A STUDY ON THE EMPLOYEE TURNOVER INTENTION IN ITES/BPO SECTOR

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Abstract

This paper aims at testing a conceptual model connecting variables of the internal and external work environment to ITES/BPO employee turnover. In India over the past few years, the ITES/BPO sector has been growing in leaps and bounds. This has also posed certain Human Resource challenges to the practitioners and the biggest challenge of them happens to be the retention of the ambitious and the transitory workforce in these sectors. In this paper, employee turnover intention is studied from two dimensions: individual- and organization- level. Based on the gaps identified from the literature, the study seeks to examine the influence of the intervening variables such as organizational commitment on turnover intentions of employees. Applying mediation multiple regression technique, an empirical examination was conducted. The results based on 208 employees' responses from 5 organizations, indicated that antecedents of turnover in the conceptual model of the present study were significantly associated with employee turnover intention mediated by organizational commitment. Results of the mediated regression analyses found that organizational commitment is a significant mediator between organizational justice, satisfaction and organizational support viz-a-viz turnover intentions. The findings suggest that organizations need to focus on how to foster commitment, enhance job satisfaction and to provide support to facilitate employee retention. Finally, the implications for organizational research, managerial practice and the need for future research are discussed.

Key words: ITES/BPO, employee turnover, individual- and organization- level turn over intentions.

Introduction

Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry. The advancement in the field of information technology and telecommunication has been the fundamental reason for the evolution of such new techniques that in turn aid the successful operation of business houses. Another reason for such a monumental change in the nature of functioning of today's management system can be attributed to globalization. Specifically companies need to compete on a global basis if they are to achieve economies of scale and keep up with the latest technologies and advancements (Porter, 1980). The offshore outsourcing markets were initially developed as software development services and later developed as Information Technology Enabled Services (ITES). ITES has developed into a major part of IT industry. On the same lines, the BPO sector also forms a major part of ITES industry.

The ITES initially began as an activity confined to multinational companies, but today it has developed into a broad based business platform backed by leading Indian IT software and services organizations and other third party

service providers. The ITES/BPO market expanded its base with the entry of Indian IT companies and the ITES market of the present day is characterized by the existence of the IT giants who are able to leverage their broad skill-sets and global clientele to offer a wide spectrum of services. IT-enabled services (ITES) include services that can be outsourced using the powers of IT; the extent to which this is possible depends on the industry, location, time, costs, and managerial perception of the risks involved.

Why study turnover in ITES/BPO sector?

Voluntary turnover has become a problem for many organizations, regardless of the nature of job, in today's society. The costs of this turnover not only have an impact on organizations but also would affect the morale of the stayers. Prior research has examined the costs of an employee's decision to voluntarily leave an organization. For example, a recent figure explained that it costs a company $78,000 to replace an employee (Ramsey-Smith, 2004). There have been a plethora of research studies conducted over the past 40 years by both academicians and practitioners on the causes and consequences of voluntary turnover.

In the ITES/BPO sector, however voluntary turnover is reaching alarming proportions. It becomes very important to study this questionable nature of large-scale attrition, as India houses a large no of ITES/BPOs. Since this sector is predominantly service oriented, it becomes very important for the HR practitioners to take appropriate steps to understand the turnover drivers, to at least retain the good performers. If proper care to check employee turnover in this sector is not taken, then the quality of service rendered would be affected due to lack of trained personnel replacing the employee who has left. This would give rise to a lot of dissatisfaction amongst the customers. Turnover can also leave a severe blow to the morale of the stayers as they would have to take up additional burden of workload until the replaced employee is trained. This can also add up to their stress levels. Therefore, if employee turnover is not managed properly it would affect ITES/BPO sector adversely in terms of personnel costs and in the end it is likely that they would lose out on their liquidity position. An attempt has been made in this research to investigate on the employee turnover antecedents of ITES/BPO sector in India.

Definition of turnover:

Turnover is defined by (Campion, 1991)[3] "as an individual motivated choice behavior" and has been a widely studied outcome variable in industrial and work psychology literature for over a long period by now. In literature, turnover intention has been identified as the immediate precursor for turnover behavior (Mobley, Horner and Hollingsworth, 1978[17]; Tett and Meyer, 1993)[19]. It has been recognized that the identification of variables associated with turnover intentions is considered an effective strategy in reducing actual turnover levels (Maertz and Campion, 1998)[15]. This was the main cause of motivation for the authors to study the antecedents of turnover intention. The following research questions were developed to guide the study.

- What is the impact of turnover antecedents on the ITES/BPO employees' decision to stay with the organization?
- Does Organizational commitment mediate the effects of job characteristics and salary on turnover intention? and
- Does alternative job availability moderate the effect of organizational commitment on the turnover intention?

Proposed conceptual framework:

Figure 1 presents the model of turnover intentions examined in this study. The proposed conceptual model incorporates antecedents of turnover intention and the mediating role played by organizational commitment between the turnover antecedents and turnover intention. In most of the previous studies on turnover literature, organizational commitment is found to be used as an important antecedent of turnover. Consequently, the following model was conceptualized to be tested. Here the role of moderation is played by alternative job availability, whose moderation effect is likely to increase or decrease the intention to quit amongst the employees in an ITES/BPO set up.

Fig 1: Conceptual model of turnover intention
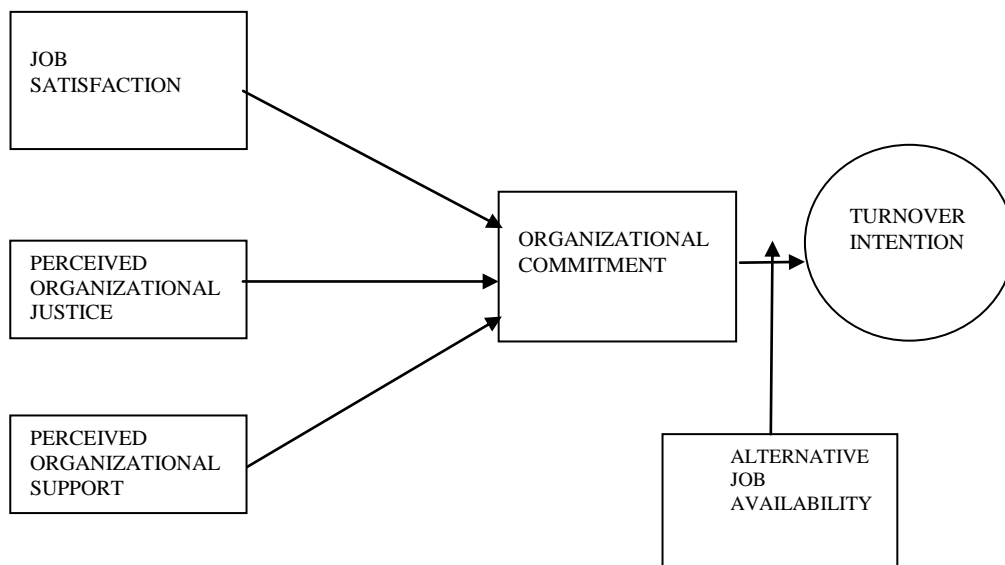
Determinants of intention to leave and turnover:

The antecedents of turnover intention were gathered from the past research findings reviewed with respect to two components which could cause an impact on the employee's decision to quit his/her place of work. The two components are *organizational factors (intra organizational and extra organizational factors) and individual affective outcomes.* The conceptual model framed was tested to examine the connection between these components and turnover intention.

Intra Organizational factors and turnover intention:

Perceived organizational support and turnover intention: POS refers to employees' 'global beliefs concerning the extent to which the organization values their contributions and cares about their well-being' (Eisenberger et al.1986)[7]. POS would be valued by employees for meeting socio-emotional needs, providing an indication of the organization's readiness to reward increased work effort, and indicating the organization's inclination to provide aid when needed to carry out one's job effectively (Eisenberger et al., 1986)[7]. POS is fostered by two important beliefs of employees: (1) the personification of organization, and (2) rewards based on the organization's discretion. Through personification of organization, employees assign human characteristics to the organization and view actions by agents in the organization (e.g. managers) as actions of the organization as a whole (Eisenberger et al., 1986)[8]. Favorable or unfavorable treatment received by employees determines the organization's attitude towards its employees well being. However, there has been limited investigation of the relationship between POS and intention to leave (e.g. Allen et al., 2003; Wayne, Shore, and Liden, 1997) and work that is more empirical has been called for (Griffeth et al., 2000)[9]. *In sum, an employee who would rate his organization less-supportive, would develop a high feeling of quitting his place of work. H_1: predicts that perceptions of perceived organizational support will have negative relationship with turnover intention.*

Perceived organizational justice and turnover intention: Adams (1965) conceptualized fairness by stating that employees determine whether they have been treated fairly at work by comparing their own payoff ratio of outcomes (such as pay or status) to inputs (such as effort or time) to the ratio of their co-workers. This is called distributive justice, and it presents employees' perceptions about the fairness of managerial decisions from the perspective of the distribution of outcomes such as pay, promotions, etc (Folger and Konovsky, 1989)[8]. In contrast, procedural justice focuses on the fairness of the manner in which the decision-making process is conducted (Folger and Konovsky, 1989)[8]. In other words, the focus shifts from what was decided to how the decision was made (Cropanzano and Folger, 1991)[4]. Justice perceptions also have been linked to important outcome variables (Daily and Kirk, 1992[5]; Folger and Konovsky, 1989[8]; Martin and Bennett, 1996[14]; McFarlin and Sweeney, 1992)[16]. For instance, perceptions of procedural justice are negatively related to intentions to quit (Daily and Kirk, 1992)[5], significantly correlate with organizational commitment (Folger and Konovsky, 1989[8]; Martin and Bennett, 1996)[14], and produce high subordinates' evaluation of supervisors (McFarlin and Sweeney, 1992)[16]. Thus, organizational commitment is used as mediating variable in the current study. In other words, if

employees perceive that the decision-making process is fair, they are less likely to form an intention to quit. Hence, *hypothesis 2 predicts that there is a negative relationship between organizational justice and turnover intention.*

Individual affective outcomes:

Job satisfaction and turnover intention:
The relationship between satisfaction and turnover has been consistently found in many turnover studies (Lum et al, 1998)[12]. Mobley et al 1979 indicated that overall job satisfaction is negatively linked to turnover but explained little of the variability in turnover. Mobley in (1977) developed a model that explains the process of dissatisfaction that an employee feels and how she/he arrives at a decision to leave the organization. The model first explains the employee evaluation of the existing job, and then obviously it is for the employee to gauge her/his satisfaction in performing the particular job she/he is engaged in. The result of which would be either satisfaction or dissatisfaction. Mobley favored no particular satisfaction model, but contributed to the development of several such models in which he explains how dissatisfaction arises. Thus from the research findings it is inferred that dissatisfaction breeds the stimulation of the thoughts of quitting, which results in evaluating the pros and cons of looking out for a job alternative that is to check for what the utilities of being in the current job is and what the alternative job would be like. If a dissatisfied employee happens to get an alternative job where she/he does not have to compromise on job satisfaction, the employee concerned would definitely choose the alternative job resigning the current job. Thus in summary it can be said that the more satisfied an employee is in his/her job, less likely is the employee's probability of quitting his/her job

in spite of alternative jobs being available in plenty. *Hence, hypothesis 3 predicts that job satisfaction is negatively related to turnover intention.*

Organizational commitment and turnover intention: Mobley et al. (1979) have identified commitment to the organization as a potentially important variable in the turnover process. Researchers have established that there are three types of organizational commitment and they are affective commitment, continuance commitment, and normative commitment. Allen and Meyer (1990) investigated the nature of the link between turnover and the three components of attitudinal commitment: affective commitment refers to employees' emotional attachment to, identification with and involvement in the organization; continuance commitment refers to commitment base on costs that employees associate with leaving the organization; and normative commitment refers to employees' feelings of obligation to remain with the organization.

Theory suggests that OC mediates the influence of job attitudes like satisfaction, affective beliefs, and job nature on turnover intention and actual turnover. This is the rationale behind employing commitment as a mediating variable between job satisfaction and turnover intention in the current study.

H$_{4a}$: Organizational commitment will mediate the relationship between perceptions of organizational support and turnover intentions.

H$_{4b}$: Organizational commitment will mediate the relationship between perceptions of organizational justice and turnover intentions.

H_{4c}: *Organizational commitment will mediate the relationship between perceptions of job satisfaction and turnover intentions.*

Extra organizational factor:

Alternative job opportunity and turnover intention:

When alternative jobs are available in plenty there is a general feeling of ease amongst the job holders. March and Simon (1958) [13] stated that: "Under nearly all conditions the most accurate single predictor of labour turnover is the state of the economy. When jobs are plentiful, voluntary movement is high; when jobs are scarce, voluntary turnover is small". From the opportunity models reviewed it is understood that intention to quit the work has a direct bearing on the actual turnover of the employees. For example, steers and Mowday (1981) and Michaels and Spector (1982) have argued that an intention to quit is more likely to result in voluntary turnover when labour market conditions are such that alternative jobs are more generally available. Michaels and Spector made a suggestion in their study that if a person intends to quit a job, he or she most likely would quit when another job became available. In an empirical examination of IT workers, Igbaria and Greenhaus (1991)[10] had reported a direct effect between awareness of extra-organizational career opportunities and turnover intention. *Thus, hypothesis 5 predicts that alternative job availability will moderate the relationship between perceptions of organizational commitment and turnover intentions.*

Method

Sample: Data for this study was collected from the employees working in five ITES/BPO Organizations located in Chennai, India. The data was collected via a questionnaire made up of multiple questions. Questionnaires were handed over to HR Managers of these Organizations, who in turn distributed them to the employees. Out of 245 questionnaires, distributed only 208 respondents returned the questionnaires. Among them, the usable ones were only 181-i.e 87% response rate. Out of 181 respondents, 61% were women and 39% were men.

Measures:

Organizational support was assessed using twelve-item scale by Eisenberger, Hutchinson, Sowa (1986)[7]. The respondents were asked to rate the statements on a five-point scale (1=strongly agree, 2=agree, 3=neither agree or disagree, 4=disagree, 5=strongly disagree) as to indicate their agreement to the statements to their feel of support from their organizations. Internal consistency (Cronbach's alpha) for the measure was 0.70.

Organizational justice: *Distributive justice* in our study is defined in terms of reward and pay and it was measured using five items from the scale used by Price and Mueller (1986). The respondents were asked to rate the rewards on a five-point scale (1=strongly agree, 2=agree, 3= neither agree or disagree, 4=disagree, 5=strongly disagree) based on the effort that they put on their job. *Procedural justice* was measured through a six-item scale used by Niehoff and Moorman (1993). This scale assessed the gathering of accurate information of the issues relating to employee empowerment, and an appeal process. Internal consistency (Cronbach's alpha) for organizational justice was 0.94.

Job satisfaction was measured adapting seven items from the scale used by Hackman and Oldham (1975). Respondents rated their agreement with each statement by use of a five step scale where 1 indicated strong agreement and 5 indicated strong disagreement. Internal consistency (Cronbach's alpha) was 0.72.

Organizational commitment was measured using seven items of the scale used by Mowday, Steers, and Porter (1979). The respondents were asked to rate the statements on a five-point scale (1=strongly agree 2=agree, 3=neither agree or disagree, 4=disagree, 5=strongly disagree) as to indicate their agreement to the statements to their feel of commitment to their organizations. Internal consistency (Cronbach's alpha) for the measure was 0.74.

Alternative job availability was measured using three items of the scale developed by Kim et al., (1996)[11]. Respondents rated their agreement with each statement rated on a five step scale ranging from strong agreement (1) to strong disagreement (5). Coefficient alpha for the measure was 0.91.

Intention to Leave: Four items were adapted from two scales: Lyons' and Cammann, Fichman, Jenkins, and Klesh

(Cook, Hepworth, Wall, and Warr, 1981)[2]. Respondents rated their agreement with each statement rated on a five-step scale ranging from strong agreement (1) to strong disagreement (5). Krausz, Bizman, and Weiss (1989) previously used the items. Coefficient alpha for the measure was 0.85.

Results

This section presents the outcomes of the statistical analyses, which are divided into four main sections: (a) descriptive statistics, (b) correlations (c) mediated regression analyses and (d) moderated regression analysis.

Descriptive statistics includes all variables, including means, standard deviations and skew as in Table 1. Respondents indicated low levels of organizational commitment (1.95), support received (2.41). On the average, the participant indicated that they had low levels of intent to leave their place of work (2.57). The participants also indicated low levels of job satisfaction (skew =-3.45).

A correlation showing the strength and direction of the linear relationships between the predictor variables and the outcome variable is presented at (table 1).

TABLE 1. Descriptive Statistics

	Mean	S.D	Skew
Support	2.41	0.49	0.34
Commitment	1.95	0.52	0.27
Justice	2.34	0.60	0.25
Job sat	2.63	0.70	-3.45
Turnover	2.57	0.79	0.63
Stress	2.53	0.41	-0.02

Hypothesis 1 (organizational support), 2 (justice) and 3 (job satisfaction) were stated that they would be negatively related to turnover intention. The three r's were not significant, and therefore the hypotheses were not supported.

Mediation Regression:

The next hypothesis was related to mediation. The recommendations of Baron and Kenny (1986)[1] were followed to test for mediation.

Moderation Regression Analysis:

To explore the moderator effect of alternative job availability on the relationship between organizational commitment and intent to turnover, the turnover intentions variable was regressed on organizational commitment and alternative job availability, and then on the interaction of these two predictors. The product of the two predictors carries the interaction effect after these two predictors have been first entered into the regression equation. Evidence for a moderator effect is found when there is a significant increase in the multiple R^2 after entering the interaction term. Nevertheless, the findings showed no significant moderation effect. Hence, hypothesis 5 was not supported

Practical Considerations:

From a practical perspective, the study helps practitioners to adopt behavior which can help employees to enhance their commitment to their organization and in turn, improve job satisfaction and performance in spite of the availability of alternative job opportunities. For example, the findings of this study shows that the respondents were least committed to their jobs. This could be attributed to their non-

The Mediating Effect of Organizational Commitment:

If organizational commitment acted as a mediator, the influence of the antecedents on outcomes would presumably decrease significantly if commitment and the antecedent variables were added simultaneously as predictor variables. All the findings in the tables shown illustrate similar patterns. The influence of predictor variables on turnover intention is reduced to significantly when commitment is added to the model, although this reduction was slight depicting partial mediation. satisfactory response about distributive justice than the procedural justice in their place of work. This shows that the respondents were not getting enough support from their management to help them stay fully committed to their organizations. This finding reveals that the management needs to concentrate more on improving favorable job attitudes like commitment and satisfaction towards the job and intra-organizational factors, to reduce unfavorable job attitudes. Demographic characteristics could also be considered to help Management to retain its employees. Variables such as age, tenure and educational qualifications have contributed much to the turnover models as in the literature reviewed.

It can be inferred from the findings of the current study that employees in a call centre are found to be unaffected by the important determinants of turnover from the demographic perspective. Majority of employees in ITES/BPO sector were found to be youngsters who are most likely to quit their place of work and this is very much supported by the turnover literature. The older workers are less likely to leave their jobs than their younger coworkers are. This is often attributed to the older workers'

obligations to familial responsibilities than their younger counterparts.

The late management guru Peter Drucker can be quoted here that, if you cannot find the right person to fill a job and when people consistently leave their jobs, the problem lies in the job, not the people. Drucker's prescription was to consider re-organizing the job, break it down into smaller parts and reassign certain tasks so that more brains could be applied to the various challenges. This is in line with the findings of Parkes and Sparkes (1998)[18] where the management is recommended to make primary interventions from socio-technical perspective (i.e. those aimed at changing elements of objective or structural aspects of the work situation such as work schedules and staffing levels) and psychosocial interventions (i.e. those aimed at changing employees' perception of the work environment such as perceptions of social support or increased participation from the side of the employees)

Thus, it is for the management to take keen interest in helping the employees to develop positive work attitudes by redesigning the job and empowering the employees to make self-decisions and to enjoy more freedom in executing their duties. The importance of communication in organizations is vital for its existence. However, in a call centre set up this is found lacking, since the computer technology has replaced the management employee relationship. Hence, it is important that the management set up an open channel of communication feasible to their daily routine to help employees ventilate. This can help management to elicit information regarding employee job satisfaction. The management can also help employees to manage their own stress as it is seen among the front line representatives in call centres, experiencing tremendous stress dealing with demanding customers.

To put it in a nut shell, if there is more organizational support rendered by the management, a lot of improvement can be seen and brought about in controlling turnover intention among the employees.

Limitations of the Study

 All measures reported were self-reports and social desirability desired by the respondents. Due to time constraints and difficulty in the availability of respondents, a sample of 208, has been used. However, the study could be replicated with a larger sample to study if the results differ. The research design in this study was cross sectional and it was hence not possible to infer a causal relationship. Undertaking research at one period in time can only reflect that period in time. A greater focus on longitudinal research designs may give a better understanding of turnover intentions and may highlight stronger associations. Another limitation was concerned with the use of turnover intention measures rather than actual behavior in the analyses. Dalton, Johnson and Daily (1999)[6] have voiced concerns regarding conducting research using 'intention' variables as the relationship between the tendency and actual variable is found to be low. The set of independent variables, although derived from extensive literature review may not have been comprehensive.

Scope for Future Research

There is further scope to use the study in different environments and different geographical locations. A suggestion for future research would be to the use of actual turnover as the criterion variable rather than using intention in the turnover model as there is a concern raised by Dalton, Johnson and Daily (1999)[6], explaining the

inappropriateness of using 'intention' variable, as the relationship between the tendency and actual variable is found to be very low. The next suggestion would be a longitudinal study with same variables to infer causality as true causal relationships from a cross-sectional study would be ideally impossible. This study is among the few in India that have researched into the domain of ITES/BPO sector, particularly from the employee turnover perspective.

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