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# Causes of Attrition Rate in Information Technology and IT's Enabled Service Sector

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**Abstract:** *Today attrition is one of the major problems faced by the human resource (HR) managers of IT industry across the globe. According to a recent survey conducted by AIMA on CEOs and HR managers of different IT/ITES organizations attrition (also known as employee turnover) is the second important issue related to HR department. The impact of attrition has received considerable attention by senior management, HR professionals and Industrial Psychologists. It has proven to be one of the most costly and seemingly intractable human resource challenges confronting organization. In the best of world employees would love their jobs, like their co-workers, work hard for their employers, get paid well for their work, have ample chances for advancement and flexible schedules so that could attend to personal or family needs when necessary and never leave. But then their real world starts and in the real world, employee do leave, either because they want more money, hate working conditions, hate their co-workers, want a change, or because their spouse gets a dream job in another state. So what dose that entire turnover cost? And what employees are likely to have the highest turnover? "Talented employees need great managers. They join a company because of its charismatic leaders and how long they are productive and stay it depend upon immediate supervisors. "This article focuses on the causes of attrition in IT/ITES industry with special reference to Bangalore. The main purpose of this study is to find out the main causes, which increase the employee turnover in IT/ITES companies and find out the way to control attrition. The study was carried out in IT/ITES companies in Bangalore. In this study opinion of 110 employees and 5 HR managers were taken for analysis. The tools used for collecting data were structured questionnaire and unstructured interview. For analysis purpose chi-square, Rank correlation and percentage method has been used. The results revealed that Career growth and compensation are the important causes for increasing employee turnover in companies; Employee, employer and supervisor all are responsible for increasing turnover. Employees intend to consider another job mostly in 1-3 years. High cost like training cost, recruitment cost, new hire cost, lost productivity cost, cost due to personal leaving associated with attrition. Economic status of the organizations is playing a major role in controlling the attrition. Exit interview can help to control the employee turnover.*

**Keywords:** Attrition, Employee Turnover, Economic Status, Exit Interview

## Introduction

*Attrition and Attrition Rate:* "A reduction in the number of employees through retirement, resignation or death" is said attrition and the rate of shrinkage in size or number is known as attrition rate.

*Position of Attrition Rate in IT/ITES in Different Countries:* Attrition rate in ITES sector have come down from 30% – 33% being witnessed of late to about 25% now, according to statistics compiled by the National Human Resource Development Network.

**Table 1: Attrition Rate in Different Countries**

ATTRITION	PERCENTAGE
US	42%
Australia	29%
Europe	24%
India	18%
Global Average	24%

If we compare attrition rate for non voice and voice process then attrition are more significantly lower in a non voice process. As the industry moves up the value chain becomes a full scale BPO player, attrition will further decreases.

*Size of Indian Market:* With 245100 people employees at the end of March 31, 2004 against 171100 in 2003, the industry witnessed a hiring growth rate of about 40% - 42%. The size of the Indian market is likely to be around \$ 9-12 billion by 2006 and will employ around 400000 people ICRA said in its Indian industry report.

**Table 2: Size of Indian Market**

	FY200F1	FY2002	FY2003	FY2008E
BPO	23,600	35,000	68,000	570,000
Other IT-enabled	21,400	35,000	38,000	530,000
Total	45,000	70,000	106,200	1,100,000

*Cost Associated with Attrition:* Employee's attrition is a costly affair for all organizations. In today taxing business climate managing a company's competent and skilled human capital is vital for success. It is estimated that employee attrition costs an organization 12 to 18 months salary for each employee leaving at a manager level, and 4 to 6 months pay for each employee at a basic management level. According to a study by Ipsos Reid, 30% of employees typically plan to change jobs in the next 2 years. Staff attrition (or turn over) and absenteeism represent significant costs to most organizations. It is odd, therefore that many organizations neither measure such costs nor have targets or plans to reduce them.

While there are various costs associated with attrition, they are as follows:

Recruitment Costs, Training Costs, Lost Productivity Costs, New Hire Costs, Lost Sales Costs, Opportunity cost, Intangible costs.

*Key Attrition Factors:* Key attrition factors are Poor management, Merger & acquisition, Inability to use ones competencies, Lack of role clarity, Lack of challenge, Boss and management style, The Boss Is Always Right, Me and Only Me, Forever and for always, In black and white, All knowing, No apologies, Rigid attitude, Job stress, Lack of learning opportunity, Lack of excitement and innovation in the job, Compensation.

*Root of Attrition:* Any method of controlling attrition or increasing retention should be based on a good understanding of factors leading to attrition. They may sometimes be very simple issues and could be revealed by an examination of statistical data. This data could answer some simple questions like: Where is the attrition occurring? ,Is it more in male than female?, Is there anything common among those who leave?, Is it more among candidates from certain colleges or institutions?

### **Types of Attrition**

- *Internal:* internal means when employee in leaving the organization after joining the job, it can be the expiry of time period, due to personal reasons, resigned etc. This type of attrition called internal attrition.

➤ *External:* External attrition can be happen in the time of campus selection, where students are selected by organizations and when they receive the good offer comparison to last offer then they leave last offer and accept the new offer. This type of attrition called external attrition, where student leave organization before joining the organization.

### **Review of Literature**

Srikant and Tyagi (2007) in their article, “Attrition management in BPO” stated that an average Indian call center employee works with a company for 11 months, where as an average UK call center employee stays in a company for 3 years, which happen due to high stress level at the job, Monotonous nature of the job, Loss of identity, Demand supply disparity, vague values and vision, Lack of positive direction, Wrong hiring policies, Mismatched measures and rewards, Overwork and burnout. They founded that most people join a BPO a not for quick money they join but for a luxurious lifestyle at a young age and a career that requires no particular educational back ground. Exits from BPO happen because of certain reasons like lack of growth avenues, expectation mismatch, dissatisfaction with organizational policies and the quest for a better job profile. It is not the night shift, monotony of work and lack of salary hikes that contributes to the all rates as often through it.

Chandramohan and Vasanthi kumari (2006) in their article, “Attrition: A Predicament for ITES in India” cited that high attrition rates is a major challenges for the HR manager many individuals (mostly fresh graduates) take it as a pas time job. Once they join the sector and understand the requirement they start leaving organization because many individuals are not able to take the pressure of work. Again high percentage of females in the workforce adds to the high attrition rate. There are various costs which incurred due to attrition which are recruitment coats, training costs, lost productivity costs, lost sales costs and new hire costs. They suggested that pay checks alone are not enough to motivate employees. Apart from salaries, ITES Company should also focused on smart people management tools and strategies to keep their people happy, again they focused that how IT- ITES companies are holding on to their people- by anti poaching agreements, better perks, flexible working hours, higher compensation levels, well laid career plans essential for retaining employees, better recruitment methods to filter right people for right places and balance between performance expectations and growth aspiration.

Rao (2006) in his article “Old pillars of people management” stated that there are various factors that affect individual’s decisions to leave a job. While an employee leaving the job is considered attrition by one organization, it is looked at as talent acquisition by new organization and to the individual, it most often mean a career move. He founded some key attrition factors like inability to use ones competencies, lack of challenges, boss and his management style, lack of scope for growth in terms of salary, status of other factors, lack of role clarity, job stress or role stress, lack of independence of freedom and autonomy, lack of learning opportunities, lack of excitement and innovation in the job. Apart from it there are various reasons why people leave their existing job. Managing this is important for organization. In its strict sense, it does not mean only reducing or managing attrition. It could also mean bringing down the negative affects of attrition and at the same time increasing the positive affects of attrition. In small organizations the impact of attrition will be greater comparing to large organizations.

### **Objectives of the Study**

The following are the objectives of the study.

- To understand the reasons for attrition.
- To study the attrition rate in IT/ITES Industries.

- To identify the major problems of employees in the organization which lead to attrition.
- To understand the problems faced by the organization due to attrition.
- To study the steps taken by the organization to reduce attrition.
- To suggest ways and means to control attrition

### **Scope of the Study**

Attrition rate continues to be a subject of interest and importance to human resource specialist. From last couple of years, attrition rate has received considerable attention in the literature from both researcher and practitioners alike. The purpose of this research is to find out the important factors which increasing attrition rate, which can be rectified by the human resource manager of the different IT/ITES companies and will be able to retain employees.

### **Research Methodology**

Business Research can be described as a systematic and organized effort to investigate a specific problem encountered in the work setting, which needs a solution. According to Clifford Woody, research comprises defining and redefining of problems. Formulating hypothesis or suggested solution, collecting, organizing and evaluating data; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

### **Research Design**

A research design is the selection of methods for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in procedure. It constitutes the blue print for the collection, measurements and analyze of data. The research design for this study is Exploratory Research. Exploratory Research studies are also termed as formulative research studies. This research is undertaken with an idea to assess the “causes of attrition and remedies”. The main aim of such a design is to ensure that the required data are collected objectively, accurately and economically.

### **Data Collection**

*Primary Data:* Data regarding the topic “causes of attrition and remedies” is collected directly by interacting with employees of IT/ITES organizations by structured questionnaire and interview method.

*Secondary Data:* The secondary data was collected from the existing data, company records, Internet and World Wide Web.

### **Research Tools**

*Questionnaire:* Questionnaire used in this study is direct and structured one. The types of question asked in this questionnaire are closed ended, multiple choice and open ended. To test the validity and veracity of the structure of questionnaire and to find out whether the purpose would be fulfilled, a pilot study has been conducted where a sample of 20 questions were collected to find employees opinion on the causes of attrition in a company. The main objective of using these techniques was to understand the current process of company and whether the employees were satisfied.

*Interview:* Interaction with the HR department managers of different organization took place.

**Sample Size**

The scope of the study was limited to employees and HR managers of different companies. The number of respondent in this category was 110.

**Statistical Tools Used in Study**

Here Chi square test, Karl Pearson Rank correlation and percentage method is used for analysis and interpretations of the collected data.

*Chi-Square test ( $\chi^2$ ):*

The degrees of influence of the following independent variables related to the respondents on attrition are

- Age
- Sex
- Marital status
- Experience
- Native Place

In order to identify the factors of television ads influencing the respondents, chi square ( $\chi^2$ ) test was used and

$$\chi^2 = \frac{\sum (O - E)^2}{E}$$

With degree of freedom (DF) = (c-1) (r-1) where,

O = observed frequency

E = Expected frequency

c = Number of columns

r = Number of rows.

Karl Pearson Test (Rank Co- relation): Formula:  $1 - \frac{6 \sum d_i^2}{n(n^2 - 1)}$

**Table 3: Hypotheses of The Study**

SL.NO.	FACTORS	HYPOTHESES (H <sub>0</sub> )
1.	AGE	There is no significant difference between age and causes of attrition.
2.	GENDER	There is no significant difference between gender and causes of attrition.
3.	MARITAL STATUS	There is no significant difference between marital status and causes of attrition.
4.	NATIVE PLACE	There is no significant difference between native place and causes of attrition.
5.	EXPERIENCE	There is no significant difference between experience and causes of attrition.

**Table 4: Age and Impact On Attrition (One Way Table)**

SL. NO	Age	No. of Respondents	Percentage	Average	Range	
					Min	Max
1.	20-25	35	31.82	42.23	28	56
2.	26-30	46	41.82	44.13	29	56
3	31 & Above	29	26.36	44.76	29	54
Total		110	100			

It could be observed from the above table that the maximum number of respondents fall under the 26-30 category and their impact on attrition ranged between 29 and 56 with an average of 44.13. The impact on attrition 20-25aged respondents ranged between 28 and 56 with an average of 42.23. On the other hand, the impact on attrition among 31 & above ranged between 29 and 54 with an average of 44.76. With a view to find the degree of association between age of the respondents and impact on attrition, a two-way table was prepared and illustrated.

**Table 5: Age and Impact On Attrition (Two Way Table)**

Sl.No	Age (In years)	Score			Total
		Low	Medium	High	
1	20-25	8 (40)	19 (31.14)	8 (27.59)	35
2	26-30	7 (35)	30 (49.18)	9 (31.03)	46
3	31 & Above	5 (25)	12 (19.67)	12 (41.38)	29
Total		20	61	29	110

It is found from the above Table that the percentage of high level of impact on attrition was the highest (41.38) among the respondents of 31 & above category and the same was the lowest (27.59) among the respondents of 20-25 categories. The percentage of medium level of impact on attrition was the highest (49.18) among the respondents of 26-30 categories and the same was the lowest (19.67) among the respondents of 31 & above group. On the other hand, the percentage of the low level of impact on attrition was the highest (40) among the respondents of 20-25 categories and the same was the lowest (25) among the respondents of 31 & above category. In order to find the relationship between the age of the respondents and the impact on attrition, a chi-square test was used and the result of the test is shown in the underneath table.

**Table 6: Age and Impact on Attrition (Chi – Square (X<sup>2</sup>) Test)**

Factor	Calculated $\chi^2$ value	Table value	Degree of Freedom	Remarks
Age	9.4267	7.78	4	Significant (at 1% level)

It is noted from the above Table that the calculated chi-square ( $\chi^2$ ) value is more than the table value and the result is significant at 1% level. Hence, the hypothesis “Age of the respondents and



the impact on attrition” are associated holds good. From the analysis it is inferred that there is a close relationship between the age of the respondents and the impact on attrition.

**Table 7: Gender and Impact on Attrition (One Way Table)**

Sl.No	Gender	No. of Respondent	Percentage	Average	Range	
					Min	Max
1	Male	61	55.45	39.62	28	54
2.	Female	49	44.55	43.94	29	56
Total		110	100			

It is identified from the above Table that the level of impact on attrition among the male respondents ranged between 28 and 54 with an average of 39.62. The impact on attrition among the female respondents ranged between 29 and 56 with an average of 43.94. With a view to find the degree of association between gender of the respondents and the impact on attrition, a two-way table was prepared and shown below.

**Table 8: Gender and Impact on Attrition (Two Way Table)**

Sl.No	Gender	Score			Total
		Low	Medium	High	
1	Male	11 (55)	34 (55.74)	16 (55.17)	61
2	Female	9 (45)	27 (44.26)	13 (44.83)	49
Total		20	61	29	110

It is found from the above Table that the percentage of high level of impact on attrition was the highest (55.17) among male respondents and the same was the lowest (44.83) among the female respondents. The percentage of medium level of impact on attrition was the highest (55.74) among the male respondents and the same was the lowest (44.26) among the female respondents. On the other hand, the percentage of low level of impact on attrition was the highest (55) among the male respondents and the same was the lowest (45) among the female respondents. In order to find the relationship between the gender of the respondents and impact on attrition, a chi-square test was used and the result is shown in the following table.

**Table 9: Gender and Impact On Attrition (Chi - Square Test)**

Factor	Calculated $\chi^2$ value	Table value	Degree of Freedom	Remarks
Gender	4.7856	4.61	2	Significant (at 1% level)

It is noted from the above Table that the calculated chi-square value is more than the table value and the result is significant at 1% level. Hence, the hypothesis “Gender of the respondents and impact on attrition” are associated does hold good. From the analysis, it is concluded that there is a close relationship between gender and impact on attrition.