

# A study on Human Resources Practices on Employee Retention in Business Process Outsourcing in Trichy

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## ABSTRACT

Human resources practices are the source of revenue of all types of an organization. The employee retention plays an vital role in an organization. This paper mainly focusing on effectiveness of human resources practices in tackling employee retention can be enhanced by improving the compatibility between employee and organizational values. The most important HR practices have been identified with the help of literature. The practices are organization culture, compensation and training & development. And also study the most prominent employee retention strategies adopted by the organization. For this purpose, primary data for the research is collected with the help of questionnaire and secondary data collected through books, research paper, online journals, project reports and internet. The total population size is 1200 in that I took 120(i.e., 10% of population). The outcome of the study is expected to help the HR managers of BPO's in minimizing the attrition rate by developing effective retention strategies.

## 1. Introduction

Business Process outsourcing (BPO) is the delegation of an intensive business process to an outside service provider who owns administers and manages it according to a defined set of metrics. Business-process outsourcing is generally for back-end administrative functions that are necessary to run a business. The terms IT Enabled Services (ITES) and Business Process outsourcing (BPO) are used interchangeably now days. ITES is basically a subset of BPO. If process that is outsourced involves use of Information Technology it is called ITES else it just Business process outsourcing. Companies are now increasingly outsourcing their Finance & Accounting functions followed by Human resource (HR) outsourcing.

The BPO industry, being one of the biggest employers in the country, will soon touch the point of hiring 1.1 million employees. However, hiring and retaining skilled employees is as much a key differentiator as much as a challenge, here. The industry is struggling with a major challenge of attrition. The average attrition rate is said to be about 30-35%. The concern gets more critical, as a company loses about Rs.60,000/- approximately, if an employee quits after training. Usually, employees value quick career succession and monetary gains and over stability. This adds to challenges namely, high rate of attrition, sudden absenteeism during high work volume, non-adherence to policies related to information sharing. This industry with highest employee turnover ratio needs to take some critical steps in order to overcome this obstacle.

The primary responsibility of an HR function is to provide continuity to the business. HR should identify warning signs in order to curb attrition. However, in the current scenario, it becomes imperative for HR teams to strategize efficient efforts to retain the employees. This can be made possible through adopting various practices.

- **Employee Engagement:** 'All work, no play', gets monotonous and that's when employees look to move out. Fun activities should be conducted at intervals. Communications impressing the organizational goals and beliefs upon employees should be shared at often.
- **Training:** Training can keep employees' interest intact. It is one way to help them learn something new and add to their skills and competencies. It makes them believe that their efforts are being recognized. Well, their improved performance is a bonus.
- **Growth Opportunities:** In addition, employees should have the option to explore profiles and opportunities across verticals within the organisation. Better career options or profiles should be created within the organisation itself.
- **Challenging tasks:** Career cycle for employees should be meaningful. The KPIs should hold importance and bring about value add to the business.
- **Appreciation:** Performance should be appreciated in terms of incentives, appraisals, package, honours, etc. This initiative will develop loyalty towards organisation.

In order to win over the competition and keep up with the trends, Indian BPO industry will have to fight its obstacles and innovate. Skilled and trained talents more than mere employees are the biggest strength. This in addition to technology will help the BPO companies to deliver the next generation services and solutions and rise up the IT value chain.

## 2. Statement of the Problem

In this context employee retention has become resulting in high level of attrition among an organization. This study will focuses on human resources management practices. And how these HRM factors can impact of employee retention for retaining the employees in an organization.

## 3. Literature Review

[DeYoung (2000)]. One of the core concepts in Human Resources literature for employers is the retention and development of the human capital to facilitate a competitive advantage.

[Mitchell et al., 2001]. Retention of good employees in an organization is one of the biggest challenges, which the companies' now-a-days are facing. Management, top-level executives and HR departments of the companies are splitting their sweat and blood, spending their time, effort, and money to stop turnover and to retain key employees. There are innumerable reasons regarding voluntarily good-bye of the people from their organizations in which they work. The dilemma of turnover needs to be overcome because it foists huge costs on both individuals and organizations

[Kevin et al., 2004]. Huge costs are usually incurred by the employers on their workers in terms of attracting, hiring, maintaining, training, developing and holding them back in their organization. Managers of the organizations should do their level best to adopt such measures, which minimize employee's turnover. Employee turnover is such a phenomenon, for the understanding of which no standard formula exists; therefore, so many elements have been determined which would be helpful in understanding employee turnover.

[Horwitz (2008)]. skills shortages are a threat to economic growth. He argues that retention strategies are critical in a global market that is faced with the shortage of skilled workers. The skills shortage challenge is not a South African phenomenon alone. It is therefore important for business, government public and private sector leaders to address this critical component of employee retention for competitiveness and service delivery.

[Zingheim et al., 2009]. Organizations should opt the retention approach that amalgamate the organization's distinct culture, pay, total rewards, and value key talent by making them feel important.

[Coetzee and Schreuder (2013)]. argue it is therefore important that organisations have both hygiene factors and motivation factors to keep their employees satisfied so that they will not leave the organisation. Motivation factors are often said to lead to high retention but the absence of hygiene factors may result in increased turnover.

## 4. Objectives of the Study

1. To identify the methods adopted by organization which helps the employee retention.

2. To explore the relation between training and development, compensation, and organization culture for employee retention.
3. To suggest and recommend some measures to improve employee retention strategies.

## 5. Factors affecting employee retention

Employee retention factors are more important than ever. An employer's ability to retain employees is no longer an aspect of being a "good" place to work. Of course, it's only natural for employees to grow. People's needs and wants for their days spent at work change. Employees aren't staying in positions for decades. Good jobs were ones with a good salary, benefits, etc. Now, it's one that prepares you for your next job. Modern employers are no longer just responsible for providing employment. To receive optimal output from a hire, a modern employer must have it all plus prepare them well enough to move on. Employee turnover is costly, it affects the performance of an organization, and it becomes increasingly difficult to manage as the availability of skilled employees continues to decrease. A failure of a business's and process are often at fault.

### Training & Development

Training and Development is a subsystem of an organization and core function of human resource management. It ensures continuous skill development of employees working in organisation and habituates process of learning for developing knowledge to work. Training and Development is the foundation for obtaining quality output from employees.

Training and Development is a structured program with different methods designed by professionals in particular job. It has become most common and continuous task in any organisation for updating skills and knowledge of employees in accordance with changing environment. Optimisation of cost with available resources has become pressing need for every organisation which will be possible only by way of improving efficiency and productivity of employees, possible only by way of providing proper employee training and development conditioned to that it should be provided by professionals.

### Compensation

Compensation and benefits refers to the compensation/salary and other monetary and non-monetary benefits passed on by a firm to its employees. Compensation and benefits is an important aspect of HRM as it helps to keep the workforce motivated. It helps give benefits to employees based on their performance and actions and brings the best out the employees at workplace.

### Compensation and benefits components

There can be several ways where benefits can be given to employees. Mostly it is given in terms of a CTC or gross salary. Some of the various components of compensation and benefits are mentioned below:

1. **Fixed pay:** This is the basic salary paid to the employee irrespective of any other factor. This is stated clearly in the employment contract. This is the compensation or salary or wage which an employee or a worker will definitely get as long as he or she is an employee of the company.
2. **Variable Pay:** This is the additional compensation paid to employee based on employee's performance, company performance etc. Since variable pay is based on the performance of an individual, it motivates the employees to perform even better.
3. **Equity Pay:** Employees are awarded shares of the company, often at a discounted price. Employees are expected to make money out of them by the appreciation of the stock price and the growth of the company. This is mostly given to the senior management who have served the company for a long time.
4. **Other benefits:** Benefits such as medical facilities, insurance policies, company owned car or flat etc all play an important role in motivating employees. These benefits are given by the company as a part of recognizing the services of an employee.

floated out of which 100 completely filled questionnaires were received, hence the response rate was 80%. The average age of the respondents was 25-30.

The inter item consistency of the questionnaire was tested through "Cronbach's alpha" to confirm the reliability of the questionnaire. The results of reliability analysis. After the reliability analysis, correlation matrix was obtained and regression.

**7. Limitations of the Study**

1. Due to the time constraint the organization does not allow to get more responded they allow only limited response.
2. The employees does not tick their original view based on their company confidential.

**8. Data Analysis**

A questionnaire was designed in order to collect respondent opinion on their perceptions regarding strategies in the organization. The questionnaire mainly consisted of closed-end questions and likert scale technique has been used. The responses from every respondent for each determinant are scored on a five point scale i.e.; Highly Satisfied, Satisfied, Neutral, Dissatisfied and Highly Dissatisfied. Higher scores in each determinant indicate the high level of impact on employee retention and lower scores indicates less impact of determinants level of HRM practices. The questionnaire was consisted of 30 items, excluding demographics were asked from the respondents, which were related to the determinants taken in the study.

**Organization Culture**

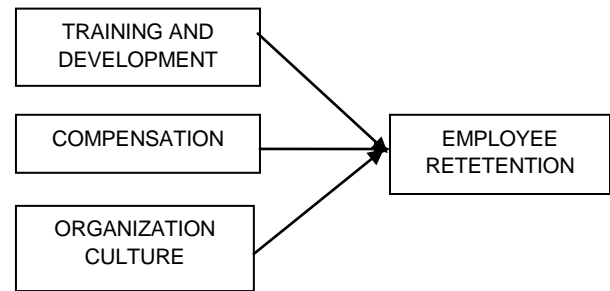
Organizational culture works a lot like this. Every company has its own unique personality, just like people do. The unique personality of an organization is referred to as its culture. In groups of people who work together, organizational culture is an invisible but powerful force that influences the behaviour of the members of that group. So, how do we define organizational culture?

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behaviour of the members of the organization. Let's explore what elements make up an organization's culture.

**6. Research Methodology**

This study is co-relational in nature with cause and effect approach. The population of this study was the employees of Business Process Outsourcing. For the purpose of data collection convenient sampling technique was employed. This study adopted the descriptive research design. The data was collected through self administered questionnaires. This questionnaire was developed on the basis of the literature review. The variables used in this study are organization culture, compensation, and training & development. The questionnaire was consisted of 30 items, excluding demographics. This questionnaire was developed on the basis of literature review. All the items in the questionnaire were rated on a five point Likert scale, where 5 stand for strongly agree and 1 for strongly disagree. A total of 120 questionnaires were

**Hypothesis Model**



**Correlations Analysis**

**1. Correlation between organization culture and employee retention**

**Null Hypothesis Ho:**  $\rho = 0$ , There is no association between organization culture and employee retention.

**Alternative Hypothesis H<sub>1</sub>:**  $\rho \neq 0$ , There is an association exist between organization culture and employee retention.

Descriptive Statistics			
	Mean	Std. Deviation	N
Wrkngenv	2.3667	1.01197	120
Does an organization	1.4750	.50147	120

Correlations			
		wrkngenv	Does an organization
wrkngenv	Pearson Correlation	1	.267**
	Sig. (2-tailed)		.003
	N	120	120
Does an organization	Pearson Correlation	.267**	1
	Sig. (2-tailed)	.003	
	N	120	120

**Interpretation**

The  $\rho$  value is greater than 0. (ie.,)  $\rho > 0$ . Therefore it is clear that H1 is accepted. There is a positive linear relationship exist among organization culture and employee retention.

**2. Correlation between compensation and employee retention**

**Null Hypothesis Ho:**  $\rho = 0$ , There is no association between compensation and employee retention.

**Alternative Hypothesis H1:**  $\rho \neq 0$ , There is an association exist between compensation and employee retention.

Descriptive Statistics			
	Mean	Std. Deviation	N
Compensation paid	2.7417	1.27349	120
Does an organization	1.4750	.50147	120

Correlations			
		Compensation paid	Does an organization
Compensation paid	Pearson Correlation	1	.260**
	Sig. (2-tailed)		.004
	N	120	120
Does an organization	Pearson Correlation	.260**	1
	Sig. (2-tailed)	.004	
	N	120	120

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**3. Correlation between training & development and employee retention**

**Null Hypothesis Ho:**  $\rho = 0$ , There is no association between training & development and employee retention.

**Alternative Hypothesis H1:**  $\rho \neq 0$ , There is an association exist between training & development and employee retention.

Descriptive Statistics			
	Mean	Std. Deviation	N
What type of training	1.6417	.85794	120
Welfare activities of org	2.5417	1.03628	120

Correlations			
		What type of training	Welfare activities of org
What type of training	Pearson Correlation	1	.192*
	Sig. (2-tailed)		.036
	N	120	120
Welfare activities of org	Pearson Correlation	.192*	1
	Sig. (2-tailed)	.036	
	N	120	120

\*. Correlation is significant at the 0.05 level (2-tailed).

**Interpretation**

The  $\rho$  value is greater than 0. (ie.,)  $\rho > 0$ . Therefore it is clear that H0 is accepted. There is a no relationship exist among training & development and employee retention.

**Hypothesis Statement**

<b>H<sub>1</sub></b>	There is a positive relation between training and development and employee retention
<b>H<sub>2</sub></b>	There is a positive relation between compensation and employee retention
<b>H<sub>3</sub></b>	There is a positive relation between organizational culture and employee retention

**H<sub>1</sub>:** There is a positive relation between training and development and employee retention (Rejected).

The other two HR practices, compensation and organizational culture, have significant positive impact on employee retention.

**H<sub>2</sub>:** There is a positive relation between compensation and employee retention (Accepted).

**H<sub>3</sub>:** There is a positive relation between organizational culture and employee retention (Accepted).

**9. Suggestion**

1. HRD should conduct exit interview periodically to understand the changing expectations of the critical workforce from time to time and take all this inputs to have a holistic understanding of the variable influencing retention of employees. It helps in developing employee retention strategies to control attrition.
2. The organization should be paying a fair salary and other monetary benefits to the employees according to their ability and talent.
3. There should a fair performance appraisal program and no space for any type biasness. All the rewards and facilities have been provided on the basis of performance of the employees.
4. The demographic details of the employees should also be considered while designing the retention strategies as some of these variables have influence on retention.

## 10. Conclusion

Attracting and retaining key employees is always a challenge, but it has become more difficult due to the competition for skilled employees. The employees feel that effective HR practices have a direct and positive relationship with employee retention. The companies that successfully attract and retain key employees offer high compensation packages and dynamic environment. The compensation and benefits given by Telecom sector to its employees is a vital policy that helps organizational nourishment. The employees hold the opinion that compensation/rewards contribute to improving an employee's loyalty and retention toward organization. Training and development is important in improving the effectiveness and in retaining the key employees.

Employees are loyal to the employer if the employer is committed and helpful for their long term career development. Employees come to the organization with certain needs, desires and skills and expect that they would be given an environment where they can utilize and enhance their abilities and satisfy many of their needs. Employees feel that training and development needs of staff are not being properly taken care of. They can analyse the retention of employees affected by these HR practices on BPO. This research is equally distributed in the HR department to get the picture of the organization's HR practices and employee retention. It will benefit both the organization and the keen student/researchers.

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