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Impact of human resource outsourcing on the performance of manufacturing industries: In Bangalore

Bharathi KV and Dr. Munivenkatappa

Abstract

In India the BPO sector is one of the fastest growing sectors contributing major share to our Gross Domestic Product. Factors such as economy of scale, cost advantage and superior competency have all lead to the growth of the BPO Industry in India. The BPO Boom in India can be credited to cheap labour cost, huge talent pool of skilled and English Speaking professionals availability. The Report of NASSCOM has revealed that the geographic location and investor friendly tax structure in India have all made the one of the shining sectors and popular. This poses a great challenge for Human Resource Professionals to retain the talented and skilled workforce and maintaining a consistency in the performance. HR manager has been facing various problems in general and retaining quality staff in general. The present paper dwells into identifying the various factors that lead to employee attrition and explaining the importance of sound organizational policies.

Keywords: Outsourcing, HR Challenges, Retention, Personal Factors, Work Stress

1. Introduction

1.1 Outsourcing Concept

Outsourcing refers to the delegation non-core operations from internal production to an external entity specialized in management of that operation. The decision of outsourcing arises often due to the avoidance of certain specific costs like non-core business expenses, high taxes and high energy costs, production cost and labour cost. It does not imply that outsourcing is made to avoid costs, it helps the firms to perform well in their core competencies, efficient use of technology, facilities, resources and capital. The major outsourced segments include information technology, manufacturing, human resources, facilities accounting and front office outsourcing

2. Process outsourcing industry in India and the problem of retention

Business Process outsourcing is subset of outsourcing that involves contracting of the operations and responsibilities of the business function to a third party provider. Indian BPO industry is become one of the fast growing and biggest employment generation sectors and contributing a major chunk to India Growth. The liberalization of Indian Telecom industry in 1994 gave an unexpected boost. The expansion of the industry can be attributed leading IT companies, captive players and third party service providers. India became the place of opportunities in BPO industry due to the factors like cheap labor cost and skilled and English speaking professionals availability. The young and energetic people have been joined in this industry and providing services. It is a tough task for the hr manager to motivate and retain the staff as there are plethora of opportunities are available for the manpower outside in this industry. He has to find right kind of people and need to maintain a fine balance between demand and supply. Due to the number of opportunities availability in this industry, there is a high attrition rate in this industry approximately 25-30 percent at present. So it can be topic of concern to address this challenge as the industry tends to grow in the coming decade.

3. Review of Literature

A lot of research has been done to identify the reasons of employees leaving the Industry. James M.J and Faisal U (2013) study the causes of attrition in Karnataka and Kerala states of India and revealed in their study that employee attrition rate is high due the absence of good

HRM practices. Reasons for attrition and identified various problems faced by employees in the organization, their study also focused to understand the various problems organizations facing due to attrition and suggested ways and means to lower the rate of attrition.

Santhoshi Sen Guptha and Ayush Guptha (2008) study the challenges posed to BPO organizations at various levels and find that at lower level management level, the major challenge include meeting targets, dealing with customers and maintaining work life balance, at middle level management the major challenges are to motivate employees and handle attrition and absenteeism while at upper level management level, client's demands, motivation, competition and costs are major challenges.

K.R. Sree Rekha and Dr. T. J. Kamalanabhan developed a conceptual model connecting variables of the internal and external environment to ITES/BPO employee turnover. Vibha Guptha observed the recruitment and retention challenges that the BPO industry currently facing and also examined the ways to reduce high turnover among first year employees in the leading domestic call centers.

Ankita Srivastava (2011) study revealed that the employees have been leaving the institutions due to the non fulfillment of higher order needs rather than lower needs. The organizations are not been able to satisfy their higher order needs. In the light of above stated facts, the relevance and significance of current research paper is enhanced as its findings and suggestion can help HR managers in BPO industry. to focus on the challenge of retaining the employees. It is also significant to understand the major HR challenges managers face due to the changing competitive environment.

4. Significance of the study

- Help the HR managers to identify the importance of the problem of attrition and its
- Study the impact of various organizational factors and personal factors on the organization
- Help the HR managers to identify the causes of attrition and to take suitable steps in this regard.

5. Objectives of the study

- To identify the factors of employee attrition in BPO Industry
- To ascertain the reasons for human resource outsourced by the manufacturing firms in Bangalore

6. Research Methodology

The present study is based on the primary data collected through furnishing the questionnaire to the employees working in BPO organizations located in Bangalore Region. The BPO organizations include domestic BPO organizations and Multinational BPO organizations. The Random sampling techniques is administered for the purpose of the study. The questionnaire is administered to the 100 employees working in domestic and multinational BPO organizations located in Bangalore.

7. Analysis & Interpretation

The data collected through questionnaire has been analyzed and interpreted using a tabulation method. The study found the factors that cause the employees leaving their present organizations. In the following tables depicts the various

factors cause attrition among the employees working in BPO industry.

Table 1: Working environment of the organisation

S. No	Opinion	No	Percent (%)
1	Participative	14	14
2	Democratic	16	16
3	Paternalistic	32	32
4	Authoritative	38	38
Total		100	100

When asked to employees the working environment of their organization majority of respondents 38% said Authoritative and 14%, 16%, 32% said Participative, Democratic and Paternalistic consequently.

Table 2: Better career opportunities outside

S. No	Opinion	No	Percent (%)
1	yes	52	52
2	no	48	48
Total		100	100

52% Respondents opined that better career opportunities outside inducing the employees to leave their present organization. 48% of respondents responded negatively to the above statement and stated this is not one of the causes of attrition. Respondents are with an opinion that there is shortage of skilled manpower in the industry and BPO organizations which require skilled and trained professional and also expressed that multinationals entering into BPO market creating better career opportunities in this Industry.

Table 3: Unfriendly working conditions

S. No	Opinion	No	Percent (%)
1	yes	44	44
2	no	56	56
Total		100	100

When it is asked to the respondents that the unfriendly working conditions induce them to leave their place of work the 44% of respondents of responded negatively 56% respondents opined that the organizations are having friendly working conditions.

Table 4: Lack of social interaction at work place

S. No	Opinion	No	Percent (%)
1	Strongly Agree	60	60
2	Agree	20	20
3	Disagree	11	11
4	Strongly Disagree	9	9
Total		100	100

The above table reveal the respondents opinion about the social interaction at work place. When asked 60% of respondents responded are supported that strongly agree statement and 20%, 11%, 9% respondents have supported the statements Agree, Disagree and Strongly Disagree consequently.

Table 5: Late night shifts

S. No	Opinion	No	Percent (%)
1	Strongly Agree	40	40
2	Agree	27	27
3	Disagree	15	15
4	Strongly Disagree	18	18
Total		100	100

The above table express the respondents opinion about late night shifts. 40% of respondents strongly agreed that late night shifts is one of the factors of attrition, whereas 27%, 15%, 18% of respondents opined Agree, Disagree and Strongly disagree respectively.

Table 6: Lack of training and developmental opportunities

S. No	Opinion	No	Percent (%)
1	Strongly Agree	37	37
2	Agree	38	38
3	Disagree	10	10
4	Strongly Disagree	15	15
Total		100	100

The above table expresses the respondents' opinion about training and developmental opportunities provided by their organization. Majority of the respondents 37% were strongly agree while the 38% respondents were agree and 10% respondents were disagree and 15% of respondents were Strongly Disagree on the above said statement.

Table 9: Ineffective organizational policies

S. No	Opinion	Opinion		Percent (%)	
		Yes	No	Yes	No
1	Performance Appraisal and Feedback	67	23	67	23
2	Career Management	54	46	54	46
3	Compensation and Reward Management	38	62	38	62
4	Communication Policy	51	49	51	49
5	Leave Management	56	44	56	44
6	Motivational policies	88	12	88	12
Total		100		100	

The above table reveals the respondents' opinion about the some of the organizational policies responsible for increasing attrition rate. 67% respondents said yes to the performance appraisal and feedback and rest of the respondents said No to the performance appraisal and feedback policy. 54% respondents opined positively to the Career management administered in their organization while the remained respondents admitted it is not the cause for increasing attrition rate. On asking the Compensation and Reward management in their organization 38% respondents expressed yes and surprisingly 62% respondents said no to this statement. The respondents said their opinion about the leave management and motivational policies of the

Table 7: High amount of work stress

S. No	Opinion	No	Percent (%)
1	Strongly Agree	76	76
2	Agree	14	14
3	Disagree	06	06
4	Strongly Disagree	04	04
Total		100	100

The above table reveals the respondents opinion about quantum of stress involved in their work. 76% of respondents strongly agreed with the statement, whereas 14%, 6%, 4% respondents stick themselves with opinions of Agree, Disagree and Strongly Disagree consequently.

Table 8: Role Confusion

S. No	Opinion	No	Percent (%)
1	Strongly Agree	28	28
2	Agree	26	26
3	Disagree	42	42
4	Strongly Disagree	04	04
Total		100	100

The above table reveals the respondents opinion about Role Confusion 28% strongly agree and 26% were Agree while 42% and 4% respondents were Disagree and Strongly Disagree respectively..

organization 56% and 88% respondents said yes while 44% and 12% said no respectively.

The researchers tried to explore the relationship between various personal factors and ever increasing attrition rate among the employees working in BPO industry. The study identified demographic factors and focused on assessing the impact of these demographic factors impact. The relationship between demographic factors of respondents and attrition is discussed below.

7.1 Marriage and Attrition

The researchers attempted sincerely to identify reason to ever increasing rate of attrition due to the marriage. The data collected is presented in the following table.

Table 10: Marriage is the reason for attrition

S. No	Opinion	Percent (%)							
		Men		Women		Men		Women	
		Married	Unmarried	Married	Unmarried	Married	Unmarried	Married	Unmarried
1	Strongly Agree	20	2	11	22	33	3	28	55
2	Agree	12	4	2	1	20	7	5	2.5
3	Disagree	8	6	1	1	13	10	2.5	2.5
4	Strongly Disagree	5	3	1	1	8	5	2.5	2.5
Total			60		40		100		

The above table reveal the respondents with different marital status expressed their opinion about the marriage can cause attrition among employees. The study include out of total 100 respondents 60 male respondents and 40 female respondents. From the above data it is revealed that 33% Married Men and 28% married women and 2% unmarried men and 55% unmarried women were strongly agree with the said statement, while 20% married men, 5% married women and 7% unmarried men and 2.5% unmarried women were strongly disagree and 13% married men, 2.5% married women and 10% unmarried men and 2.5% unmarried women were disagree and 8% married men and 2.5% married women and 2.5% married women and 2.5% unmarried women were strongly disagree with the statement.

7.2 Domestic responsibilities and attrition

Table 11: Domestic responsibilities is the reason for attrition

S. No	Opinion	No		Percent (%)	
		Men	Women	Men	Women
1	Strongly Agree	16	56	16	56
2	Agree	8	10	8	10
3	Disagree	2	3	2	3
4	Strongly Disagree	4	1	4	1
Total			100		100

On asking the employees about the domestic responsibilities is the cause of attrition 16% Men and 56% Women respondents were strongly agree while 8% Men and 10% women, 2% Men and 3% women and 4% men and 1% women respondents were Agree, Disagree and Strongly disagree respectively.

7.3 Higher education and attrition

Table 12: Higher education is the reason for attrition

S. No	Opinion	No	Percent (%)
1	Strongly Agree	45	45
2	Agree	28	28
3	Disagree	15	15
4	Strongly Disagree	12	12
Total		100	100

On asking the employees about the higher education is the cause of attrition 45% were strongly agree while 28% 15% 12% respondents were Agree, Disagree and Strongly disagree respectively.

7.4 Loss of interest and attrition

Table 13: Loss of interest is the reason for attrition

S. No	Opinion	No	Percent (%)
1	Strongly Agree	57	57
2	Agree	28	28
3	Disagree	8	8
4	Strongly Disagree	7	7
Total		100	100

When asked the respondents about the loss of interest is the cause of attrition 57% were strongly agree while 28%, 8%, 7% respondents were Agree, Disagree and Strongly disagree respectively with the said statement.

8. Findings

- Respondents report that there are plenty of opportunities available outside to them and that induce them to leave the present organization now they are working with.
- The nature of job is tedious and very monotonous and does provide no scope to interact with other colleagues and peers and restricts them to have a break while from their work which in turn force them either leave the profession or abscond themselves from the work.
- It is found the job in the BPO industry demand high skill set and competencies and there is a mismatch between the training provided to the employees and suitable sill to perform the job.
- It is found that most of the respondents have been experiencing the high amount of stress in their work that causes them to lower their performance level, productivity and health.
- The respondents feel that organizations doesn't provide adequate leaves to the employees and it doesn't have any work life balance programs for the employees to maintain their work life and personal life
- The research shows that most of the respondents are pursuing their higher education and join in this industry to support their immediate financial needs. The research also shows that most of the choice after their education and once they get a suitable job to their specifications they left the organizations.
- The women respondents working in the industry feel that getting married can cause them to leave the present organization attributing various societal reasons like seeking acceptance of husband and in laws, moving to husband's place
- The study found that unusual shifts and odd shift timings discourages the employees to stay in this profession as their present organization is no having any suitable program.
- There is no clear cut performance standards and measures to attain by the employees.
- It is found that there is less transparency in the performance appraisal system and the performance feedback also not communicated to the employees to know the gap in their performance.
- Respondents feel that the salary packages one receive is the not main factor for the increasing rate of attrition as most of the respondents have been paying better salaries by their respective organizations.
- Most of the female respondents feel that the domestic responsibilities like taking care of parents, in laws and children causes them to leave the profession and join some other profession.

9. Conclusion

The study conducted to identify the various factors that cause to increase the attrition among the employees working in BPO industry. The BPO industry becomes the continuously growing and ever changing industry and contributing major chunk to the India's GDP. It has been creating plenty of employment opportunities as India became a hub for outsourcing services for many nations. In this sector the rate of recruitment is high as rate of attritions is also compounding due to various factors. This definitely attracts the attention to identify the root causes of this problem. It is been significant to address all the factors

identified and must addressed by the HR professionals to reduce the impact of attrition on the organization. Organizations spent huge amount of money to provide training and skill development program to their employees, it costs the double of the salaries they have been paid to their employees. It is also important to deal the factors of attrition to reduce the organization cost, to enhance the performance and productivity of the organization and to develop suitable ways to reduce the way of attrition.

10. Suggestions

- Undertake review of existing policies and improve current practices on flexible work arrangements
- Provide possible work breaks and interval to the employees to get relief from their work
- Open Communication always helps the organization, the employees' doubts with regard to performance standards and performance expectations must be communicated prior Loyalty can't be buy, companies can introduce loyalty programs to motivate their employees to stay back with their organization
- Build learning relationships in all directions and hold all participants responsible for their success
- Select the candidates who fit the role and train them accordingly and make it as a continuous practice in the organizations, so that the employees never feel inferior to perform their role
- Strengthen Career development and Career progression programs in return it help the organization to retain their employees
- Provide whole job experience to the employees to maintain their interest in their work and it motivates the employees to stay back with the organization.
- Recognize the employees. Appreciating the skill and performance acts as the energy booster to the employees and induces them to achieve higher performance standards
- Retention must be intertwined and blended in the organizational strategy formulation. Organizations must maintain a rewarding, encouraging a participative culture in the organization, this definitely pays off to the organizations with having loyal work force who are skilled, trained and motivated workforce.

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