from which 320 were selected for statistical analysis.

DATA ANALYSIS & RESULTS:

The study conducted the data analysis in two stages. In the first stage, the author performed the measurement model analysis using confirmatory factor analysis (CFA). In the second stage, the study conducted Structural Equation Modeling (SEM) to examine the empirical model proposed and subsequently to test the proposed set of hypotheses.

Measurement Model Testing:

Table 1: CFA Results

Fit indices	Value
X ²	1022.12
X ² /df	2.13
CFI	.966
RMSEA	.055
IFI	.932
TLI	.933

In this stage, the study conducted the CFA analysis to examine how the collected data fit to the model. In addition, in this stage, we also assessed the validity and reliability of the scale dimensions. From the analysis of CFA, the study found a good and satisfactory fit [$\chi^2 = 1022.12$, $p < 0.001$; $\chi^2/df = 2.13$; CFI = .966; RMSEA = .055; IFI = .932; TLI = .933]. After the confirmation of the measurement model fit, the study assessed the convergent validity of the scale dimensions. Convergent validity confirms the extent to which the items capturing the construct or dimension are in agreement with each other (Bagozzi, 1981). The study analyzed and confirmed the convergent validity of the scale dimensions following the suggestion given by Hair et al. (2010). First, from the analysis of unstandardized CFA factor loadings, the study found that all the loadings capturing its respective dimensions were significant ($p < 0.05$). Second, the examination of standardized factor loadings supported that all these loadings were above the suggested cut-off of 0.05. Finally, we also analyzed the composite reliability (CR) coefficients. The examination of these CR values supported that in all these dimensions the estimated CR values were above the recommended threshold. Thus, the study inferred that the scale capturing the various dimensions proposed in this study possess sufficient level of convergent validity.

Structural Model Testing:

Table 2: SMA Results

Fit indices	Value
X2	722.58
X2/df	2.003
CFI	.911
RMSEA	.052
IFI	.912
TLI	.906

After the confirmation of measurement model, the study performed the structural model testing. The main objectives of this stage are to empirically validate the conceptual model proposed in the study and also to test the proposed set of hypotheses. Thus, as shown in Figure 1, the study modelled the constructs, such as satisfaction, employee stress, quality of work life, supportive work environment as exogenous variables and employee retention as endogenous variable. The structural model analysis supported that the data fit to the model well [$\chi^2 = 722.58$, $p < 0.001$; $\chi^2/df = 2.003$; CFI = .911; RMSEA = .052; IFI = .912; TLI = .906]. Further, the examination of path coefficients and its sign indicated that all these estimated coefficients were in line with the theoretical assumption. The study results supported that employee satisfaction has a positive and significant impact on employee retention ($\beta = 0.32$, $p < 0.01$). Thus, the study supported hypothesis 1. Then the examination of the path coefficients connecting employee stress on employee retention also supported a significant effect ($\beta = 0.24$, $p < 0.01$). Hence, hypothesis 2 received statistical support. Further, quality of life showed a significant effect on employee retention ($\beta = 0.37$, $p < 0.01$). Thus, the study received support for hypothesis 3. Finally, the study also found that supportive work environment has a significant positive impact on employee retention ($\beta = 0.18$, $p < 0.01$). Thus, the study found support for hypothesis 4. In summary, the analysis results supported all the proposed set of hypotheses.

Table 3: Test Results

Relationships		Path estimation	Sign(P)	Result
Employee satisfaction	→Employee retention	0.32	.000	Supportive
Employee stress	→Employee retention	0.24	.000	Supportive
Quality of work life	→Employee retention	0.37	.000	Supportive
Supportive work environment	→Employee retention	0.18	.000	Supportive

DISCUSSION& CONCLUSION:

Outsourcing business provides greatest employment opportunities in Kerala. But recently many skilled employees exit current job. It indicates employee attrition rate is high in BPO's. The current study addresses the factors affecting employee retention in BPO industry in Kerala. In this study explore the relationship of employee retention with job satisfaction, stress, quality of work life and supportive work environment. As per the analysis with result indicate that these are the major factors affecting employee retention in BPO industry.

Employers cannot retain skilled employees without implement proper human resource management practices in BPO industry. Thus current study helps to HR managers to identify issues of employees leave current job. Human resource managers can easily solve these issues by implementing better HR practices in BPO industry. The analysis of the current study has a positive impact of factors affecting employee retention in BPO industry. Unsatisfied work force cannot perform well and complete the work at a predetermined time. This leads to loss business and dampening image of the company in this competitive market. So job satisfaction is important to employee and organization outcomes. This study reveals that job satisfaction is positively linked between organizational commitment and productivity. Human resource managers need to provide better compensation packages, fringe benefits and ensure job security for create satisfied work force and retain skilled employees in the organization.

Employees working in BPO industry face a lot of stress. Stress is badly affected employees carrier and personal life. Human resource management needs to implement better policies for control stress. It helps to employees complete the task successfully and better work life balance. This study reveals that stress is positively link with employee retention.

This paper measure employee's quality of work life is on the basis of higher and lower order needs. Employee's productivity and performance based on how they satisfied with their work life. QWL helps to reduce attrition, absenteeism and improve job satisfaction. Quality of work life creates flexible, loyal and motivated work force and also improve employee's family life. The study reveals that QWL is positively link with employee retention. Human resource management needs to take sincere efforts to promote the quality of work life.

Supportive work environment is positively related with employee retention. Retention is based on work environment provide by the organization. If organization provides better supervisory support, good peer relationship and organization support to employees, they will remain with organization for a long period. Human resource management should develop a positive work environment for retain skilled employees in the organization. Organization adopt strategic implementation of SWE for retain competent employees because they are necessary to provide good service.

LIMITATIONS & FUTURE RESEARCH IMPLICATION:

Employee retention and its factors analyzed in the study are positively related. This study has certain limitations. Sample size of the study is limited to 600. It is small portion to represent entire BPO industry in Kerala. Employees working in BPO industry are busy in their work. It was difficult to meet them. Most of the HR managers denied request of the researcher to meet and collect data from employees. The findings of the study are based on information collected from employees, but majority respondents were fear to revealed information because they have limitations. The data collected from selected BPO companies. The impression of employees may change from those of the rest of BPO companies, so the results cannot be generalized. Job satisfaction and HR practices have been changed over time

The present study focus factors affecting employee retention are job satisfaction, stress, SWL and QWL. Future researchers can explore other factors relating to employee retention in BPO industry. In researcher observation government should arrange awareness programs to companies for permit researchers in their organization because many firms denied giving information. Researchers can explore this area, if government ensures transparency among BPO sector in Kerala.

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