

## **Colliding employer-employee perspectives of employee turnover: Evidence from a born-global industry**

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### **Executive Summary**

Set in the context of internationalisation of global division of labour, this paper provides a deeper exploration of qualitative themes of conflicting accounts of employees' reasons to quit and managerial strategies to prevent employee turnover in six business process outsourcing firms operating in India. Such differences in cognition and action between the two constituencies suggest that the decision to quit is not a linear and rational process as highlighted in most extant models of employee turnover. Our findings suggest that employees are attached more to a place or people they work with rather than the organisation per se. Intergenerational differences between Generation Y knowledge workers and Generation X managers and the ineffectiveness of espoused human resource practices suggest the presence of 'push' human resource management (HRM) systems. Our findings have implications for employee turnover models, inter-generational theory and high-commitment HRM, and practitioners.

**Key Words:** India, IT/BPO Industry, Employee Turnover, Inter-generational differences, HRM, Qualitative.

### **Introduction**

This paper provides a deeper exploration of the qualitative themes of conflicting accounts of employees' reasons to quit and managerial strategies to prevent employee turnover in the case of six business process outsourcing firms operating in India. With increasing internationalization of businesses around the globe (see India as an e.g. by Budhwar, 2001 and Ratanpal, 2008), the division of labour has seen new forms of work organisation and increased levels of disaggregation globally. As organisations internationalize their operations, they have to increasingly rely on the local labour market dynamics of host nations. The Indian IT industry typifies a breed of born-global businesses that have not only expanded operations overseas but have also exponentially grown their operations domestically in the form of business process delivery and software development centres for their clients (e.g. Jain, Kundu and Newburry, 2015). The most accessible pool of knowledge workers in India

is Generation Y (Gen Y) (Srinivasan, 2012). The retention and management of this extremely demanding workforce division has been a challenging enterprise (Budhwar, Varma, Malhotra & Mukherjee, 2009).

The continued interest in developing competitive advantage through people (Wright & McMahan, 1992) has resulted in research examining various human resource management issues, including the impact of employee turnover on firm performance (Holtom, Mitchell, Lee & Eberly, 2008; Price, 1989; Som, 2006; Ton & Huckman, 2008). Despite the strategic importance of people management and potential impact employee turnover has on firm performance, the Indian business process outsourcing (BPO) industry is plagued by tireless and high levels employee attrition (Kuruville & Ranganathan 2010; Malik, 2009; Malik & Nilakant, 2011; Thite & Russell 2010), even in a post global financial crisis era (Malik, 2013). Although numerous causes and solutions have been advanced, one wonders why the problem still persists. Is it a case of poor management or poor understanding of the problem? This paper argues that it is a mix of both. This paper highlights how the differences in cognition and action between the two key stakeholders: Gen Y employees and Generation X (Gen X) managers can trigger employee turnover.

Extant employee turnover research has identified several causes for quitting. Holtom et al.'s (2008) meta-analytic review covering five decades of research on employee attrition highlights, predominantly process and content models or some combination of the two (McCain, O'Reilly & Pfeffer, 1983). While most individual and organisational research on employee turnover focuses on content and context models till mid-1980s, subsequent research (till mid-1990s) saw the development of sophisticated models of employee turnover focusing on attitudes of employees and their satisfaction and commitment with the organisational environment, job characteristics and co-workers (e.g. Lee & Mitchell, 1994). However, in sharp contrast, the last decade has witnessed an increasing sophistication in

research, focusing on diverse combinations of process and content factors, and an increasing emphasis on contextual factors such as interpersonal relationships, temporal impact of workplace changes and so on (e.g. Felps, Mitchell, Hekman, Lee, Holtom, & Harman, 2009; Maertz & Campion, 2004). More recently, Hom, Mitchell, Lee & Griffeth (2012) extend the current literature to why some people stay and where do the quitting employees go. In a similar vein, Das, Nandialath and Mohan (2012) found attitudinal variables to explain heterogeneity (diverse in nature) in Indian BPO workers' decision to quit, stay, or remain in the 'undecided' pool of employees.

Holtom et al (2008) suggest that subsequent research endeavors should focus on cultural differences from developing countries, temporal dimensions of employee turnover, and the role of social networks in influencing employees' intention to quit. In addition to the above gaps, there is limited research that analyzes both sides of the coin: one that considers the employer and employee perspectives. Driven by this motivation, this study analyses the key reasons of why Gen Y knowledge workers quit and the managerial responses for retaining these workers. Such research is valuable for BPO industry's managers as emerging research on generational theory has identified significant inter-generational differences (Benson & Brown, 2011; Cogin, 2012) that exist between attracting, motivating and retaining Gen Y knowledge workers relative to other workers (Hewitt & Associates, 2001; Horwitz et al., 2003, 2006; Huang, 2011; Kinnear & Sutherland, 2000).

The extant literature on the Indian BPO industry has highlighted disparate reasons for explaining employee turnover (e.g. Budhwar et al, 2006a; Batt et al, 2005a,b; Ramesh, 2004; Taylor & Bain, 2006; Mirchandani, 2009; Taylor & Bain, 2005; Thite & Russell, 2010), mostly through descriptive accounts and managerial surveys. However, in most studies the voices of employee have largely been ignored and there exists a 'top down' bias (Thite & Russell, 2010). There also seems to be a significant disconnect between the espoused

attraction, retention and management strategies employed by these firms on one hand and the relatively high employee turnover of employees on the other hand. To understand this disconnect, we attempt to uncover the reasons for high employee turnover and the ineffectiveness of HRM strategies.

This study contributes to the employee turnover literature in three ways. First, we inductively analyze both the (ex) employee and management perspectives. Second, we analyse the findings of the above disconnect through the lens of three relevant streams of literature: attraction, motivation and retention strategies of knowledge workers (Batt, 2002); inter-generational differences in mindset between Gen Y and Generation X (Gen X) employees (Cogin, 2012); and the employer's orientation towards a low-commitment or high commitment HR strategies (Arthur, 1992; Becker & Cropanzano, 2011; Benson & Brown, 2011; Tsui, Pearce, Porter & Hite, 1995). Third, we contribute to the literature of employee turnover of Gen Y knowledge workers by analyzing the main causes of why Gen Y workers quit (Huang, 2011; Horwitz et al., 2006; Morgeson & Humphrey, 2006).

There are several reasons for the choice of the above streams of literature to explain the phenomenon under study. The application of generic people management strategies for knowledge workers has been noted as a key problem for their retention (Horwitz, Heng, & Quazi, 2003; Horwitz et al., 2006). The Indian BPO industry employs a vast majority of Gen Y knowledge workers (those who are born in the early 1990s) (Cogin, 2012). Not surprisingly, these Gen Ys are managed by Gen X managers, who are born between late 1970s and late 1980s. The literature on intergenerational theory (Benson & Brown, 2011; Cogin, 2012) suggests there are significant differences in the values and attitudes between these two and other generational groups of employees. Understandably then, there are likely to be potential issues of management styles and attitudes between these groups. Unless conscious efforts are being made to understand and deal with such differences, commitment

and organisation loyalty problems are likely to persist. Finally, managing Gen Y knowledge workers require a different bundle of high-involvement HRM practices for influencing their motivation and behavior and reducing turnover intentions (Boxall, Hutchison & Wassenaar, 2014). Conversely, where firms have a control-oriented approach to managing people, research has found that high levels of employee turnover results in high levels of firm productivity (Boxall & Macky, 2009; Guthrie, 2001).

### **Attrition in the Indian IT/BPO industry**

India has grown rapidly as a location to dominate BPO work in the globalised market, with the nature of work ranging from low skill transactional work to high skilled 'professional' work (Budhwar & Varma, 2010). Even though India holds about 46 percent of the global BPO market (Kaka et al. 2006), the high attrition rates cast doubts over its growth and sustainability (Budhwar et al, 2007; 2008, 2009; Singh, 2005a; Thite & Russell, 2010). On average, it costs US \$1000 to train a new employee and another US \$900–\$1,100 to recruit and train the replacement of a quitting employee (Budhwar et al. 2006).

According to NASSCOM (2005; and more lately NASSCOM, 2012), the attrition rates for voice-based BPO's range between 55-60 per cent and 15-20 per cent for the non-voice based business processes. Despite the ongoing wage inflation, relatively better work facilities, and attention to improve retention strategies (especially for young graduates), the average attrition rate continues to loom high (Singh, 2003). The phenomenon of high attrition in the BPO industry is not peculiar to India alone, as there are various studies that show that the average rate of attrition in call centres is in the region of 20 to 30 percent (Robinson & Morley, 2006; Singh, 2000). A global call-centre report (Holman et al., 2007) highlighted that Indian call centres have the highest employee turnover of 40% against a global average of 20%. In a similar vein, Wallace (2009), in a benchmarking report highlighted that though India had the

second lowest average full-time BPO customer service agent annual salary (US\$3334) it had the greatest level of call centre agent attrition (38%) and lowest average employee tenure (11 months) in the Asia Pacific region. The above statistics calls for further exploration of contextual reasons for such high levels of variation.

DQ-IDC (2004) identified the following top five reasons for turnover in the industry: dissatisfaction with salaries (47%), lack of career opportunities (45%), leaving to pursue higher education (29%), illness (28%) and physical strain (22%). Other reasons also include poaching by competitors, less scope for skill enhancement, lack of work-life balance, and uneasy relationship with peers or managers (e.g. Das et al, 2012). One wonders why, despite the received wisdom the problem persists. Normative suggestions indicate that positive reinforcement should be provided with focus on issues like diversity in workforce, quality of work life and rising educational levels coupled with occupational aspirations of the young workforce (Budhwar et al., 2009).

### **Attraction, motivation and retention of knowledge workers**

Morgeson and Humphrey (2006) identified the key characteristics of knowledge work: job complexity, information processing, problem solving, skill variety, and specialization. Mohrman (2003) added personal development and social networking to the above list. As such, the key factors that affect job satisfaction of knowledge workers include pay, challenging work, and employability instead of lifetime employment. Alvesson (2000) found that knowledge workers do not value the conventional command and control structures and have little loyalty to the organisation. Knowledge workers are often described as intelligent, self-driven and innovative workers who extensively value the opportunity to expand their portfolio of knowledge (Drucker, 1999). Further, knowledge workers are competitive in

nature and usually enjoy challenging and complex roles through which they engage in ongoing learning and development (Davenport & Laurence 1998; Sajeve 2007).

In Kinnear and Sutherland's (2000) study of knowledge workers, freedom to act independently and availability of learning and development opportunities was noted as the key factors for their job satisfaction and retention. In addition to the above two factors, Sajeve (2007) also found challenging and meaningful work as powerful intrinsic motivators for knowledge workers. Huang (2011) noted the presence of motivational work characteristics is likely to reduce the quit intentions of knowledge workers. Others have also found lack of challenging work, career development opportunities, bonus and incentive pay, management trust, recognition and appreciation, feedback, freedom to work independently and immediate relationship with the supervisor as the most important variables impacting retention of knowledge workers (Benson & Brown, 2007; Sutherland & Jordan, 2004). Given the complex and competitive nature of knowledge work and knowledge workers, the demand on an organisation's human resource management (HRM) practices design and supporting infrastructure is expected to be higher than that required for 'traditional' workers or workers who are not engaged in knowledge work. Nevertheless, firms exercise different strategic choices in their design and implementation of HRM practices.

### **High and low commitment HRM and push-pull models**

By employing different HRM approaches firms can influence employee motivation, behaviour, and the overall work environment (Huselid, 1995; Wright, Dunford & Snell, 2001). The two key approaches suggested in the literature are: a transaction-oriented, low-commitment based on short-term employee exchanges; and a developmental, high-commitment approach based on longer-term employee exchanges (Arthur, 1992; Batt, 2002; Tsui, Pearce, Porter & Hite, 1995; Youdnt, Snell, Dean & Lepak, 1996). Variants of these

HR approaches exist on a continuum rather than as pure archetypes. Further, prior theorisation of push-pull models of employee turnover (Jackofsky, 1984; Becker & Cropanzano, 2011) suggest that low performers quit when their performance and overall working conditions deteriorate and change, whereas high performers will quit as they stand to benefit from lucrative opportunities elsewhere.

BPO's are often noted as standing apart from those in more traditional parts of the Indian economy (Saini & Budhwar 2008) with those that place more emphasis on formal, structured and rationalised HRM systems and reflect the import of practices in the call-centre industry in other countries (Budhwar et al. 2006a,b). Part of the reason for the formalisation of HRM can be found in the double-edged nature of the BPO industry's expansion. The rapid growth of the outsourcing industry has resulted in both high turnover and skill and talent shortages, particularly evident in large cities, as multiple employers fish within the same relatively small pool for a restricted segment of the graduate labour force (Chatterjee 2009: 276-7; Kuruvilla & Ranganathan 2010). With the Indian IT/BPO industry faced with recruitment, attrition and poaching problems, one recent survey reveals that use of better HR practices is the main key to future success (Rajeev & Vani 2009).

Longitudinal data suggests a degree of movement in the governance and organisational features of BPO firms from initial transactional orientation to that more focused on achieving resource complementarity through the development of trust and a longer-term orientation to the provision and delivery of offshore services (Vivek et al. 2009, Pereira & Anderson, 2012). While strategic HR orientation varies, researchers must also examine the differences between employee groups. In relation to generational differences between employees, Benson and Brown (2011) found inter-generational differences in the management of knowledge and other workers. The drivers of workplace satisfaction, attraction and retention differ between Gen X and Gen Y knowledge workers. Arguing that Y comes after X, Wallace (2001) noted



several differences in the motivational factors between Generation Y and X employees. The following section reviews the literature on Generation X and Y employees. This is particularly relevant to this study because all the exiting employees in our sample of six case organisations were Generation Y employees, whereas all the HR managers belonged to the Generation X.

### **Understanding Intergenerational Differences**

A Generation Y mindset presents a very different challenge for managers. In recent years a number of studies have examined the impact of inter-generational differences on a range of HRM and work outcomes, including the intention to quit (Benson & Brown, 2011; Cugin, 2012; Jorgensen, 2003; Roberts & Manolis, 2000). The differences exist not only between Baby-boomers and Generation X but also between Generation X and Y employees. Such intergenerational groups exhibit differences in values and attitudes towards a range of work-related outcomes. For example, Yu and Miller (2005) found that relative to the Baby-boomers, Gen X are loyal to skills and their occupations or professions.

Analysing evidence from the Australian Defence Force, Jorgensen (2003) found that relative to Baby-boomers, Gen X are more likely to quit when they experience dissatisfaction. Other studies have found differences between Baby-boomers and Gen X on aspects of organisational commitment, absenteeism and employee turnover (Tulgan, 1996; Wallace, 2006). Twenge and Campbell (2008), reviewing data of 1.4 million people found that Gen Y or sometimes also called YOLO (you only live once), Gen Me, or millennials demonstrate high levels of self-esteem, narcissism, anxiety, depression, lower need for social approval and a higher external locus of control. Their study suggests that for managing such employees, managers should be prepared to deal with higher than average expectations, provide on-going praise and feedback, be less critical of their work, and provide them with opportunities for

creative work. By developing organisation-wide 'praise programs' and providing frequent positive feedback, managers can realise the best from this group of employees.

Cogin (2012) noted significant impact of inter-generational differences between four generations, including Gen X and Gen Ys on a range of HRM outcomes. Cogin found major differences in values and attitudes between Gen X and Gen Ys sample of employees from five nations. In comparing the management preferences that Gen X have with that of Gen Y, Cogin (2012) and other studies found Gen X sought extensive feedback from their supervisors (Glass, 2007), rely on teamwork for completing their goals (Karp et al., 1999), value skills more than positions (Eisner, 2005), however, they do react to being micromanaged and prefer a coaching and mentoring style of management. They view employment security and skills as an essential part of work (Eisner, 2005), wherein career security is more critical than job security (Lancaster & Stillman, 2002), however they are reluctant to rely on networking for their growth and day-to-day decisions (Eisner, 2005).

A distinctive difference that separates Gen X from Gen Y is that Gen Y value outcome more than the process to get to that outcome (Glass, 2007). Further, Gen Y prefer less bureaucracy (Morrison et al., 2006), more openness, transparency, instant gratification (Eisner, 2005), greater empowerment (Shaw & Fairhurst, 2008), and frequent feedback (Lancaster & Stillman, 2002). Glass (2007) found Gen Y perform better when they have challenging work and flexible workflow (Martin, 2005). Earlier studies have noted that people tend to prefer a working environment that identifies with their individual personality and interest. There have been number of important studies that support this correlation.

The aforementioned values have significant overlaps with the conceptualisation of the Indian Gen Y workers (Srinivasan 2012). For instance, Indian studies of Gen Y workers identifies them with the following characteristics: ambitious, emphasize financial reward,

entrepreneurial, tech savvy, value work-life balance, fearless of aspirations, low need for economic and geographical security and high achievement orientation (Ghosh & Chaudhari 2009).

The above review suggests that there are distinct intergenerational differences between Gen Y knowledge employees and their Gen X managers. Differences in how Gen Ys view the way they should be managed versus how the Gen X managers actually manage may explain some of the reasons and triggers for high employee turnover. We define ‘reasons’ as the actual reasons why they quit and ‘triggers’ as what triggered their reasons to leave. Thus, the subtle difference is that reasons here were a motive or cause for acting or thinking in a particular way (to leave), and triggers here were to set something off, bring something about, or make something happen (that leads to leaving). The following section discusses the methodological approach of interviewing ex-employees and their respective managers.

## **Methodology**

### *Data collection*

Following a qualitative multi-case research design, the study allows us to focus on the perspective of employees and managers and take account of the interactions between different perspectives and contexts making use of different types of informant data but also seeking to “retain the holistic and meaningful characteristics” (Yin, 2003: 2). Yin identifies three key steps in a holistic case study strategy: data collection, analysis and reporting. Each of these three steps are elaborated in the following section with notes how the reliability and validity of data collection and analysis was ensured. Potential case study organisations were identified from a market search carried out in 2009 in the two cities of Western India namely Ahmedabad and Mumbai and the six organisations were selected as wider and deeper access

to respondents and data was possible in these organisations. Demographic descriptors of the organizations are shown in Table 1.

**Insert table1 about here**

Semi-structured interviews were undertaken with a total of 66 individuals (employees and HR managers) who had held different roles and operated at different levels within the organisations. Specifically, in each organisation, 10 exit interviews were conducted with ex-employees (details shown in Figure 1). This was followed with one interview with the Assistant HR manager/Deputy HR Manager/Board members (responsible for HR) in each organisation to get insights on company's initiatives to retain staff and cope with the problem of attrition. The semi-structured interview schedule (for both the ex-employees and the managers) strengthened the study's reliability in data collection and aided in analyzing the *a priori* concepts. Having a diverse set of respondents also strengthens the external validity of the data.

**Insert figure 1 about here**

Each exit interview lasted for about 20-25 minutes approximately and interviews with managers lasted typically for 30-45 minutes. Prior permission was obtained from the organization for interviewing their staff. The overall average age of exiting employees was approximately 23 years with 22 years for female and 24 years for male employees . The average age of the HR managers was 36 years, clearly demarcating the groups of knowledge workers as Gen Ys and Gen Xs respectively. The demographic details of the organisation and the interviewees are provided in Tables 1 and 2.

**Insert table 2 about here**

The uniqueness of this study was that the respondents were ex-employees and had no liabilities with their ex-organisations. They were thus ‘free’ and under no obligation to report anything under duress. As a limitation, this also raises the issue of their responses being influenced by potential bias ex-employees may have had with the organisation or their managers. Similarly, interviews with HR managers revealed the management perspective.

### *Data analysis*

The interview data was first coded using *a priori* concepts and then a thematic analysis (Crabtree and Miller, 2009; King, 2004; 2012) was reviewed by all the authors, thus strengthening the internal validity of the analysis and findings (Yin, 2003). Following Yin (2003), the key analytical strategy employed was pattern matching and explanation building, first, at a within-case level and then at a cross-case level to strengthen the validity of the findings. Further, following Miles and Huberman (1994), a conceptually clustered set of visual displays in the form of tables and matrices were developed to aid the analysis. This template-based approach was adopted for the integrated analysis of the interview data because it was found to be well suited to the examination of participants’ perceptions and allowed for ‘iterative flexibility’ (see latest research by Donnelly, 2015 as an e.g.). This was particularly useful as it helped make sense of the alternate thematic structures that were evident in the conflicting accounts of employee reasons to quit and the managerial responses of the HRM strategies employed to attract, motivate and retain knowledge workers. Inter-coder reliability was ensured through iterative rounds of discussion by the researchers till some consensus was arrived at.

### *Reporting*

The summary of the case study reports were sent back to the participating organisations for validation, feedback and release. Following abductive logic (Dubois & Gadde, 2002), the findings and analysis were inductively completed and additional literature was reviewed to

situate the findings. The quotes presented in the following section are representative and/or illustrative of both ex-employees and management of the case study organisations.

### **Findings**

Our findings suggest that the decision to quit is not straightforward. Contrary to the extant literature, which suggests that the decision to quit is a linear process, wherein with an increase employees' dissatisfaction with their job and other contextual factors employee turnover happens, our findings suggest that employees decision to quit more complex than dissatisfaction issues; it occurs through a complex interaction between three main factors: the people, place and the employing organization's people management orientation. Overall, the findings suggest two very contradictory themes. On one hand there was high employee turnover of Gen Y knowledge workers, averaging almost 30% across all the case organisations, and on the other, indifferent affirmations by Gen X human resource managers of case organisations about the implementation of modern and cutting edge HR strategies to support the attraction and retention of talent. Ex-employees of the case organisations reported a number of key reasons and triggers for their decision to quit (see Table 3 and 4 for details). The reality of their stated triggers for quitting (Tables 3 and 4) did not match with the managerial accounts of the enacted HRM strategies for attracting, motivating and retaining their workers (Table 5).

#### **Insert Tables 3, 4 and 5 about here**

For example, Table 5 highlights the presence of high level of training; results focused development, performance incentives, social integration initiatives and other incentives as retention strategies. However, the absence of some of these also appears to be the key reasons and triggers (e.g. See Tables 3 and 4 - social alienation, lack of managerial support and appreciation, career development, money and stress) for employee turnover. We explain the reasons for these differences in cognition and action in the following sections.

### **Gen Y employees and Gen X Managers: Differences in Cognition and Action**

*Divergent accounts of effective attraction, motivation and retention strategies*

On balance, our analysis points to the presence of low-commitment HRM practices in all the case organisations. Managerial expressions of ‘good’ or high commitment HRM practices seemed as if the HR managers were defending and trying to justify the legitimacy of their espoused and enacted HRM practices (Malik & Rowley, 2015; Pereira & Anderson, 2012). For example, HR and senior managers of a number of organisations confirmed that they were the best pay masters in the industry and offered their workers numerous career development opportunities:

‘...financially we are ... one of the best paying organisations in the industry. Apart from this employees can see growth potential and have a shared vision. This is what keeps them with us...We take training quite seriously..... It forms the crux of our strategy. We are into a business that is labour intensive and hence it is but natural that we train our researchers to be most productive...Because we pay well, our researchers stay with us longer. Money is a motivator and we understand that’ (Board Member, Case 5)

Nevertheless, the above claims about pay and incentives were strongly disputed and cited as key issues by the employees:

“I felt underpaid and undervalued. Pay here is not competitive neither the benefits nor incentive schemes offered. I feel stagnant and helpless as a result of the management’s lack of vision for employees like us.” (ITBPO1 Sales Team member/ Sales Specialist)

“When I look around, the economy is growing and my friends who are equally qualified have decent salaries. But there is no way; I can justify my salary here. I don’t understand the HR policy here. Can’t they design jobs that have potential to earn a lot of money?” (ITBPO 4- Service Team member/ Service Specialist)

“I left because my team leader was rude, used to unnecessary harass and bully me and was biased towards couple of other female colleagues in the team. And to add on they don’t even pay well. Considering, an employee like me is hired to do the job with reasonable amount of competence and efficiency then company should offer support by designing a competitive pay and incentive package that would keep employees like me happy ” – ITBPO3- Team Service specialist (Employee)

The notion that employee turnover was more of a problem than management of poor performance was contradicted by numerous accounts of employees who often

complained of poor management skills and style of management as one of the key reasons for their dissatisfaction. It is critical to highlight here that Gen Y employees frequently sought extensive positive feedback:

“I kept on repeatedly filling the grievance form given by the team leader but to no use. There was no interest and response from the top management on my grievances” – ITBPO1- Assistant Team Leader (Employee)

“There was no interest and response from the top management on my grievances, the supervisor was rude and biased. The appraisals were manipulated and less likely candidates (colleagues) were promoted due to their closeness and personal equation with the boss, I got a better offer and do feel I will get better opportunities with the new companies even in other sectors.” ITBPO 2- Team Senior service specialist and Service specialists

“Managers don’t understand employee’s perspective on things here which at times creates distance, affects work and even the intention to stay in the company. Their approach is like we are a disposable commodity which in turn demotivates employees like me who are looking for support and growth from the company. In my view, managers and the top people have failed to create an exciting and encouraging workplace”. ITBPO4- Team Senior Sales specialist

In comparison a senior management person from one of the case study organisations said:

‘...we have only two persons who left in the last one year. In comparison... we have fired twelve in the same time period. Compare this with the national attrition rate of 20-30% or the attrition rate in the BPO sector which is as high as 35% or more specifically the RPO sector where the rate is 25-30% and you see we are well off’ (Board Member, Case 5)

The above quote suggests how Gen X managers often sought legitimacy for their actions through the wider institutional environment affecting the BPO sector. Although the focus on training employees was one HR practice that was shared on a positive note by both the constituencies (See also Tables 3, 4 and 5). Nevertheless, there were some apparent differences in its implementation. The literature on Gen Y suggests they prefer a transparent and a challenging work environment. The absence of this job value is evident from the following quotes:



“Initial induction is good but after that training given to selected individuals shortlisted and chosen by team leaders not necessarily on performance which many times results in bias and lack of learning opportunities for others. Training budget does not provide equal enhancement opportunities for all. In fact many times there is no or just prerequisite training for local assignments- more emphasis is given to international assignment staff. There is lot of discrimination between staff on local and international assignments”- ITBPO4- Service Team Leader (Employee)

“The training programs are structured, exhaustive and overall informative and offer the learning value. But it is not consistent on all assignments. The trainers on a few of them are not good and supervisors should play a proactive role in these training programs.”-ITBPO1 Sales Team Employee

‘In comparison to my previous jobs, training here is hands-on. You learn and enjoy both. We help our new colleagues when they train. That way we get to know them better because we would have to work together later’ (Researcher, Interview,’ (Employee, Case 5)

### **Strategic Orientations: High or Low Commitment HRM**

Data reflects that there is an apparent disconnect between employee perceptions of the management’s espoused HRM strategies and that of the actual management strategies suggest there are differences in expectations and implemented actions between employees and managers. While some of these differences can be accounted for through inter-generational differences, such as lack of appropriate managerial skills of frequent and positive feedback, allowing creativity and flexibility in tasks, and the need to develop more intrinsic rewards (Martin, 2005; Solnet & Hood, 2008), the above analysis suggests there is a strong orientation of case organisations towards following a short-term ‘push’ or low-commitment HRM strategies in managing their knowledge workers rather than a longer term, intrinsically rewarding ‘pull approach’ or high-commitment HRM approaches. Evidence for these arguments are found through the following quotes-

“Supervisors/Managers don’t communicate and foster growth but on contrary promote negative competition, I feel unappreciated underpaid and one can’t work and be effective in such an environment. My career is my responsibility and I don’t feel this company is doing much to help me put up with it.” ITBPO 4- Sales Team member/ sales specialist

“Senior people here know that junior employees like me feel disconnect at times. They are aware that pay is not appealing, growth is not easy and culture too losses its initial fizz after a while but they don’t seem to be trying new things for keeping the people like me motivated. I don’t see this place changing ever.” ITBPO 2 Team Senior Service Specialist

“I am young, confident and experienced. If management doesn’t understand my career needs and is not flexible either, I am sure there will be other companies who would like to have talented employees.” ITBPO 3- Sales Team member/Sales Specialist

“While it’s important for every organization to establish the right culture, it is absolutely critical for BPO providers. Well-defined processes are important in our business, but because well-informed judgment also plays a crucial role in client transactions, the right people are of the utmost importance. Our founders developed a unique, results-driven culture that mirrors the best practices found in some of the leading U.S. companies too.” ITBPO 3, HR Manager.

Further, the case study evidence suggests that even the extrinsic rewards were falling short of employees’ expectations on several counts (Martin, 2005; Solnet & Hood, 2008). This can be seen in the mismatch that existed between employee pay, career development and other reward strategies. Furthermore, the literature on managing knowledge workers and Gen Ys suggests that these groups of workers require higher levels of motivational strategies to attract and engage such talent (Howritz et al., 2006; Huang, 2011; Martin, 2005; Solnet & Hood, 2008). The lack of such strategies was evident in a number of themes relating to breaches in psychological contract, types of pay, nature of work organisation, and performance management styles. Examples of some excerpts from the case analysis are included below:

“Yes...I knew what was I getting into as I had previous experience in the industry but...the problem... the company promised a lot and highlighted they do things differently but that surely wasn’t the case” – ITBPO1- Team Senior Sales Specialist.

‘As part of the management we have to ensure that absenteeism is nipped in the bud and hence the fines we have in place act as a deterrent’. – Practice Head, Case 5.

“Here I find efforts are not appreciated by seniors and unrealistic demands/pressure cooker like situation created on daily basis (unnecessarily) to

make us deliver and that makes this place stressful and insensitive” – ITBPO1 Senior Team Sales Specialist.

“Employers should be provided with sensitivity training so that they can learn and develop more considerate, sensitive and empathetic attitude toward employee circumstances (work/personal)” – ITBPO4- Sales Team member/ sales specialist.

“Employees are attracted to our generous benefits, family-like atmosphere, and stimulating work environment. This, coupled with our strict multi-step screening procedures, allows us to select only the “best of the best”. Our employees are typically college graduates having desired competence and attitude, whom we expect to learn and adapt to our culture once they are hired.” ITBPO4, HR Manager.

Moreover, the lack of a strategic or person-organisation fit apparent in most case organisations (see Table 5) suggests that the organisation was not intending to seek a fit between people and the organisation’s culture so that they could continue to maintain minimal levels of employee engagement and, as a consequence achieve desirable (and high) levels of employee turnover to manage the annual increases in the wage bill. Further, although all the motivators employed by the organisations were extrinsic rather than intrinsic. The incidence of extrinsic rewards was also low (See Table 5) and was perceived as inadequate by the exiting employees. Further, Gen Ys, who value flexible work and scheduling, was evident in only three organisations. Moreover, a high focus on performance monitoring and performance linked incentives, a siloed work creating social isolation and very limited evidence of developing inter-personal and effective managerial skills appeared to be the dominant strategy employed by most case organisations, and a set of job values that runs contrary to Gen Y’s values and attitudes towards work.

Additionally, on analyzing the typical span of control for the first two tiers of hierarchy in these organisations, the span of control varied from 1:8 (1 supervisor to 8 employees) to as high as 1:20. This would imply that unless the organisation was growing at a very high rate, there would be extremely limited growth opportunities for employees to move

up the hierarchy. The issue of inadequate career development and growth opportunities was identified as the second most important reason for quitting the job, followed by poor work design. Thus, the above would suggest quite a contrarian view that there appears to be a well thought out strategy of managing knowledge workers, including Gen Ys, by employing a ‘push’ or a low employee commitment strategy. Case organisation 6 was the only outlier in this regard. The issue of span of control and career growth was aptly identified by a senior manager:

‘...So we want to identify the next set of leaders which is again the roles and responsibilities of the seniors. So we push performance based on how much a senior becomes dispensable. The more dispensable he is, he creates himself another two or three people to take up his job the more he is rated on the performance rather than just delivering a basic level of what is required’. (Board Member, Case 6)

‘...so it’s the retention, performance of their subordinates that directly ties up with the seniors. We are trying to build a chain so that everybody is responsible down the line as to what they are doing and whether they are doing the right thing? Are they delegating the right processes? Etc.... So there is a lot of onus, responsibility and a sense that the seniors have to take care of their juniors and groom them to the right level. That’s the kind of pyramid or framework we are trying to build where every senior person will be more and more responsible for their subordinates rather than just doing their daily routine things at that point.’ (Board Member, Case 6)

### **Affiliation and Affinity Differences**

In addition to the above identified issues, a thematic analysis of the deeper structures of the reasons for why employees quit the job revealed that employees had a greater affiliation towards their supportive managers, co-workers and often wanted to be seen as conforming to their peer group’s expectations (Dess & Shaw, 2001). It was more their affiliation and affinity with their social group that made the rather un-motivating environment tenable. Additionally, the employees cited broader contextual reasons such as family, the physical place and geography as key reasons to be associated with a role, as is evident from the quote below.

“I made some good friends here, facilities and infrastructure is good, I was working with my college friends here so the time spent with them was fun, experience of working for international assignments was a good thing, some HR activities/days were fun and good point for socialising but I won't opt it as a permanent career option as there is nothing that excites and challenges me in this job” – ITBPO2- Sales Team member/ sales specialist.

“Being a female then too I did night shifts for 2 months (as its not very safe) but now don't want to continue as my family are adamant of me not doing night shifts. They were ok with day ones but not the odd timings” – ITBPO1 & 3 (same views)- Team sales specialist

“ I joined as people from my friends and family had worked in call centres and they said it's an easy job to earn some monthly support but my overall impression is that the profile is lot hyped in comparison to what it is actually...”- ”- ITBPO3- Sales Team member/ sales specialist

“...some colleagues are good friends in the team, pay is better than some other sectors and the workshops and recreation activities like fun-Fridays are interesting ...fun and good point for socialising.” ITBPO2 Employee

The above discussion would suggest that people preferred to stay in an organisation based on its location or for and working with a certain group of people in a particular organisation. The sense of affiliation and belonging that they develop with a group creates a stronger sense of bonding than supportive HR and management practices. However, when the internal social support system weakens with the departure of certain key individuals, the remaining group members see little intrinsic value in staying back as their sense of affiliation with the place and the remaining group member declines or finishes (Dess & Shaw, 2001). The above finding is consistent with earlier research on this topic, wherein a hedonistic and herd-mindset was noted in Gen Y employees from the Indian IT industry (Malik, Nilakant & Woodsworth, 2010).

## **Conclusion**

Through colliding conflicting perspectives of employee reasons to quit and managerial responses of the HRM strategies put in place to deal with attrition, our findings have uncovered some novel explanations. These explanations lead us to conceptualize the key

reasons why Gen Y knowledge workers in the Indian IT/BPO industry quit and reasons why the Gen X managers seem so indifferent, defensive and had contradictory accounts of reasons and triggers for employee turnover as compared to the ex-employees. Our findings suggest that employee turnover is not a linear and rational process as has been noted in most content models. There are differences in cognition and action on part of the managers in dealing with employee attrition. These can be broadly classified into three groupings: firstly, Gen X managers need to understand that Gen Y employees stay with or quit an organisation based on their relationship with the *people* (co-workers, peers and managers) that they work with. Secondly, they quit when they see no sense of belonging or attachment to a *place* (physical work environment or the geographical place). Third, a related factor is the *people management orientation* adopted and the actions demonstrated by the managers. If the organisation adopts a longer term, intrinsically rewarding approach to employment or a ‘pull’ approach, rather than an extrinsic and short-term focused or a ‘push’ approach to managing people, the likelihood of GenY knowledge workers staying longer with the organisation can be increased as long as the first two reasons are also addressed.

Certain limitations should be taken into consideration while interpreting the results of the current research. First, the cross-sectional design of the study inhibits to draw causal inferences about the direction of the relationships between study variables. The cross-sectional nature of the data may limit the consistency of findings over time. It would be useful to conduct experimental and longitudinal studies in the future in order to establish more certain causality of the relationship and to make more objective and independent assessments.

The above findings have several implications for managers of these internationalizing firms. It is critical to first develop a sense of acknowledgement that in the Indian context there are significant intergenerational differences in values and attitudes as a result of which we see

differences in mindsets between the different groups. Managers need to understand these differences by sensitizing them to the workplace attitudes of Gen Y knowledge workers. The second area is to think of designing work and HR practices that supports the job value orientations of Gen Y knowledge workers. Providing frequent and constructive feedback is one such critical skill that Gen X managers will need to develop to deal with the ongoing employee attrition levels. Without a genuine intent to address these issues major inroads into the problems of persistent turnover and attrition will remain an ongoing concern. Further senior management also has a role to play here. During their contract negotiations with clients, the service level agreements should consider annual wage inflation for employees as well as incorporate monetary incentives for managers to not only develop their skills but to also reward retention as a key performance metric. Additionally, managers should broaden the job roles for developing employees by offering a wider range of training support. Avoiding favoritism and selecting people for opportunities using fair and transparent criteria will improve commitment and involvement of employees. Employees should also be supported through assistance programs for managing work inflicted stressors and quitting triggers such as stress, abusive clients and social alienation. In the absence of such holistic measures, a race to the bottom is imminent.

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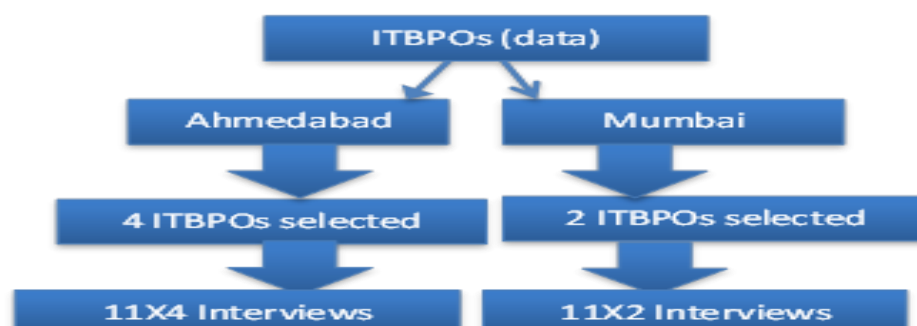
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**Figure 1: Distribution of Data Collection: Cities and Data Sources**



**Table 1: Description of Case Organisations**

Characteristics	ITBPO1	ITBPO2	ITBPO3	ITBPO4	ITBPO5	ITBPO6
Number of employees	500-600	250-300	500-600	1200-1500	300-400	600-700
Ownership	Indian	Multinational	Multinational	India-US Joint venture	UK owned	Australian
Year established	2006	2001	2000	2001	2004	2001
Attrition rate 2008-09	38%	34%	30%	29%	26%	29%

**Table 2 Data Characteristics**

Characteristics	ITBPO1	ITBPO2	ITBPO3	ITBPO4	ITBPO5	ITBPO6
Male/Female	7:3	4:6	5:5	7:3	5:5	7:3
Experience	• <2 years* 5 employees, • >2 yrs 5 employees	• <2 years*- 5 employees • >2 yrs 5 employees	• <2 years* 9 employees • >2 yrs 1 employee	• <2 years* 8 employees • >2 yrs 2 employee	• <2 years* 8 employees >2 yrs 2 employee	• <2 years* 8 employees >2 yrs 2 employee
Avg. Age (male)	23.14 yrs	23.5 yrs	22.2 yrs	23.57 yrs	25.10yrs	24.3yrs
Avg. Age (female)	21 yrs	21 yrs	21.2 yrs	22 yrs	23.45yrs	24.10yrs
<b>Characteristics of managers</b>						
Actual Age	39	36	35	34	34	41
Experience	12+ years	9.5 years	9 years	8.5 years	9.5 years	8.5 years

\* (Respondents with <2 years had a minimum tenure of 6 months)

**Table 3: Key ‘reason’ for quitting**

Key reasons for quitting Case organisation	Politics/environment	Growth and career development Salary and benefits	Work design, monotonous routines, stressful work design and workload	Personal and health reasons	Social alienation	Average annual employee turnover rates
Case 1	1	5	5	1	0	38%
Case 2	0	3	5	2	1	34%
Case 3	0	3	7	1	0	30%
Case 4	0	3	5	2	0	29%
Case 5	0	2	1	1	0	26%
Case 6	0	1	1	0	0	29%
Total	1	17	24	7	1	

**Table 4: Key ‘triggers’ for quitting**

Key Triggers for decision to quit Case organisation	Lack of managerial support and Appreciation	Rude supervisor	Work stress	Health and personal reasons (Education, family)	Career development and money	Social alienation	Abusive clients
Case 1	√	√					
Case 2	√			√	√	√	
Case 3	√		√	√	√	√	√
Case 4			√	√	√	√	√
Case 5	√				√		
Case 6	√		√		√		
Total	5	1	3	3	5	3	2

√- indicates presence of trigger for decision to quit

**Table 5: Managerial responses to managing employee turnover: Stated retention strategies**

Case organisations Key Retention Strategies	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Total
<b>HR systems</b>							
Focused hiring / job-fit		√		√		√	3
High levels of training	√	√	√	√	√		6
Results focused employee development		√		√	√	√	4
Performance based incentives	√		√	√	√	√	5
Flexi-time	√	√	√				3
Incentives -Employee referrals - Performance bonuses	√	√		√	√	√	5
Benefits							
- Leased accommodation	√	√	√		√	√	5
- Food and transport	√	√	√		√		4
- Loans			√			√	2
- Corporate credit card	√	√	√				3
- Stock options	√	√					2
- Compassionate leave							
<b>Socialisation and integration</b>							
Recreational events	√	√	√				3
Social get-together	√	√	√				3

√- indicates presence of managerial responses in dealing with employee attrition