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**Strategies to Retain Human Capital in Business  
Process Outsourcing (BPO) Industry**

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# Strategies to Retain Human Capital in Business Process Outsourcing (BPO) Industry

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## **Introduction**

Human Capital is the most crucial resource on which the Information Technology & Information Technology Enabled Services (IT & ITES) industry in India depends. Next to the location advantage that India has, the factor for the country's immense success in the overseas markets, is its abundant & cost effective human capital which is one of the key asset that has kept India sustain its edge in the ITES sector (Arundhuti Dasgupta, 2002). Human Resource (HR) professionals all over the world, working in Call-Center or Contact Center or BPO industry are leaving no stone unturned to formulate strategies to retain human capital, but nothing is working in their favor. In spite of all their trials the average attrition rate in the BPO this sector is still very high.

## **Objective**

The objective of this paper is to understand the retention strategies adopted by various Indian BPO companies (especially the call centers) and propose innovative strategies that these companies can adopt to get a better solution to this herculean problem that the BPO industry is facing. Though the issues and options analyzed are with respect to Indian service providers, the same may be applied to service providers across the globe as the issues and options remain the same irrespective of place of operation.

## **Methodology of the study**

To know about retention strategies adopted by various Indian BPO companies (especially the call centers) the internet and print medium like magazine and news paper were used in which the interviews of HR managers were published. The reason behind choosing call center segment of BPO is, Customer care based call center activities

constitute for more than one third of the total employment and revenue in the BPO segment (Babu P Ramesh, 2004).

### **Why people are leaving BPOs?**

In spite of the salaries and facilities being high (especially for a graduate who starts his / her career with a BPO company) the average attrition rate is very high in this industry (Shelley Singh, 2003). There are numerous reasons for the attrition to be high which can be categorized into two broad classifications. The first can be coined as “**Drive Attrition**” which caused due to the employer; the second one can be termed as “**Drag Attrition**” which caused due to the employee.

The reasons for **Drive Attrition** are due to employer’s policy / policies of terminating the employee at the end of the contract period for employment. Also the quality policy of the BPO companies guides them to retain only the most productive employee and hence makes them to terminate employee at regular intervals. A BPO company operates 24 hours a day and 365 days a year. The companies do not have a particular day as weekly off for its employees. The employees are not even entitled for national holidays declared by Government of India, as the company works with clients calendar. The call agents can avail leave (which should not affect the schedule) only with prior consent, and any unauthorized absence is a sufficient reason for terminating an employee.

**Drag Attrition** is basically due to the host of insecurities and vulnerabilities associated with the taking up a career with a BPO company. The job of a call center agent (to start off) can be compared to a telemarketing or a telephone operator. Hence the scope to take up any other job (in case needed) or change of field is ruled out, as the experience gained in a call center will not be an iota of importance. Many others quit, as the chance to climb up the corporate ladder is bleak. Only a few very get promoted to the cadre of team leader and as soon as promotions are announced the many of frustrated employees quit (Shelley Singh & Mitu Jayashankar, 2002). Further BPO company work does not

provide any scope for skill up gradation for the employee. The employer trains the employee to speak good English and nothing else which adds to the Drive attrition rate.

Also the nature of job in a typical BPO company is psychologically very stressful. The working hours are artificially created which affect the natural rhythm of human body. The symptoms of chronic fatigue, gastrointestinal problems, peptic ulcer, insomnia and even depression are caused due to change of 24-hour biological rhythm of the body, (<http://economictimes.indiatimes.com>) hence Drive attrition rate shoots up.

Listing out the reasons for non retaining of human capital include lack of growth opportunity for the employees, lack of time based promotion, poaching of employees by other competitive BPOs for higher salaries, employees quitting to pursue higher education, loss of employees personal life, employees physical stress and health reasons, uneasy relationship with peers or managers.

### **Present Strategies Adopted To Retain Human Capital**

Companies have different kinds of strategies adopted to tackle the problem of retaining human capital. It ranges from cash incentives to career concern for the employee.

As only 5 out of 150 employees become team leaders in a year, companies like **Daksh services and Global Vantage** believe that cash incentives are a great way to get employees to stay on (Shelley Singh, 2003). Companies like **GE, Wipro Spectramind** Offer management diplomas and MBA courses to their employees, as most fresh graduates want to study further. Further, they also give innovative incentives like scholarships. If an employee leave in between, they he or she has to discontinue the course (Shelley Singh, 2003). **Exl Service.com and ICICI one source** hires outstation candidates (Mainly Non-Metros) and put them in shared company accommodation. Also as an incentive the company picks up the utility bills. If the employee leaves he or she loses the apartment . Also for leading call centers like **24/7 customer** and **MsourceE** non metro talent currently constitutes nearly 25-35 per cent of total hiring, and the main reason for this to happen is to reduce attrition rate (R Raghavendra, 2003). Many

companies like **HCL Tech BPO Services, GTL, Tracmail, and Vertex India** use various psychometric tests to get people who can work at night and can handle the monotony. They also believe that giving career counseling and planning career paths to its employee help to control attrition. Some of the BPO firms have adapted to the strategy of employing housewives and retired school teachers. They believe that this would help in controlling attrition, as they feel that the tendency and the potential of the employed to get shifted would reduce drastically (<http://economictimes.indiatimes.com/articleshow/247047.cms>) where as some other BPO majors like **Wipro's Spectramind** believes that recruiting the undergraduates itself is a strategy to control attrition. Spectramind removed the graduation prerequisite for their employees in order to keep human resource level from waning (Sharvari Joshi,2003)

Leaving alone the legal and mandatory benefits such as provident-fund and gratuity, other strategies that are designed by the BPOs for providing benefits to the professionals include; **Group Medi-claim Insurance Scheme;** This insurance scheme is to provide adequate insurance coverage of employees for expenses related to hospitalization due to illness, disease or injury or pregnancy in case of female employees or spouse of male employees. All employees and their dependent family members are eligible. Dependent family members include spouse, non-earning parents and children above three months **Personal Accident Insurance Scheme;** This scheme is to provide adequate insurance coverage for Hospitalization expenses arising out of injuries sustained in an accident. This covers total / partial disablement / death due to accident and due to accidents. **Subsidized Food and Transportation;** BPOs provide transportation facility to all the employees from home till office at subsidized rates or even at zero cost. Lunch is also provided free of cost. **Company Leased Accommodation;** Some of the companies provides shared accommodation for all the out station employees, in fact some of the BPO companies also undertakes to pay electricity/water bills as well as the Society charges for the shared accommodation. The purpose is to provide to the employees to lead a more comfortable work life balance. **Recreation, Cafeteria, ATM, gym and Concierge facilities;** The recreation facilities include pool tables, chess tables and coffee bars. BPOs Companies also have well equipped gyms, personal trainers and showers at

facilities. **Corporate Credit Card;** The main purpose of the corporate credit card is enable the timely and efficient payment of official expenses which the employees undertake for purposes such as travel related expenses like Hotel bills, Air tickets etc **Cellular Phone / Laptop;** Cellular phone / Laptop are provided to the employees on the basis of business need. **Personal Health Care (Regular medical check-ups);** Some of the BPO'S provides the facility for extensive health check-up. For employees with above 40 years of age, the medical check-up are given once in a year. **Loans;** Many BPO companies provide loan facility on different occasions like, during the times of medical emergency, at the time of their wedding, also new recruits are provided with interest free loans to assist them in their initial settlement at the work location. **Educational Benefits;** Many BPO companies have this policy to develop the personality and knowledge level of their employees and hence reimburses the expenses incurred towards tuition fees, examination fees, and purchase of books subject, for pursuing MBA, and/or other management qualification at India's top most Business Schools. **Performance based incentives:** In many BPO companies they have plans for, performance based incentive scheme. The parameters for calculation are process performance i.e. speed, accuracy and productivity of each process. The Pay for Performance is high as 22% of the salary. **Regular Get together and other cultural programs:** BPOs also organizes cultural program as and when possible but most of the times, once in a quarter, in which all the employees are given an opportunity to display their talents in dramatics, singing, acting, dancing etc. Apart from that the organizations also conduct various sports programs such as Cricket, football, etc and regularly play matches with the teams of other organizations and colleges. **Wedding Day Gift;** Employee is given wedding day gift voucher worth Rs. 2000/- to Rs. 7000/- based on their level in the organization. **Employee Referral Scheme;** In several companies employee referral scheme is implemented to encourage employees to refer friends and relatives for employment in the organization. **Employee Stock Option Plan;** Some BPOs also give ESOP scheme to their employees to make them more loyal to the company they work.

In spite of these benefits that are given through innovative strategies, people still leave BPOs at a faster rate and retaining them has become a real challenge for the HR

managers. Now, the actual question, What types of retention strategies are required to solve this problem and retain the Human capita, which is a crucial resource in the high growth IT-ITES industry in India ([www.nasscom.org](http://www.nasscom.org)).

### **Strategies Suggested For Retaining Human Capital in BPOs**

**BPO service providers moving into value creation and value enhancement processes of clients;** The BPO service providers must look at value creation and value enhancement in the process or activity that they do and this would be the one of the best strategy for the firm to control attrition. Although a majority of players face high attrition rates there is a certain class of players who have a much lower rate of attrition than the industry average, and these operators operate in the niche segment in areas like research and analysis. Office Tiger has set up its shop in India at Chennai. The attrition experienced by Office Tiger, a US\$20 million annual turn over company stands at 8%, much lower in comparison to the rest of the BPO industry (<http://economictimes.indiatimes.com/article/show/286800.cms>). The major reason being that, Office Tiger offers specialized services such as business research for banking industry and analytics to its clients (John K. Shank & Eric A. Spiegel, 1998), where there is a lot of value addition happening. Indian BPO's can adopt this strategy, the main reason being that the Indian software giants like Infosys, Wipro and Satyam have already proven their potential in the world's software market segment for the credibility and creative ability of Indian work force. Hence Indian brain is acknowledged world over for the spectacular creativity and capability for problem diagnosis & solving. Hence if the Indian BPOs have a better edge over the other players in the world in moving towards the value creation and value enhancement processes of its clients. This would mean that BPOs have to go for specialized services segment or in other words move towards the KPO (Knowledge Process Outsourcing) where the stress is laid on as business research areas and this would for sure reduce the attrition rate drastically.

**Changing perception of employees from life style to career;** The perception of the employee about the BPO has to change from being a life style to a career option. One way of doing this is to re-construct the organization structure. The chances to climb the corporate ladder should be made to look bright. In the present day the options that a BPO employee has in climbing up the corporate ladder is as shown in Figure1.1a.

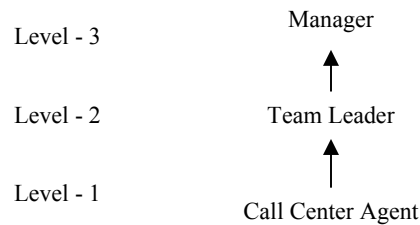


Figure 1.1a

Some modification done to this corporate ladder in increasing the number of levels, can give a prospective picture to the path ahead for a call center agent, and also will aid to change the perception from life style to career, which will control attrition to a reasonable extent. The modified version is shown in Figure1.1b

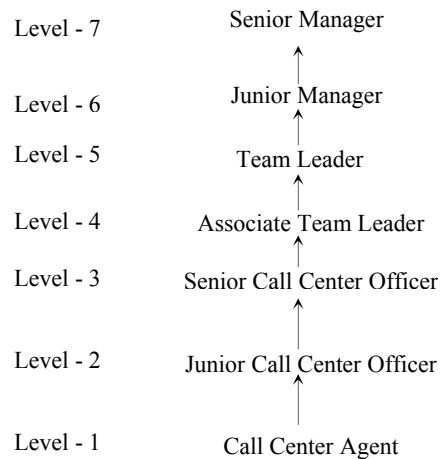


Figure1.4b

**Change the employable target audience and also in a way become socially responsible;** Neither age nor physical appearance is a hurdle for call center employment. So the BPO firms should take in those who are physically handicapped, and hence in a way become socially responsible. This could be the best adopted strategy for Indian BPO companies, the reason being that two percent of Indian population are physically challenged ([www.indiastat.com](http://www.indiastat.com)), this would mean that two percent of One billion, which is a real big number. Also there are many schools in India, who give formal education to the physically challenged. So the Indian BPO's can definitely look this as a viable strategy for bringing down the rate of attrition. Also this strategy will make target employees to be more committed and loyal to work, as they would look at this job as a career and would not shift jobs very frequently. Another reason for not shifting jobs would be that any other job would not give them a salary comparable to BPO company standards

**Make employees feel that the company cares this can be done through effective communication;** proper communication is the first step toward creating pleasant environment for the employees and also a way to show that the employer cares and they just may stay. The employees should be well aware of what's happening with the company. At any time, all of the employees should have a pretty good idea of how business has been, and they should be aware of what issues the company is attempting to address. The people should also be kept up to date with important events affecting the company. The managers should listen to the employees when they have ideas for improvement. They may have some ideas to improve productivity, and when they do come up with one, let everybody know where it came from.

**Clarity in expectations;** employees should be very clear about the appraisal system, companies expectations from employees/team-members, parameters to measure their performance, consequences of failure in meeting the expectations, rewards awarded if they exceed the expected level of expectation

**Giving employees a choice of rewards;** Rewards are as different as the people who receive them and it doesn't make sense to give rewards that recipients don't find rewarding. For example, some people prefer more pay, while others prefer more time off. A promotion might be more rewarding to one person, while a job-sharing arrangement might be more rewarding for another. Some people are excited about sports events, others about movies. Some employees would love a dinner in a romantic restaurant, others a book by their favorite author. Food, fun, education, improved work environment, gifts, travel, family-oriented activities - the options are endless. How can one know what will be rewarding to employees? Best thing to do is to "Ask them". Smart organizations are also letting employees choose their own rewards from reward menus and catalogs. Personalizing rewards shows that a company cares enough to discover what "interests" each employee, rather than just distributing generic items.

**Adding value; the key** employees seek frequent opportunities to learn and grow in their careers, knowledge and skill. Without which will feel they will get stagnated. A career-oriented, valued employee must experience growth in value for him/herself within the organization.

## **Conclusion**

The strategies suggested in the paper are not exhaustive to retain the human capital of BPOs. These are just the basics and if implemented in a proper way can give good results.

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