

# Case Study and Boardroom Discussion on Attrition and BPO

By Professor Dibyendu Choudhury

John received the call from his client Bob from Parsippany, NY a small telecom company at around 6.30 AM IST at Kolkata on the way back to his home from office. “John” is his pseudo name and he could able to keep the same name for a while despite of changing several jobs in the BPO sector here at Kolkata. The EM Bypass actually looks like marine drive of Mumbai during this time of the early morning. The city is still sleepy and yet to get up from the bed. The fog is still curling on the road and very difficult to understand whether that’s a fog or smoke while driving.

“Good Evening, Is it a good time to talk John?” Bob asked and continued “here this week end we’re now going on Thanks Giving Holiday and it would be quiet for the business during this time till the end of the year and this is the time John, we need to work hard to revamp the ops..” he paused. In the mean time John could manage to stop and park his car beside a lake on the side of the road.

John answered “You’re correct John, we’ve an aggressive recruitment plan this year and I’ve hired a seasoned HR guy to recruit fresh graduates this time and would train them with the pilot which we would be running with you and would slowly ramp up the team”.

“Excellent, but I need to make sure you’ve hired the right people for me this time John. The attrition is too high with your center and I really can’t afford to waste my management’s time any more on training, it costs us time, money and energy as well and once we train them they quit”- Bob finished his talk with a great concern over the phone. John somehow managed and ended the entire conversation with a promise to have a review meeting with the management team on Wednesday, after this long week end of Thanks Giving.

John has grown up in this Industry and had gone through the entire cycle of the industry, even lost his job during recession 2008. He moved back from Mumbai to Kolkata with his family to his home town to do something on his own. Could open up the BPO set-up after 6 months with only 3 people initially and now its having 50 people. The set-up is a hybrid call center set-up with VoIP as well as IPLC backbone.

He started rolling and he noticed that the lights of the streets are going off and the city started getting up slowly from the curling fog. John started rewinding his thought process while driving prior reaching home. “Business Process Outsourcing”, commonly known as “BPO” here in India and still accept general graduates or school going kids, both of this genre still didn’t find BPO jobs convincing in India, but one of the most booming sectors in the Indian industry, despite of the fact that the industry got affected really bad during recession, but not as bad as the IT sector though. Since its inception, the Indian BPO industry has grown at a constant annual rate of 40-50 percent and within a couple of years, India managed to secure the position of the most preferred and low cost destination for business process outsourcing. Despite the recent concerns about the non-

viability of BPO due to the increasing cost and the emerging security issues, the Indian BPO industry is expected to generate one million jobs by the year 2010. The sector has also increased its revenue manifolds to \$8.5 Billion in 07-08 and is poised for higher growths.

Ironically, in spite of the tremendous growth potential of the sector, attrition rate and the manpower crisis is dampening the growth of the sector. The human resource professionals of the BPO industry are facing various challenges like the attrition rates and its implications, skill shortages, retaining the employees etc.

Its Wednesday evening and John is sitting with his team in his cozy office in the conference room at sector V, Saltlake City, Kolkata. Within another 10 minutes the conference call would start with Bob. John has got Roby, the General Manager of the Center, Two Accounts Manager Shyla and Ricky and the newly hired GM-HR, Nishikant. Its around 6.30 PM evening at Kolkata India, Uma the head soft skills training manager, she was also looking after the recruitment previously for John.

**John:** Well, Ladies and Gentlemen today we're here and we all know the agenda, very soon Bob will also join us in this discussion and this meeting is really crucial for our business growth. John's seriousness is also getting reflected through his voice. He continued..

This account "Starcom" is our flagship account may be the business is less, but they're running their customer support as well as sales campaign with other 10 centers including us in all over India. Our goal is to get this account consolidated with us. Bob needs to have confidence on us and we need to actually give him a realistic plan and achieve our goal.

**Uma:** Good Morning guys, we've the problem of attrition like all other center in India. The Attrition Problem according to NASSCOM data, the attrition rate for voice-based BPO's is around 55-60 percent and 15-20 percent for the non-voice based processes. The attrition rates and the retention have become the major threat and the biggest challenge in this sector. In fact, the outsourcing industry is expected to face a shortage of 2,62,000 professionals by 2012.

The phone started ringing and Bob entered in the meeting through the phone and greeted to all. John introduced all the team members with Bob and briefed Bob about the discussion they were having prior to his entry.

**Uma** started again: See, The top ten reasons for employees to leave a BPO company are:

- Monotonous work (repetitive nature of work and the average number of calls)
- Physical strains because of long and odd working hours.
- No growth opportunity/lack of promotion.
- For higher Salary.
- For Higher education.
- No personal life
- Problems with peers and managers.
- Policies and procedures.
- Conducive work culture or environment

- Handling abusive calls.

Bob straight came to the point and said- The Indian BPO industry, which established itself as the low-cost destination for business process outsourcing in just a couple of years, is losing its position as the low-cost destination because of the rising people costs. The IT-ITeS industries are struggling with the critical issue of acquiring and sustaining manpower in the industry. The BPO industry – one of the most rapidly growing sectors in the Indian industry- is grappling with the issues of skill shortages, high attrition rates and performance management along the confidentiality and security concerns. All these issues are having a negative impact on the BPO industry.

He paused and continued- I don't mind in consolidating the entire work here with your center, but at the same time I won't mind going to Philippines or any other place where I would get the same service in cheaper price.

**John:** That's true Bob, but let us see couple of data out here and let us discuss how we can actually trouble shoot this problem. The high attrition costs increases the costs to our organization too. We need to combat the amount of disruption due to unplanned exits. The more the people leave an organization, the more it is a drain on the company's resources like recruitment expenses, training and orientation resources and the time. The high attrition rate also affects the productivity of the organization. The attrition cost has been estimated to be as high as 76 percent of the annual salary costs for us. The voice-based processes, which are facing an attrition rate of 60 percent, are incurring the attrition costs of 27 percent of the total operating costs.

**Nishikant:** Well, I think it is important to measure turnover correctly in this case. Many organizations do it inaccurately while measuring their turnover and "churnover". To correctly calculate the turnover, we may need to take the total staff left the call center as a percentage of the total staff compliment. So if 50 staff left the center throughout the year and the center employs 50 staff, the turnover is 100%. Another situation is the positions been replaced, so for example might say that 25 staff who were in place at the beginning of the year are still there at the end of the year so only 25 positions were filled with new agents and therefore a 50% turnover level. This is an inaccurate result however. Other incorrect practices include not counting the staffs who left during the probationary period or who do not complete their training. Yet another method of artificially reducing the turnover is not including staff that move internally (churnover). It is important to accurately calculate our turnover, if we are to determine the real cost of turnover for our organization.

**Bob:** Hey guys, attrition/Turnover is a result of the Selection, Recruiting, Hiring, and Training and Deployment process for new staff. Knowing where you experience turnover in this process can help to identify and then address ways and means to improve the affected process. With the cost of a new hire from selection, through hiring, training and deployment running from \$5,000 (US) to \$10,000 (US) it is of critical importance to understand where the process is dysfunctional and can be improved. Agents in any center will move through a productivity continuum from their first day on the job. In many centers it will be six months or more before a new agent achieves the productivity

of an experienced (6 month plus agent). So in short it will take 6 months for a new agent to attain the productivity of the agent they are replacing.

**Uma:** Exactly Bob, we have seen that from our past experience, if the cost for a new agent is \$2000/month, then we need to budget an addition of \$1000 in month 1 to deploy additional agent labor to maintain your expected service level. In Month 2 this cost declines to 40% and the incremental additional cost to hold your SL is \$800, in Month 3 productivity is at 70% so the incremental productivity top up is at \$600, Month 4 is \$400 and Month 5 is \$200. In month 6 the new agent performs as well as an experienced agent.

**Bob:** Umm...Ok, that means you guys suggesting to revisit the cost structure and payments?

John was listening to the entire discussion and was actually scribbling down the points in his note book. He said

**John:** Bob, its not only revisiting about the cost structure. This exercise even we could do without involving you. The point is why we're doing that with you jointly and keeping you also involved? See today, the point from where we've started in India of Call Center was a cost factor that was comparative advantages. But, mainly in US the customers have forgotten that its not only costs they also need the level of services and keeping the level of service we need to take advantage of economies of scale by virtue of which some costs saved while outsourcing to India. Its not that, just by outsourcing the costs of the call center get reduced to me by 70%. The people whom we're serving on behalf of you are actually your customers. So, you can't afford to just compromise the level of service even while doing outsourcing. Then the major part of the business your customers becomes no one's baby and eventually you get affected the most. Hence we gotta be partner because at any case you can't deny the competitive advantage India has got on technology.

**Bob:** That I understand and that's the reason today we're here John.

**John:** Exactly Bob and that we really appreciate here, actually we're trying to build a collaboration with you and revisiting the fact that, how we can offer the better services to your customers keeping in mind about attrition/ turnover in India in this segment, because our organization is no more only our organization. Its your organization too. We're your provider and you should also know the costs of operation on the ground reality.

**Bob** (started talking after a brief pause ..): Well. (with a pause)..I see your point John but may be at the same time you can't ignore the cost of operation in India is also going high. May be we need to tradeoff in between the low end jobs and high end jobs. The low end jobs should get out from India, to Philippines I guess...umm...let us get into the costs part pls..

**John:** The reality is that each organization is different and will have different costs depending upon their business and more specifically their inputs; Agent rate, benefit load, recruiting costs, the impact on the center of back filling the agent position- this is the

agent productivity costs to schedule an agent to cover the shift of the agent who has left or is in training. There is also an impact on the quality assurance team; new staffs are, in most centers the recipients of far more monitors than veteran agents, this represents a cost too. John looked at Roby and said so let's complete an exercise to identify the cost for our own centers looking at the

1. First identify the starting agent hourly wage in our center.
2. Now add the recruiter, supervisory, Quality Assurance, and Contact Center Manager hourly rates
3. Identify the percentage of the hourly rate that reflects the cost of benefits offered. For example if the medical, PF, and all other employee benefits is \$3.33 per agent hour and you pay agents \$10 per hour then this is a 33% benefit load.
4. Next put in the number of hours our HR and/or recruiting staff will work on sourcing and hiring a new hire. This cost should be based on the following numbers of interviews/hr and the numbers of interviews per hire.
5. Extrapolate the number of hours for agents to back fill the agent position, the lost productivity times the hourly costs
6. Multiply the recruiter rate by the recruiter hours and the same for the Supervisor, QA and CC Manager and lastly the Training costs (hours \* agent hourly rate + trainer costs (hourly rate \* hours)) - be sure to include trainer prep time, HR staff time to complete forms etc.

It is important to include all costs in this calculation such as Advertising or Posting costs; Interview costs- if there multiple interviews with multiple attendees, you must account for each of the attendees time for all of the interview meetings. Let us work this out and post it to Bob by tomorrow and Uma will also help Roby for this assignment, so that we all understand where we stand.

**Bob:** The Quality Assurance cost needs also needed to be calculated. A center that completes 4 monitors per agent per month on an average may do 16 per month on "new" agents will need to adjust their QA labour and customize to fit your centers practices.

**John:** To be precise Bob, its our Center's practices...and all started laughing and Bob had gone out from the teleconferences for the day. The meeting still continues..

**Shyla** to John: But Sir...any increase in "churn" (attrition, turnover, churnover) will result in additional staff in the center. This new staff will bring in perceptions from outside of the center regarding wages paid etc. In addition the staff that remains will often feel that they should be paid more money if it appears to them that they are the experienced and veteran staff. Both these events create pressure to increase wages and compensation even though quality and productivity are declining.

**Roby** to John: The addition of new staff will dilute both the production and quality. Productivity is diluted as new staff will not be as proficient of the staff that left. Quality will decline as the new staff will make more mistakes and they learn with time.

These points are true at the same time continuous training is also true. John started speaking looking at all the people present at the conference room. (Sipped the lemon tea and continued speaking) "The new recruitment has got also impact on Morale and

Quality of the organization and we need to be more cautious on all these. But, lets now get into work and we also need to hold the regular staff meeting”. This instruction particularly goes towards both Roby and Uma.

**John** (verdict): Hold a staff meeting, review the situation, ask for their input and suggestions how we can improve. Be transparent if there have been layoffs or planned redundancies share this with the staff, including the timetable. Let the agents also know that we are working to solve the problem of turnover/people churn. Show our agents that we care about them, about the company and about the products and services and customers we support. Ask for their input.

If you are at the bottom, there is nowhere we can go but up.

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