All That Glitters Is Not Gold: Employee Retention in Offshored Indian Information Technology Enabled Services

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Short Title: All that glitters is not gold
ABSTRACT

Increasing offshoring of customer contact services to destinations such as India is underpinned by the availability of low cost and good quality workforce. But this competitive advantage is under threat with talent shortages, wage increases and most importantly, high employee attrition. Based on empirical studies and person-organization fit literature, this paper identifies and addresses some of the key issues and challenges in retaining talent in the Indian business process outsourcing sector, such as pay satisfaction, work organization, employment branding and longer term career advancement opportunities. It recognizes the need for multi-pronged retention strategies in a highly competitive, changing and fast growing part of the global services sector.

Key Words: Information Technology Enabled Services; Business Process Outsourcing; Offshoring; India; Human Resource Management; Employee Turnover; Employee Retention
INTRODUCTION

Customer contact or call centers are today the most used form of customer interface and present the ‘personality of the firm to the customer over the phone’ [1]. While information technologies and the internet are the main engines of growth in this industry, the quality of the workforce is the key to customer satisfaction [2]. However, call centre work is essentially characterized by certain inherent negative features, such as highly standardized, routine workflows with high performance monitoring and low job discretion, creating a stressful work environment for the customer service representatives (CSRs). Consequently, across the industry employee satisfaction is low and turnover relatively high [3].

In response to competitive pressures and the need to reengineer the business processes in line with their core competencies, organizations are increasingly outsourcing call centre work to third party providers [4]. As commerce becomes more and more globalised, so is the outsourcing of work to overseas business process outsourcing (BPO) providers, particularly from the developing world, offering low cost and reasonably good quality services, thanks to cheaper and powerful information technologies and relatively abundant supply of qualified workforce.

Amidst this backdrop, India has acquired a formidable reputation as a premium offshore destination for information technology enabled services (ITES). In 2006-2007, the exports from the Indian ITES/BPO industry grew by 33.5% to reach US$8.4 billion and provided employment to over half a million people [5]. This achievement is underpinned by the success of the IT industry in offering high value global IT services; in fact most of the top indigenous BPO/ITES providers in India are fully owned subsidiaries of reputed IT services companies, such as Infosys, Wipro and HCL. The most compelling selling point for the
industry is the abundant supply of young, educated, English speaking workforce fuelled by an annual national supply of around 3 million graduates [6]. What is more, the wages in India are a fraction of those in the Western countries, delivering a cost advantage, estimated to be between 25-50% on the cost base in the West [5]. Generous government incentives and relaxation of labor laws for the ITES/BPO industry have also contributed to its mushrooming growth [7]. The industry today enjoys a demonstrated process quality and expertise in global service delivery and employs the “largest pool of offshore talent – accounting for 28 percent of the total suitable pool available across all offshore destinations and outpacing the share of the next closest destination by a factor of 2.5” [8]. This scenario perfectly fits a popular Indian political slogan: “India shining”.

But all that glitters is not gold. According to a global call centre study, Indian call centers have the highest employee turnover of 40% against a global average of 20% and almost 60% of employees have less than one year of tenure at work [9]. It is estimated that there may possibly be a skill shortage of up to half million workers in the Indian IT and ITES industries by 2009 (10, p. 19). Similarly, a comparative analysis of call centers in the Asia Pacific region (including China, India, Philippines, Australia, Malaysia and Singapore) reveals that while India had the second lowest average full-time customer service agent annual salary (US$3334) behind China, it had the greatest level of agent attrition (38%), lowest average employee tenure (11 months) and highest rate of employee absenteeism (15 days/employee/annum) [11]. Thus, it appears that young and enthusiastic Indians who get attracted to the glitter of the ITES/BPO industry that showcases the glamour of working in a high tech environment for global brands, get disillusioned within months of joining and quit in large numbers mostly to join another employer in the same industry.
This paper identifies and analyses the underlying causes for high employee turnover by looking at both macro (industry) and micro (organizational) factors, as pinpointed by researchers, managers and employees. It specifically focuses on work organization that impacts on HR practices and outcomes, employees’ perception of factors that make them stick to or leave employment and managerial opportunities and constraints with regard to employee retention. The paper begins with a broad overview of the industry followed by human resource management (HRM) issues and challenges. It is followed by an overview of person-organization fit literature that underpins the conceptual framework for the study. It then presents the methodology and results of an empirical case study of four large Indian call centre/BPO firms. The discussion section draws managerial implications and future research directions for HR theory and practice within an offshored service delivery environment.

**WORK IN INDIAN ITES/BPO INDUSTRY**

In the context of call centers, there are two main customer segments, one is mass market, low value customers with simple, routine needs requiring cost minimization strategy and another is high value customized market requiring innovative, relationship building strategy [12, 13]. These market segments define the key operational requirements of HRM, such as work design that determines the nature and extent of work discretion and performance monitoring [14]. Routine, transactional tasks require low employee discretion and high performance monitoring as the emphasis is on minimizing costs and maximizing efficiency. On the other hand, complex, relational tasks require employees with high levels of education, functional expertise and discretion. In the latter market segment, employers are expected to deploy high involvement and commitment work practices, such as autonomous teams, extensive training, and performance based rewards.
In between the low end mass production model and high-end professional services model, Batt and Moynihan [3] propose a hybrid model that they call mass customization. They suggest that mass customization strategy coupled with high involvement work practices is an economically viable model for service and sales call centers. Kinnie, Hutchinson and Purcell [15] found evidence for this kind of hybridization in call centers between elements of commitment and control and call it “fun and surveillance”. Similarly, Houlihan [16] found that the paradoxical strategy of ‘low discretion, high commitment’ operates in call centers in a variety of forms with persistent pull towards control as a substitute for, rather than a reflection of, commitment.

Many writers have painted a bleak picture of call centre work with dramatic labels, such as ‘electronic panopticons’ and ‘dark satanic mills of the 21st century’ [17, 18]. However, contrary to such stereotyped images, employee well-being in call centers is found to be similar to that in other comparable forms of work and associated with effective job design, less intense and development-oriented performance monitoring, supportive team leader and HR practices [19, 20]. Similarly, Zapf et al. [21] found that call centre jobs, particularly, outbound activities, were less stressful with regard to job stressors, thanks to better organization and investment in information technologies. However, in service jobs that involve emotional labor, work related factors, such as lack of autonomy, length of tenure, working hours, workload and lack of variety can lead to emotional exhaustion and absenteeism [22, 23].

Majority of Indian BPOs are “captive” units of global companies that conduct their back office operations from India or local “third-party” vendors that cater to international clients with the remaining spread between joint ventures, global BPO players and global
consultancies [24, 25]. There are important differences between the Indian and Western call centers and they include the former mostly catering to overseas clients, employing younger age customer service representatives (CSRs) with mostly tertiary qualifications who predominantly work full time, during night shifts and are almost devoid of trade union representation [25, 26, 27, 28].

Indian BPOs exhibit formal, structured and rationalized HRM systems that include tightly controlled structures with customer focus, strategic role played by HRM function and several employee involvement and commitment work practices [24]. Taylor and Bain [26, p. 46] found that technological aspects of work organization in the Indian call centers are very similar to their Western counterparts; however, in terms of work flows, “the type of calls handled in India tends to be highly routinized, simplified in content, tightly scripted and of short duration”. Based mainly on the cost-reduction logic associated with business process offshoring, Taylor and Bain [25, p. 277; 26, p. 37] conclude that “India largely hosts an extreme version of the mass production model” and “tends to replicate, if not exacerbate, many of the difficulties experienced in the developed world”.

According to a global call centre study, “monitoring activities in Indian call centers are the most intense of any country” and 75% of them have low job discretion (9, p. vii). Batt et al. [28] found a pattern of relationships – between high levels of routinization and turnover in the Indian BPO sector. What they found striking in the Indian case was that on the one hand, employees were highly qualified and skilled but on the other hand, they had few or no opportunities to use those skills because of “significantly lower levels of employee discretion and problem solving opportunities, and higher levels of electronic monitoring and performance management (p. 353)”.
EMPLOYMENT IN INDIAN ITES/BPO INDUSTRY

Similar to their Western counterparts, Indian call centers are a “contested terrain” [25, p. 278] and accordingly, research studies on them are characterized more by “heated debate than systematic empirical investigation” [28, p. 335]. There is a distinct dichotomy in the way Indian call centre employees are portrayed in the business and the HRM literature. The business press heaps praises on the service quality, productivity, professionalism and high skills of Indian call centre agents [29], whereas researchers point to the difficulties and bitter experiences these agents often face in servicing overseas clients, such as locational masking, westernized pseudonyms [30], organizational control on employee identity [31], ill effects of extreme version of the mass production model [25], and physiological and psychological ill-health [32].

Several studies have concluded that retention is one of the biggest challenges faced by Indian call centers [24, 25, 27, 33, 34]. Employee turnover figures in the Indian ITES/BPO industry vary widely between studies, from 20% to over 100% but the general consensus seems to be around 40 to 50% [9, 11, 33], which makes it one of the highest in the global call centre industry. More importantly, an estimated half of this turnover occurs in the first 6 months of employment [11, 35]. Skill shortage is another major problem in the Indian ITES/BPO industry [7]. Despite India producing nearly three million graduates every year, the trainability and employability of the labor force is seen as the key challenge in terms of labor supply [36, p. 6]. The problem is even more acute at the supervisory and team leader level because of the short tenure of employees [34]. It is further exacerbated by the fact that the booming Indian economy has created plentiful job opportunities for generic graduates,
outside ITES/BPO industry, including retail, airline and hospitality sectors which pay equally competitive salaries [37].

Escalating wage costs are further eroding the competitive advantage enjoyed by the Indian ITES/BPO firms. Labor costs constitute about 50% of total call centre budget in India [11] and for the past many years, annual wage increases in the technology and outsourcing industry are in the range of 13 to 14 percent, one of the highest in the Asia Pacific region [38]. Indian call centers handle a much higher percentage of outsourced as well as outbound activities compared to their counterparts in the Asia Pacific which makes managing human resources more challenging than captive and inbound or blended centers [11]. Media reports suggest that some Western companies have started pulling back their offshore outsourcing business in India “largely because of frustration over rising wages for Indian engineers and difficulties in retaining them” but analysts believe that “India still offers IT and engineering talent at a relative cost advantage to US firms, and so the country will retain its appeal as an offshoring destination” [39].

Turnover is influenced by a number of variables and it is difficult to correlate it with a single or few variables. For example, a meta analysis of employee turnover by Cotton and Tuttle [40] across a range of industries found commitment, salary, age, sex, organizational tenure, educational attainment, perceptions of job mobility, met expectations, work-group cohesion, opportunities for advancement, and job performance to be highly related to turnover. In the Indian call centre context, many studies have identified the reasons for high attrition. One study lists limited growth and career development opportunities compared to employees’ higher educational standards, boring and monotonous work, night shift working, less pay and management favoritism as triggers for employee turnover [27]. Another study highlights
dissatisfaction with wages (47%), lack of career opportunities (45%), leaving to pursue higher education (29%), illness (28%) and physical strain (22%) [41]. Wallace [11] provides evidence to suggest that younger and particularly, male employees in call centers nominate ‘pay satisfaction’ as a key determinant of motivation and considering that Indian call centre employees are predominantly young and male, the importance attached by them to wages is to be expected. Thus, turnover in Indian call centers is a result of many complex factors, including organizational characteristics, such as size, type (in-house vs outsourced services and inbound vs outbound calls), HRM policies (such as wage level, work design and conditions and advancement opportunities) and employee characteristics (such as age, gender and education).

While retention strategies across different occupational groups and industries have many common features, such as competitive pay, good working environment and progressive HR policies that offer opportunities for advancement, they need to be context-specific and evidence based to be more effective [42]. Studies on employee retention in call centers have highlighted various factors relating to person, job and organization. They include organizational commitment, job involvement, role clarity, reasonable work load, challenging tasks, distributive justice, group cohesion, task variety and diversity, extensive training and flexible working hours [43, 44]. Batt et al. [28, p. 20] suggest that greater work discretion, self-directed groups and high-involvement work and HR practices may go some way in reducing turnover and increase service quality in call centers.

Since the paper deals with a sun rise industry that is young and evolving and particularly, the offshoring environment that is even younger and more dynamic, it is important to test the research findings against an established theoretical framework. In management literature, the
person-organization (P-O) fit theory with its various manifestations has attracted the attention of scholars for over 100 years as a predictor of various employment outcomes, including employee turnover and retention [45, 46, 47]. The following section provides a brief overview of fit literature.

PERSON-ORGANIZATION “FIT” THEORY & ITS IMPLICATIONS FOR EMPLOYEE TURNOVER

It is well established in organization research literature that both individuals and organizations engage in a mutual process of matching each others’ expectations before and during employment [47, 48]. Researchers have used different dimensions/conceptualizations/levels of fit, namely, Person-Environment (P-E) fit, Person-Organization (P-O) fit, Person-Vocation (P-V) fit, Person-Job (P-J) fit, Person-Preferences (P-P) for Culture fit, and Person-Team (P-T) fit as a predictor of various employment outcomes, such as job satisfaction, organizational commitment and intent to turnover [46]. Wheeler et al [46] argue that the various dimensions of fit need to be considered from both supplementary and complementary perspectives, that is, the individual characteristics should match not only the existing organizational environment but also enrich it by adding what is missing.

Person-organization (P-O) fit is the most popular dimension in the fit literature, which according to Chatman [49] is “the congruence between the norms and values of organizations and the values of persons” (p. 339). P-O fit also refers to the individual and the organization meeting each other’s demands and needs. Accordingly, Kristoff [47] defines P-O fit as “the compatibility between people and organizations that occurs when: (a) at least one entity
provides what the other needs, or (b) they share similar fundamental characteristics, or (c) both” (p. 4).

Of the various forms of P-O fit (i.e., objective fit, perceived fit and subjective fit), the subjective fit is seen to be the strongest predictor of intent to turnover [50]. The P-O fit has been shown to significantly predict employee retention in call centre jobs [51]. Similarly, researchers have found positive correlation between individual personality types and vocations that fit them [52]. The person-job (P-J) fit highlights the congruence between individual abilities, such as knowledge, skills and abilities (KSAs) and organizational demands for a particular job or occupation [47].

Extending the “fit” literature, Mitchell, Holtom, Lee and Erez [53] propose a holistic model of employee turnover that includes both on and off the job factors and are collectively called ‘job embeddedness’. It not only includes person-organization fit but also off the job fit, such as location, climate, social amenities and activities. It is shown to predict intent to turnover across a range of knowledge-intensive occupations, such as technical professionals [54]. A meta analysis of fit literature concludes that “fit matters” and different dimensions of fit are quite distinct and measure corresponding aspects of fit [45].

One of the limitations of the fit literature is that it may be seen as a “static construct that cannot be manipulated by either the person or the organization” [46, p. 286] but today, both individuals and organizations face constant pressure to adopt to change. When a significant change occurs, such as organizational restructuring, the individuals might decide to quit or accept change, depending on what choices are available and acceptable to them. Similarly, economic cycles influence the availability of jobs. For example, when there are plenty of job
opportunities in a high growth industry, individuals may choose to switch jobs for any number of reasons. Thus, environmental change can seriously affect the existing ‘fit’ triggering a response from the individual and/or the organization. The implications of fit literature to offshored BPO industry will be discussed later in the paper.

CASE STUDY

Conducting social research in the Indian ITES/BPO industry is challenging, primarily because of the political sensitivity associated with the loss of jobs in the West due to offshoring of services. Most of the empirical studies on Indian call centers are based on managerial interviews as permission for access to employees is normally denied on the pretext of client confidentiality. The research study referred to in this paper adopts a “mixed method case study approach”, combining employee survey and managerial interviews. Based on convenience sampling, four large Indian ITES/BPO firms participated in the study, involving 638 customer service representatives (CSRs), the largest of its kind for this industry to date, and 15 HR and operations managers as subject matter experts.

All the four firms that participated in the study are indigenous third-party providers and spin-offs of the major Indian IT companies. They catered only to overseas clients in a range of industry segments, including financial services, health care, telecommunications, internet service and IT service/support. All the firms were less than 10 years old but 3 of them had already become the top 15 ITES/BPO firms in India at the time of the study in 2005. The number of CSRs employed in these firms ranged from 1700 to 12,500 across multiple sites, located in different cities in India. Reflecting the multi-functional character of their operations, they had a mix of inbound and outbound activities as well as front office customer care and back office processing, managed by process teams with a team size of about 15
CSRs. The proportion of voice based work ranged from 20 to 50 percent. The key performance indicators (KPIs) and targets for each process were governed by the service level agreement (SLA) with the principal client.

Of the 638 CSRs who responded to the survey, an overwhelming 90 percent were between 20 and 30 years of age and 83% were singles. 61% were male and 98% worked full time. 72% did not have previous experience as a CSR. 67% had a graduate degree and 23.5% had a post-graduate degree, taking the total number of graduates to 90%. On an average, these employees had put in 11 months of service with the employer they worked for at the time of the survey. While 63.5% worked in an in-bound call area, 16% worked for out-bound and 20% worked in both types.

The employee survey was composed of five-point Likert scale questions on various aspects of call centre work and employment, including training, career, work design and organization, workplace relations and occupational health and safety. Keeping in mind the focus of this paper, the results reported here are limited to only those aspects that have an influence on employee turnover/retention. As very few items in the survey related to turnover/retention, there was not much scope to probe the data deeply and the results should be seen as tentative first steps towards developing a deeper understanding of the issues covered and to identify further research directions. To enrich the quantitative data from employee survey and to increase the breadth and depth of analysis of the complex phenomenon of turnover/retention, the results section includes insights from semi-structured managerial interviews with HR and operations managers.

RESULTS
Extent of Employee Turnover

To the question in the employee survey ‘whether you see yourself staying in your current job for the next 3 years’, 38% of employees said, yes; 26% said, no and 36% were unsure. Combining ‘no’ and ‘unsure’ responses, the potential employee turnover amounts to 62% over 3 years. However, this figure on ‘turnover intention’ reveals little when we consider the ‘actual turnover’ data obtained from the HR managers in our interviews.

In the four large Indian call centers that were covered in the study, the HR managers revealed that their employee attrition was running at above 100% per annum, except one where it was 35%, possibly because it was mostly a non-voice operation. In line with other studies, the average tenure of CSRs in these call centers was 11 months. One HR manager stated that some call centers try to artificially reduce the turnover figure by not including those who leave during the initial induction period and those who are fired for poor performance (involuntary turnover).i

The extent of the problem and its repercussions on recruitment, training and productivity can be judged by the figures given by a HR manager at one call centre where the turnover was running at 100% (including 25% involuntary turnover) and just to keep the workforce numbers at even keel, the company which employed about 3000 CSRs at the time was recruiting 300 new employees per month.ii In this firm, 50% of the turnover occurred in the first 90 days of employment. It was no wonder that the company simply looked to recouping its employee costs in the first 5 months of an employee joining the company and any tenure thereafter was regarded as a bonus.

Factors Influencing Turnover/Retention
In the employee survey, the respondents were asked to identify the three most important factors from a given list which made them to ‘stay in their current employment’ or ‘look for other career options’. The employees listed satisfaction with wages (27%), enjoyment of the work (20%), and chances for advancement (17%) as three most important factors that made them stay in their current job. These were followed by employment security (13%), lack of other career opportunities (8%), flexible working hours (7%), fair treatment from management (5%) and friendships at work (4%). Similarly, they listed dissatisfaction with wages (39%), lack of chances for advancement (22%) and the routine/boring nature of job (7%) as three most important factors that motivated them to look for other career options. Clearly, ‘satisfaction with wages’ emerged as the most important factor that influenced employees’ decision to stick to or leave their job. This was closely followed by ‘chances for advancement’ and ‘nature of the job’. Surprisingly, neither employment security nor flexible working hours were seen as relatively important.

With regard to remuneration, the only question covered in the employee survey was about the importance of ‘performance bonuses’ to which an overwhelming 79% employees responded that they are very important to them. When asked about the likelihood of layoff or retrenchment in their current employment, only 23% said it was likely. Again, reflecting the availability of plentiful jobs in the Indian ITES/BPO industry, 62% of employees agreed to the statement ‘if I were to lose my job here, it would be relatively easy for me to get as good a job at another call centre straight away’.

The managerial interviews revealed that the management did not seem to be aware of the importance that employees attached to wages as no HR manager recognized it as an issue. They identified employment branding, career pathing, pursuing higher education and
marriage as the main reasons for attrition. Since most of the work is carried out during night
times, many employees, particularly women tended to leave their employment after getting
married. Other retention issues identified by the managers are described in the following
sections.

**Work Organization**

In terms of workload, employees generally agreed that management expectations with regard
to call handling had increased (60%) and that their call centre required more number of
employees given the general levels of call demand (50%); however, with regard to their own
workload, employees seemed to be quite happy with their work targets (69%) as well as pace
of work (63%). With regard to job discretion, employee feedback yielded mixed results. On
the one hand, they were quite satisfied with the time given to meet the expectations of the
caller (57%), the number of breaks during the working day (60%), encouragement given to
come up with new and better ideas (71%) and with the opportunities to advance in the call
centre (61%). On the other hand, only 25% of employees believed that their job made full
use of their education and experience and accordingly, only 43% were satisfied with the
opportunities that their job gave them to make use of their skills.

**Employment Branding**

During managerial interviews, the social stigma attached to call centre employment was seen
by managers as a growing and worrying feature. As explained by an HR manager, “call
centre employment is certainly not seen as a stable, long-term, socially prestigious
employment; rather as an adhoc, low esteem job”. This was seen to be particularly so with
regard to women entering the workforce as in India, women working during night times are
frowned upon. Adverse media reports about call centre employment, such as sexual attacks
on women while commuting to and from work at night, increasing perceived promiscuity amongst young employees, customer abuse on the phones and ill effects of night time working on employee well-being have tarnished call centre employment branding. Since there are fewer opportunities for advancement into supervisory/managerial positions for call centre employees, the long-term attractiveness of the job is also poor.

Naturally, poor employment branding makes the task of talent attraction and retention that much more difficult. One firm covered in the study addressed the problem by visiting college campuses by using the employees who were also the alumni of the colleges visited as “campus ambassadors” to educate students to improve the image of BPO employment. Another firm conducts “open days” for family and friends of employees to visit the call centre offices to see for themselves the facilities provided in the hope that it would improve the social image of call centre employment.

**Career Management/ Retention Strategies**

Even though employees nominated ‘chance of advancement’ as the third most important factor to remain in their current job, managers interviewed in the study identified career pathing as a major issue in retention. In terms of opportunities for promotion, HR managers in all the four ITES/BPO firms stated that they promoted people from within to the extent possible but also identified limitations in pursuing this policy, such as lack of supervisory skills/potential in existing employees due to limited work experience/tenure. Most of the people join the industry as CSRs at a very young age with no experience and get promoted as team leaders after just about 2 years’ experience. One manager likened the situation to “trying to make a 10 year old wine in 2 years”! The managers found it frustrating that many employees expected promotion based on tenure and believed that promotion meant no more
telephone handling and only supervision. One firm offered horizontal movement across different processes and clients as a means to address the problem of monotony in the job. However, in the words of one manager, “the BPO industry lacks the flexibility of IT industry in providing job enrichment, job enlargement, job rotation and task variety as motivational measures.

According to the managers, the industry has put in place some of the best practices in people management, such as frequent performance bonuses, organizing social events to reduce stress and increase workplace social cohesion, flexible work hours to the extent possible, transport services to and from home, cafeteria, tenure bonus, educational scholarships to pursue higher studies, promotion from within, loan schemes, open day for parents and friends, referral bonus, and town-hall meetings to listen to grievances and suggestions for improvement. Going up the value chain is seen as one way to engage and retain employees. However, according to one manager, “specialist call centre services in data mining, accountancy, equity research and other specialized services require special domain knowledge and expertise and are out of bound for generalists which most CSRs are”.

Even though the employee survey did not cover team leaders and supervisors, they figured prominently during managerial interviews with most of the managers expressing concern about the supervisory skill vacuum. Due to high attrition of CSRs, typically after a short tenure of less than a year, HR managers found it difficult to develop team leaders/ supervisors who needed about five years’ experience at the front line to be effective leaders and therefore, employers were forced to promote CSRs with just two years’ experience to make up the shortfall. As explained by the managing director of a reputed BPO firm,
“The industry is growing at the rate of 50%/annum, i.e., doubling every 2 years, which means in the next 5 years it will have 5 million employees and to manage them we need at least 30% i.e., 400,000 supervisors. Where will we get them at such short notice? You can’t grow managerial talent overnight!”

DISCUSSION

It is clear from the literature and the results of the case study that while human resources are a key strength of Indian ITES/BPO industry, they are also its biggest challenge in terms of attracting, retaining and engaging talent. The industry is hardly ten years old but has been growing rapidly creating huge demand for employees. Compared to the Indian IT industry, the ITES/BPO industry has had much less time to mature. The industry analysts and consultancy reports suggest that on the supply side of the labor market, it is not the quantity but the quality of “employable” people that worries recruitment managers. They are therefore forced to spread their recruitment network wider and deeper and in the process, the quality is likely to suffer.

What is most worrying though is that even those who join the industry leave after a short stint to join another employer in the same industry. This puts additional pressure on HR managers who have to not only cater to the demand for human resources created by rampant growth but also fill the void left by those who quit. Even though the employee turnover figures vary between studies, it is clear that the problem is huge by global call centre industry standards and if continued unabated, will slowly but surely blunt the competitive advantage the industry enjoys in terms of the availability and quality of labor.
The literature on call centers suggests that certain inherent negative characteristics of call centre work, such as routine workflows, tighter control, higher performance monitoring and less job discretion tend to contribute to lower employee satisfaction and higher turnover. It is said to be more so in offshored call centers which tend to offer even more standardized workflows and inferior HR practices due to their focus on cost minimization. The case study in this paper reveals that while employees are quite happy with their workload, they have mixed opinion about job discretion with relative satisfaction about many aspects of work design but not with regard to their ‘job making full use of their education and experience’. Compared to Western call centers, Indian CSRs are younger and more educated and therefore, likely to feel more dissatisfied about job discretion and opportunities for career advancement. While HR managers can be justifiably proud of work organization and progressive HR practices, clearly they need to focus on the long term by offering employees opportunities to improve their ‘employability’ through continuous training that enhances skill base and offering a clear but credible career path within the call centre environment.

The fit literature discussed before, particularly person-job fit aspect of it, resonates with the findings of this study where we find people performing tasks that do not match their qualifications in terms of knowledge, skills and abilities (KSAs). The fit theory also provides several practical guidelines to HR professionals in the offshored BPO industry to hire and retain personnel. At the time of entry, it is highly desirable to provide a “realistic job preview” to prospective hires so that they can decide whether the BPO environment and jobs meet their personality traits and career needs. For example, the job preview should highlight not only the glossy picture of BPO employment (e.g., working for reputed global clients in a high-tech environment) but also the not-so-glossy aspects of the job, such as working during odd hours, stressful and demanding work requirements. Even though this assessment is
subjective, it is empirically shown to be a useful means of assessing fit. Similarly, employee selection strategies that specifically look for fit, such as structured interviews should be included in the battery of selection tests [55]. This recommendation is particularly relevant to call centre jobs as reinforced by McCulloch and Turban’s [51] empirical study in the call centre industry which recommended that firms use actual measures of person-organization (P-O) fit in their selection battery to maintain a stable workforce in historically high turnover jobs (p.68).

The fit literature also highlights that workforce socialization practices can enhance or embed fit during employment. In this regard, Chatman’s [49] study is particularly important as it demonstrated that mentorship and attendance at social events increased person-organization (P-O) fit within one year of organizational entry. Accordingly, organizations need to provide various on and off the job opportunities for BPO employees to increase team cohesiveness and camaraderie. Job sculpting is another useful means to fit the job to the individual [56]. For example, extroverted and sales oriented people may be more suitable to handle outbound calls where persuasion and persistence are desirable job traits.

However, any effort or practice to increase person-organization fit is always a ‘work-in-progress’ as economic environment, organizational requirements, job demands and individual preferences keep changing. At the time of the study, the Indian economy in general and the ITES/BPO industry in particular were growing so rapidly that there were plentiful job opportunities. This was evident in employee responses where they indicated that employment security was not a high priority for them and that they were confident of securing another job straight away if they were to lose their present job. The current global recession has however changed the employment dynamics.
In the case study, satisfaction with wages emerged as the most important factor influencing turnover/retention, in line with previous studies. Performance based incentives are common across the industry and constitute up to 15% of employee earnings and are highly valued by employees. The wage growth in the Indian ITES/BPO industry is already one of the fastest across the global offshored call centre industry, where the ability to contain costs is a key determinant of future business. In this scenario, increasing profit margins by going up the value chain and offering niche services in the knowledge process outsourcing (KPO) can be a strategic option for Indian call centers to retain employees and compete against other emerging low cost competitors in countries, such as China and Philippines. Indian ITES/BPO firms have started setting up operations in tier 3 and 4 cities in India to exploit lower infrastructure costs as well as entering other low cost countries. Thus, Indian ITES firms seem to be following their IT counterparts in developing a ‘global services delivery model’ whereby their operations can be onshore, nearshore or offshore, depending on shifting competitive trends.

A major managerial implication of this study is that employers need to study the turnover data very carefully and methodically in order to identify suitable retention strategies. For example, it is noteworthy that a considerable portion of turnover occurs in the first few months of employment underscoring the urgency to focus retention strategies in the early part of employment. Similarly, anecdotal evidence suggests that those call centers that are big, captive and engage in non-voice operations seem to fare relatively better in retaining employees. It has been suggested that big and captive call centers offer better client and process stability putting less pressure on the need to learn new products and services. Non-voice operations are said to be less stressful with lesser employee turnover. This leads to one
of the limitations of the study as it does not cover captives nor distinguish between voice and non-voice employees. It also omits those call centers that serve the domestic Indian market. Further, it does not take into account external labor market data on relative turnover and compensation in other industries and occupations in India which are important from a comparative perspective.

Another managerial implication is with regard to the recruitment and selection of the CSRs. The employers need to assess the turnover intention of prospective employees by paying specific attention to person-organization fit. In view of the overwhelming research evidence that Indian CSRs have less job discretion compared to their education, employers need to pay careful attention to work design and organization. By moving up the value chain, Indian ITES/BPO firms can command better profit margins and offer more challenging work and better pay. They also need to offer flexible work practices to better balance work and life. Established and reputed call centers have an edge in enabling work-life balance for employees, as their client base is more global and geographically wide spread which means they operate in different time zones reducing the need to work mainly at night. Even other call centers can offer better working hours, performance and other incentives, such as tuition reimbursement to pursue higher education, to those with longer tenure and better performance. Offering job rotation by moving employees horizontally across processes is a good idea to reduce boredom.

It is also clear that call centre employment in India suffers from poor employment branding. This problem needs to be tackled at the industry level with the industry association and major employers coming together to work on improving the social image of the industry by encouraging call centre employees to work as brand ambassadors during recruitment.
campaigns. Since community and family perceptions play a major role in the career choices of Indian youth, it is important to engage the society at large via initiatives, such as public open days to understand and appreciate the positive aspects of call centre employment, such as facilities offered at work, strategic HRM practices and the benefits of working in a global high technology services environment.

It needs to be stressed that the offshored services industry is hardly 10 years’ old and is rapidly evolving and changing. Accordingly, the HRM issues and challenges will also change over time. With advancements in information and communication technologies and technology savvy customers, jobs can be further enriched and employees more empowered. In many ways, the Indian IT industry can show the way forward for the ITES/BPO industry as it too enjoyed dizzy growth during Y2K boom period and suffered from high employee attrition. The recession in the global IT industry in 2002 however, lead to downsizing and retrenchment following which employee attrition came down considerably. When the industry recovered from downturn, it had become quite mature in handling ups and downs in business cycles and consequent impact on HRM. Recent media reports suggest that after rampant growth over many years, the current global recession is having an effect on the Indian ITES/BPO industry with signs of first rounds of retrenchments. This may lead to major restructuring within the industry and realistic employment expectations on the part of call centre employees.

No doubt, India still holds the “gold” as a premier offshore destination in ITES/BPO but the glitter on the gold dims somewhat when the ground realities of work and employment are taken into account. Retention in any industry or occupation is multifaceted and situation specific; accordingly, retention strategies need to be evidence based, grounded in
organizational, industry and occupation specific realities and reviewed periodically. There is no silver bullet when it comes to employee retention as it will always be a moving target.

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