

Impact of Organizational Culture on Turnover Intentions in BPO Sector in India

Sulakshna Dwivedi, Sanjay Kaushik & Luxmi

The present study has been conducted in three strata comprising 15 BPO units in and around Chandigarh to establish a relationship among Organizational Culture, Commitment, and Turnover Intentions of employees. Further, the study examines the mediating role of Organizational Commitment between Organizational Culture and Turnover Intentions. Results revealed that Turnover Intention is significantly influenced by Organizational Culture and Commitment. The role of Organizational Commitment in Organizational Culture and Turnover Intentions has been found to be not a perfect mediation type rather it is a partial mediation. This study contributes to a better understanding of the influence of Organizational Culture and mediating effects of Organizational Commitment on the Turnover Intentions among employees in the BPO sector.

Sulakshna Dwivedi is a Visiting Faculty in University School of Applied Management, Punjabi University, Patiala. (E-Mail:sulakshna_79@yahoo.co.in). **Sanjay Kaushik** is an Associate Professor of Human Resource Management (E-Mail: sanjaykaushik.ubs@gmail.com). **Luxmi** is a Senior Lecturer in Human Resource Management (E-Mail:luxmimalodia@yahoo.com), University Business School, Panjab University, Chandigarh.

Introduction

Over the past decade, India has become a serious resource for outsourced talent for organizations all over the world. Thanks to low costs, language skills, technical education and a supportive government in India, the BPO/ITES sector has grown at a frenetic pace. BPO exports from India grew from US\$2.45 billion in FY 2002-03 to over US \$16 billion in 2011-12. Presently outsourcing industry in India indirectly employs 3.5 million employees and accounts for 6.4 per cent of the GDP (NASSCOM, 2012). With this exponential rise, however, have come HR difficulties. Employee retention has become a big concern in organizations all over the world, but the BPO/ITES sector in India is particularly affected by low retention rates and high staff turnover. In spite of what could be regarded as highly favorable conditions for the establishment of BPO operators, skill shortages and employee turnover have quickly become major challenges facing the

burgeoning industry (Budhwar et al., 2006a; 2006b). According to a global study, Indian call centers have the highest employee turnover of 40 per cent against a global average of 20 per cent and almost 60 per cent of employees have less than one year of tenure at work (Holman et al., 2007). Attrition rate in BPO sector in the first quarter of the year 2011 was as high as 55 per cent (ASSOCHAM, 2011). It is known that the rate of attrition exceeds 100 per cent in certain companies, in certain geographical locations and for particular processes. For the purpose of this study, we have taken Organizational Culture and Organizational Commitment as key antecedents of turnover intentions. Further, an attempt has been made to test the mediating role of Organizational Commitment in Organizational culture and Turnover Intentions.

Background Literature & Hypotheses

While reviewing the literature on turnover of employees in general, one finds many antecedents of turnover such as individual perceptions about the desirability and ease of movement (March & Simon, 1958), dissatisfaction (Porter & Steers, 1973), Organizational Commitment (Mathieu & Zajac, 1990), Organizational 'shocks' (Lee & Mitchell, 1994), work and non-work demands (Hom & Kinicki, 2001), perceived organizational support (Rhoades et al., 2001), Organizational Culture (Park & Kim, 2009) etc. But exclusive studies on BPO sector revealed that the long-recognized problem of high attrition is in large part a

consequence of work that is repetitive and dominated by short cycle times where call throughput is prioritized. Lack of control, extensive monitoring, the prevalence of targets and the brevity and infrequency of breaks further contribute to work being experienced by many as pressurized and frequently stressful, often leading to emotional exhaustion and withdrawal (Deery et al. 2002) and to sickness, absence and ill-health, particularly where built in environment problems exacerbate the effects of poor job design (Taylor et al. 2003). BPO favors the adoption of more routine work flows that have been standardized to a greater degree, allows less room for discretion and occasions higher levels of monitoring (Batt, 2002; Batt & Moynihan, 2002). It could be argued that this scenario results in lower levels of job commitment on the part of Indian workers and to the correspondingly higher levels of job attrition that we observe in this industry (Taylor & Bain, 2005).

The long-recognized problem of high attrition is in large part a consequence of work that is repetitive and dominated by short cycle times.

Certain specific issues relating to the work environment in Indian call centers have been attributed to employee stress, burnout and turnover and these include servicing overseas customers with different cultural and economic backgrounds, adoption of pseudo-names to mask identity (Mirchandani, 2009). Research suggests that firms

mostly tend to outsource non-core business processes that involve low value, low skilled, routine and standardized transactional activities (Thite, 2008). Considering that Indian customer service representatives (CSRs) are, on average, more highly educated than their counterparts in Western centers, it is possible that their skills are being under-utilized, leading to de-motivation and higher quit rates.

On the basis of literature reviewed in BPO sector, it is apparent that most of the studies which are based on interviews with BPO workers are pointing towards different aspects of organizational culture, work environment and job design etc. as antecedents of the turnover and lower level of commitment. Moreover, these studies are based on descriptive evidence (Budhwar et al., 2006; Taylor & Bain, 2005) or on managerial surveys (Batt et al., 2005). Fewer studies are found in which some statistical relationship among organizational culture, commitment and turnover intentions in this sector have been worked out. Exclusively, the existing literature highlights a strong paucity of research on the management of high attrition rate in BPOs in India especially in a Tier III city *i.e.* Chandigarh. Given the rapid growth in the sector, involvement of a large number of both national and multinational firms and a significant impact of Indian BPO on the global economy, it is important to highlight the organizational culture of BPOs and its impact on commitment and turnover intentions of employees.

Organizational Culture & Organizational Commitment

Different researchers (Yiing & Ahmad, 2009; Rashid et al., 2003; Shannawaz & Hazarika, 2004) had established the relationship between organizational culture and commitment of employees in different regions and different industrial sets up. While others had established the relationship between different dimensions of organizational culture and some other variables with organizational commitment (e.g. Sungmin et al., 2005) found teamwork and trust to be a significant predictor of commitment. Tilaye (2005) assessed that perceived job autonomy, procedural justice, distributive justice, organizational support and employee age are the most important predictors of organizational commitment.

Shannawaz and Hazarika (2004) assessed organizational culture on OCTAPACE Scale of Pareek (1997) in two hospitals and found dimensions of organizational culture as significant predictors of organizational commitment. Kwon and Banks (2004) showed strong relationships between organizational commitment and job meaningfulness; task identity was found to have a strong positive relationship with professional commitment while gender and organization size had a positive (negative) influence on organizational commitment. Connell et al. (2003) found perceived organizational support, procedural justice and transformational leadership as significant predictors of trust in managers which further predict turnover intent and commitment.

Hypothesis 1 (H₁): Organizational culture has significant influence on organizational commitment.

Organizational Culture & Turnover Intentions

An organizational culture that provides challenging jobs diminishes employees' absenteeism and withdrawal intentions from the occupation, job, and the organization.

Even research conducted in the area of organizational culture and its various dimensions and their influence on turnover intentions has affirmed that perception of employees about organizational culture and its dimensions have significant influence on turnover intentions. Carmeli (2005) examined the influence of five dimensions of organizational culture (i.e. job challenge, communication, trust, innovation and social cohesiveness) on employees' withdrawal intentions and behavior and he found that an organizational culture that provides challenging jobs diminishes employees' absenteeism and withdrawal intentions from the occupation, job, and the organization. Igbaria and Siegel (1992) found that task characteristics play an important role in predicting job involvement, career satisfaction and intention to leave. Park and Kim (2009) revealed that consensual culture exhibited the strongest, negative association with the turnover intentions of the nurses. Desselle (2005) indicated that intention to remain was associated with higher pay, perceived employer support, number of years with the current em-

ployer and lower career turnover intentions, with organizational commitment acting as a powerful mediator for all of the variables. Egan et al., (2004) found that turnover intentions were negatively influenced by organizational learning culture and job satisfaction. For the purpose of this study a multidimensional set of organizational culture (OCTAPACE) has been identified by taking cue from past studies on turnover in general and specific to BPO sector likely to increase retention among BPO employees. The following hypothesis has been derived from the literature:

Hypothesis 2: Culture has significant influence on turnover intentions in BPO sector in India.

Mediating Effects of Organizational Commitment

In most of the studies, organizational commitment has been treated as an independent variable influencing work outcomes such as turnover and absenteeism, or as a dependent variable affected by demographic factors and some other antecedent variables, e.g. organizational culture, climate, HR practices, role conflict and organizational size etc. However, one of the most important characteristics of commitment is the mediating role that it plays in organizations (Iverson et al., 1996; Mathieu & Zajac, 1990; Mowday et al., 1982). For example, Iverson et al. (1996) argued, "the importance of commitment stems from its impact as a key mediating variable in determining organizational outcomes".

Few studies have attempted to explore the authenticity of this role. Research in this area affirmed the mediating effects of organizational commitment in explaining the relationship between organizational culture and turnover intentions (Bennett et al., 2003; Jacobs & Roodt, 2008), work climate-performance relationship (Suliman, 2002), HR practices and turnover intentions (Paré et al., 2000). This gives direction to hypothesis 3.

Hypothesis 3: The relationship between Organizational Culture and Turnover Intentions is significantly mediated by Organizational Commitment.

Scope of the study

Data was collected through multi-stage sampling. In the first stage, stratified sampling has been used for selecting BPOs. Out of the total identified 40 BPO units, 15 were selected proportionately from the following strata for the study viz. BPOs with less than 250 employees, those with 250-500 employees, and those having more than 500 employees. In the second stage, through judgment sampling, employees from top, middle and lower levels were chosen from these 15 BPOs totaling the sample size of 524 employees. The details of the sample profile of BPOs from each stratum have been shown in Table 1.

Table 1 Sample Profile of BPO Units from Each Stratum Proportionately

Strata	No. of employees	Total Number of BPOs	Sampled BPOs
I.	BPOs having upto 250 Employees	27	10
II	Between 250-500 Employees	10	03
III	Having more than 500 Employees	6	02
	Total	40	15

In stratum I, we took a mixed bag of BPOs like one BPO unit has publishers, documentation companies as its clients, another has insurance as its focus area and another is general business consulting BPO and yet another provides BPO services to telecom companies. Another three BPO units are into medical billing services; IT development and related outsourcing services and; telemarketing. Rest of the two BPO units have their customer service support centre, virtual back office and have their field sales operations. In stratum II, three BPO units have been taken for the research and all the three have voice based and non voice based outsourcing

services. In stratum III, first BPO is a third party outsourced customer service centre while the second is a leader in BPO, call centre to telecom companies and is into manpower outsourcing business.

Data Collection

Data was collected from 524 employees from 15 BPOs in and around Chandigarh (India) i.e. from Chandigarh, Panchkula and Mohali which covered all the three strata of BPOs as discussed above and from all the three level of employees i.e. top, middle and lower level of employees.

Sources of Data

Being empirical in nature, the study relied both on primary and secondary data. Primary data was collected through questionnaires, interviews and discussions with BPO employees. Secondary data was collected through research journals, magazines, reports and websites of respective BPO companies, Software Technology Park of India (STPI) Mohali (Punjab, India) NASSCOM and other related BPO web sites.

Measures

The questionnaire started with information relating to demographic profile of the respondents *i.e.* age, qualification, gender, marital status, experience in the present organization, total experience and level of management. This was followed by two sections *i.e.* first related to eight dimensions of organizational culture (forty items) and the second comprised eighteen items of organizational commitment. The third section was related to six items of turnover intentions. The forty items relating to organizational culture mentioned in the questionnaire have been categorized into eight dimensions *viz.* openness, confrontation, trust, authenticity, pro-action, autonomy, collaboration and experimenting (OCTAPACE) as depicted in Exhibit 1. The scale is developed and tested by Pareek (1997). In general, a four-point scale was used in the Part-I of the questionnaire. The four-point scale ranged from: 1 = to very low extent, 2 = to low extent, 3 = to high extent, 4 = to very high extent.

The scale used for the purpose of measuring the responses of the employees for organizational commitment was the one developed and revised by Meyer and Allen (1997). The scale had three dimensions named as Affective Commitment, Normative Commitment and Continuance Commitment as depicted in Exhibit 1. The scale had 18 items. And the items were scored on a seven-point Likert scale according to the following response categories:

1 = Strongly disagree, 2 = Moderately disagree, 3 = Slightly disagree, 4 = Neither disagree nor agree, 5 = Slightly agree, 6 = Moderately agree, 7 = Strongly Agree

The scale used for the purpose of measuring the responses of the employees for turnover intentions was the one developed and tested by the researcher by taking cue from various other questionnaires. It is a six-item scale. The items of the scale were framed after analyzing various studies (Mobley et al., 1978; Mowday et al., 1984; Lee & Mowday, 1987; Pare et al., 2001 etc). The items were scored on a five-point Likert scale:

1 = Strongly disagree, 2 = Moderately disagree, 3 = Neither disagree nor agree, 4 = Moderately agree, 5 = Strongly Agree

Reliability Coefficient

All the questionnaires were used, as it is, except some modifications in the wordings. Reliability coefficient *i.e.* cronbach alpha for the three scales was calculated for a sample of total 524

Exhibit 1 Conceptual Definitions & Description of Dimensions of Organizational Culture & Organizational Commitment Dimensions of Organizational Culture

- **Openness:** Openness can be defined as a spontaneous expression of feelings and thoughts, and the sharing of these without defensiveness. Openness is in both directions, receiving and giving. Both these may relate to ideas (including suggestions), feedback (including criticism), and feelings.
- **Confrontation:** Confrontation can be defined as facing rather than shying away from problems. It also implies deeper analysis of interpersonal problems. All this involves taking up challenges. The term confrontation is being used with some reservation and means putting up a front as contrasted with putting one's back (escaping) to the problem.
- **Trust:** Trust is not used in the moral sense. It is reflected in maintaining the confidentiality of information shared by others, and in not misusing it. It is also reflected in a sense of assurance that others will help, when such help is needed and will honour mutual commitments and obligations.
- **Authenticity:** Authenticity is the congruence between what one feels, says and does. It is reflected in owning up one's mistakes, and in unreserved sharing of feelings. Authenticity is closer to openness. The outcome of authenticity in an organization is reduced distortion in communication. It is the willingness of a person to acknowledge the feelings he/she has, and accept himself/herself as well as other who relate to him/her as persons. Authenticity is reflected in the narrowest gap between the stated values and the actual behavior. This value is important for the development of a culture of mutuality.
- **Proaction:** It means taking the initiative, preplanning and taking preventive action, and calculating the payoffs of an alternative course before taking action. The proact can be contrasted with the term react. In the latter, action is in response to (and in the pattern of) an act from some source, while in the former the action is taken independent of the source.
- **Autonomy:** Autonomy is using and giving freedom to plan and act in one's own sphere. It means respecting and encouraging individual and role autonomy. It develops mutual respect and is likely to result in willingness to take on responsibility, individual initiative and better succession planning. It is nothing but willingness to use power without fear and helping other to do the same. It multiplies power in system and the basis is collaboration.
- **Collaboration:** Collaboration is giving help to, and asking for help from others. It means working together (individuals and groups) to solve problems and team spirit. The outcome of collaboration includes timely help, team work, sharing of experiences, improved communication and improved resource sharing.
- **Experimenting:** Experimenting means using and encouraging innovative approaches to solve problems; using feedback for improving, taking fresh look at things and encouraging creativity.

Dimensions of Organizational Commitment

- **Affective commitment** has been defined as an employee's emotional attachment to identification with and involvement in the organization. Employees with a strong affective commitment will remain in the organization because they want to.
 - **Continuance commitment** on the other hand has to do with one's awareness of the costs associated with leaving the present organization. Employees whose commitment is in the nature of continuance will remain in the organization because they have to.
- Normative commitment** has to do with feeling of obligations to the organization based on one's personal norms and values. Employees whose commitment to the organization is said to be of the normative type remains in the organization simply because they believe they ought to.
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employees (Table 2). All the values were found to be satisfactory (greater than 0.70). Hence, scales have been found to be reliable.

Table 2 Reliability Coefficients of Variables

	Organizational Culture	Organizational Commitment	Turnover Intentions
Number of Items	40	18	6
Cronbach Alpha (μ)	.801	0.787	.839

Note: Values of 0.70 and above testify strong reliability of the scale.

Tools Used for Analysis

To arrive at pertinent analysis, the collected data was put to plan statistical analysis using SPSS package. The tools, which were employed to test the drafted hypothesis for analysis included: correlation, regression analysis and mediation testing. After scoring the questionnaire, the data was tabulated for each variable being studied separately for each BPO unit in three strata of BPO sector.

Results & Discussions

According to Baron and Kenny (1986), to establish mediation, the following conditions must hold:

- 1) The independent variable (organizational culture) must affect the mediator (organizational commitment) in the first equation.
- 2) The independent variable must be shown to affect the dependent variable (turnover intentions) in the second equation.
- 3) The mediator must affect the dependent variable in the third equation.

If these conditions all hold in the predicted direction, then the effect of the independent on the dependent variable must be less in the third equation than in the second. Perfect mediation holds if the dependent variable has no effect when the mediator is controlled. However partial mediation is indicated when the independent variable's effect is reduced in magnitude, but is still significant when the mediator is controlled.

The results of the three-step process are presented in Table 3. The first step in the mediation procedure is to regress the mediator (organizational commitment) on the independent variable (organizational culture). A significant relationship exists between organizational culture and organizational commitment and it is clear that organizational culture explained 36% variance in organizational commitment, thus supporting the first condition in the procedure to test mediation. The second step in testing for mediation is to regress the dependent variable (turnover intentions) on the independent variable (organizational culture). Organizational culture explained 46.3% of the variance in turnover intentions. The third step in testing for mediation is to regress the dependent

variable on both the independent variable (organizational culture) and on the mediator (organizational commitment). In the third equation, the independent variable (organizational culture) and mediator (organizational commitment) explained 53.6% of the variance in turnover intentions.

Table 3 Results of the Mediated Regression Approach for Organizational Commitment (Organizational Culture-Turnover Intentions Relationship)

No.	Dependent Variable	Independent Variable	Beta	t value	Sig t	F value	Sig. F	Adjusted R square
1	Organizational Commitment	Organizational Culture	0.55	15.23	0.0	232.0	0.0	0.36
2	Turnover Intentions	Organizational Culture	-0.68	-21.26	0.0	452.0	0.0	0.463
3	Turnover Intentions	Organizational Culture	-0.50	-13.97	0.0	303.0	0.0	0.536
		Organizational Commitment	0.32	13.97	0.0	20	0	
			0.68	21.26	0.0	02	0	
			0.55	15.23	0.0	49	0	
			0.32	13.97	0.0	20	0	
			0.68	21.26	0.0	02	0	
			0.55	15.23	0.0	49	0	
			0.32	13.97	0.0	20	0	
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			0.55	15.23	0.0	49	0	
			0.32	13.97	0.0	20	0	
			0.68	21.26	0.0	02	0	
			0.55	15.23	0.0	49	0	
			0.32	13.97	0.0	20	0	
			0.68					

between organizational culture and turnover intentions is significant ($p=0.00$). However, when organizational commitment is controlled, the magnitude of the correlation coefficient reduces from -0.681 to -0.522. Hence, these findings are in line with above results of the three-step process with respect to partial mediation role of organizational commitment.

Table 5 Partial Correlation

	Turnover Intentions
Organizational Culture	-0.522
Controlled Variable	Organizational Commitment

Hypothesis Testing

All the three hypotheses have been accepted i.e. Hypothesis 1: organizational culture has significant influence on organizational commitment; Hypothesis 2: organizational culture has significant influence on turnover intentions in BPO sector in India and Hypothesis 3: the relationship between organizational culture and turnover intentions is significantly mediated by organizational commitment.

Limitations of the Study

The study provides the clearest and most comprehensive picture of the relationship among organizational culture, commitment, and turnover intentions particularly in the Indian BPO sector. The study is limited by its sample, design and method. Responses with respect to organizational culture, commitment and turnover intentions have been solicited from the employees of BPOs in and around Chandigarh and there-

fore of limited geographical diversity. The perception of people in Chandigarh may vary from those in rest of India. But this is an advantage also, as no such study has been taken place in this region so far. Although there is no compelling reason why the relationship would not hold across other samples, generalizability of the findings would be stronger with more diverse samples. Another area of concern is the nature of measures used; they were all based on the perceptions of the participating employees (self-reports). Therefore, the potential for data inaccuracies due to item misinterpretation or predisposition to certain responses on the part of the participant as well as social desirability effects do exist.

Conclusions & Implications

In the present research, we have tested, supported, and confirmed hypotheses that organizational culture is significantly related to commitment and turnover intentions. Further, organizational commitment significantly mediates the relationship between organizational culture and turnover intentions. The conclusion is that turnover intention of employees in the BPO sector is influenced by organizational culture and commitment. It means the more the BPO employees perceive organizational culture positively, the less likely they intend to quit.

Turnover intention of employees in the BPO sector is influenced by organizational culture and commitment.

organizational culture has found to be important input to turnover intentions and explains 46.3 per cent of the variance. Therefore, the main aim and focus of the management should be on augmenting the organizational culture and its corresponding dimensions, so as to reduce the turnover intentions. Finally, considering the mediation effects of organizational commitment BPO managers may need to pay special concern to employees' organizational commitment. Employees' perception about their organizational culture may positively influence the turnover intentions, but if they are also committed they will be less likely to leave the organization.

From a human resource managerial perspective, this provided us with some insight into the structure of the different variable sets as they relate to dependence and mediating relationship. When interpreting the independent variable, we see the organizational culture provide substantive contributions and thus they are key predictors of the outcome variable. These should be the focal point in the development of any strategy directed towards reducing the attrition rate. It has been revealed that organizational culture and commitment together explains 53.6 per cent of the variance in turnover intentions. That means there are other variables which are affecting turnover intentions. So, future research must be in the direction of finding those antecedents of turnover intentions of employees. Future research in turnover intentions can take into consideration organizational citizenship behavior, job satisfaction etc. and even their moderating or mediating role can be checked in explaining the relationship

between organizational culture and turnover intentions.

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