

Contemporary Issues & Challenges in HRM: A Study on Indian BPO Industry Using ‘Guest Model’

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Abstract

The study focuses on contemporary issues and challenges in human resource planning and management in Indian BPO industry. Despite of ranking in top earning industries BPO & KPO sector is suffering from huge employee attrition due to dynamic nature of industry. It is to investigate common challenges a HR manager face and suggest a strategy to cope with it. Total 88 HR managers of BPO companies have been targeted for the study and collect their opinion on issues and challenges of HRM through interview, observation and questionnaire. The study includes both descriptive and empirical method to explore the research problem. ‘Guest Model’ has been used to analyze the problem and strategies of HR managers to achieve expected results. All six components of ‘Guest Model’ have been critically studied and applied on companies to identify where the gap exists and problem arises.

Key Words: HRM, Employee Attrition, HR Planning, Contemporary Issues in HRM, Guest Model, India BPO Industry

1 Introduction

1.1 Human Resource Management in Today’s Business World

Human resource management is a commonly accepted phenomenon in today’s business environment started along with the industrial development across the world. With the industrial revolution India acknowledged the supreme need of managing human capital after 1957 (industrial revolution in India). The size of the companies and industries also fueled the growth of HR functions. HR control become crucial over the decades and find need to manage it efficiently (Price, 2007). Almost every organizations have started considering HR functions as prominent role in enabling the organization to perform at its maximum capacity (McNamara,

1998). The contemporary development of HR roles has signified the emergence of human capital management to ensure business prosperity in today's world (Marchington & Wilkinson, 2002). Researchers believe that, HR functions do not involve only organization and its functions but it also concentrates on people involvement in the organization. It includes opinions and perception of employees about the organization they work for. A successive HR planning offers employee satisfaction to collectively achieve business goals in long run (Uyargil et al. 2010). HR managers work upon comprehensive approach of HR practices in the organization which state that employer should minimize the gap of 'innate and acquired' skills among the employees and move beyond exclusivity and inclusivity to focus on overall value creation for the organization (Collings, 2013).

1.2 HR Challenges to Indian BPO Industry

Indian BPO industry is suffering from higher attrition problem and it became a prime cause of perennial concern. Large fleet of human resource not meeting the expectations of the industry due to lack of quality and performance. ASSOCHAM presented the report stating that, the attrition rate of Indian BPO industry has reached up to 55% in some of the years in the past. The article called this problem 'a talent crisis' (Kuchero & Elena, 2012). The dynamic nature of this industry evolving as challenging front to HR managers. Budhwar et al. 2006 investigated the dynamics of HRM systems in Indian BPO firms and found that HRM practices implemented in this industry is trying to cope with the newly entered HR challenges. Following HR challenges have been observed in Indian BPO industry-

- **Retention Problem:** employee retention is the biggest problem in BPO industry, as the employees are much younger than other industries they are more tent to job switching frequently, even employer branding cannot stop them to leave job (Davies, 2008).
- **Employee Management:** managing people at eleventh hour for cliental service is again a biggest challenge before HR managers. Studies have proven the consequences of lack of employee management to the organization in long run. The internal customers (employees) are not happy in any situation they can't deliver the expected quality of services (Foster et al. 2010).

- Conflict Control: BPO industry is also known for cultural diversity at workplace. Cross culture affects efficiency of the employees thus resulting into low productivity and inconsistent quality. This problem is increasing rapidly day by day and observed as one of the prominent cause of attrition in BPO industry (Hiltop, 1996).

1.3 Science of HR Management & Planning

HR planning is an essential part of HR management, it concentrates on selecting and putting a right person at right place. It is a process of estimating HR requirement of an organization and plan it strategically to fulfill these requirements (Bulla & Scott, 1994). It also attempts to formulate strategies to acquire adequate human resource to the organization. Byars & Rue (1991) explained the HR planning as system of matching the human resource demand and supply in the organization. Human resource planning is dynamic role of HR practices which is being used in today's competitive environment. It enhances the process of decision making regarding human resources and provide strong value based framework for managing employees (Schein, 1976).

Human resource management become a vital function of HRP & HRD. In service industry like BPO HR role of managing employees is very crucial in order to cope with day to day industry's challenges. It is a tool to gain a competitive edge over competition in today's highly competitive environment (Bayrs et al. 2004). It is a technique of using human capital in much more productive manner. In BPO industry human resource is prime factor of production comparing to manufacturing industry. The scientific approach of human resource management says HRM is a mechanism of acquiring, developing and retaining human capital at its fullest to deliver results (Harvey & Bowin, 1996). The need of HRM always rings in every industry but service industry is in more thrust of efficient human resource as the product's quality is measured by the person who delivers the services. BPO industry is subjected to service delivery which affects from human resource (Russell, 2004). In BPO industry output is depends on high performance of work system and well skilled human resource (Kinnie et al. 2000).

1.4 About Guest Model

Guest model is a popular HRM model introduced by Professor David E Guest in the year 1997. The author struggled to understand the mechanism of HRM during 1989 to 1997 and proposed a well-known HRM model to the business world. Guest model is upgraded model over other HRM models proposed before it in a manner that it focuses on collective needs of employees than concentrating on workforce collectively. The model explains the association of HR commitment with organizational performance. The association was further studied by Professor Guest in his article named 'Human Resource Management and Performance: A Review and Research Agenda' (Guest, 2011).

The model differentiated the term HR management and Personnel management. Most of the HR managers get confused between the two and divert from HR management to personnel management. HR practices centered to person or group of people is a threat to the organization in long run (Thite, 2008). HRM is a broader term whereas personnel management is department centric which has limited command. The model propounded that, HRM goes beyond usual HR activities like recruitment, training etc. it is a strategic move of HR manager towards HR excellence (Taylor & Bain, 2006).

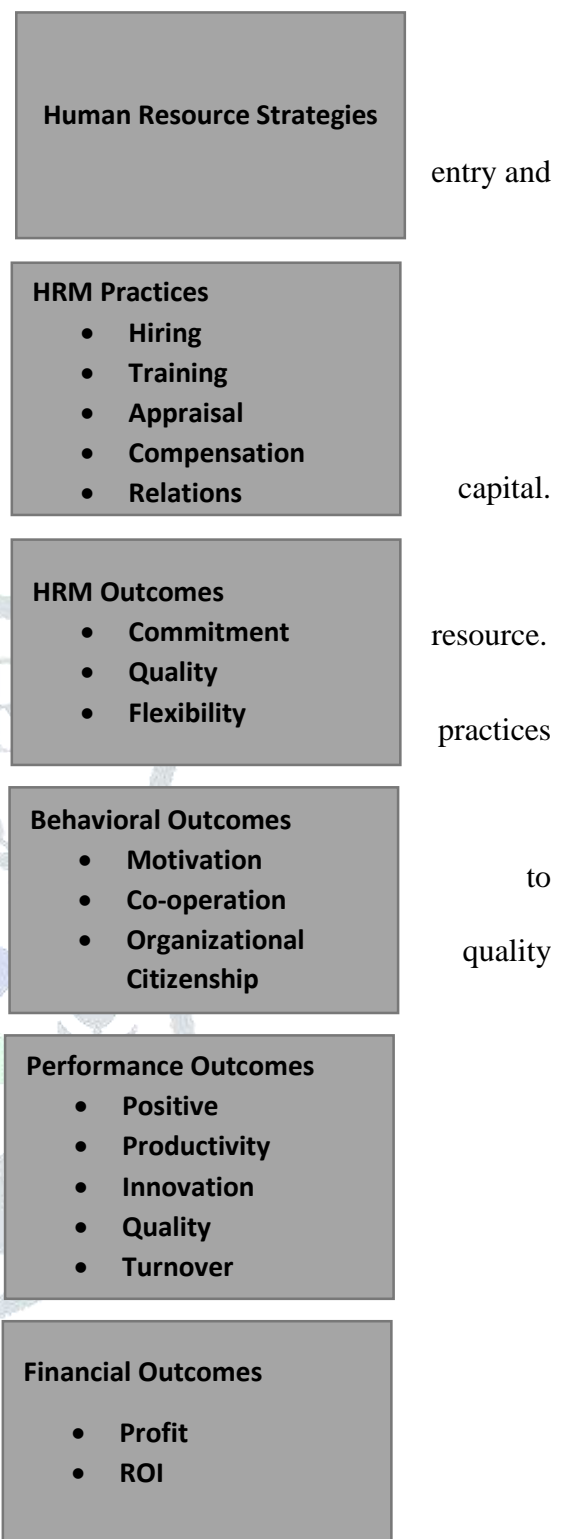
HRM Strategies: Strategies are the integral part of today’s commercial and noncommercial organizations. Highly competitive market demand for innovative strategies to ensure sustenance in the market. But, internal sustenance is also very important which companies ensure through best HRM strategies.

HRM Practices: Systematic adherence of HRM practices in the organization is essential to desire fruitful results from human Documented procedure, timely monitoring and scheduled corrective measures ensures high productivity of human

HRM Outcomes: Strict implementation and maintaining HRM develop intrinsic values of the employee which resulted into ‘commitment’. Employees become more flexible and adaptable organization’s best practices. In totality, such practices increase of HR in the organization.

Behavioral Outcomes: sound HR practices leads to behavioral outcomes in the form of self-motivation, cooperation, and organizational citizenship. Behavior play important role in achieving interpersonal solidarity in the organization and keep employees happy and satisfied.

Performance Outcomes: the sum of HRM practices, HRM outcomes & behavioral outcomes decide the organizational performance outcomes in the form of productivity, quality, turnover and innovation. Therefore it is mandate to have efficient HR practices to expect employees’ performance outcomes.



Financial Outcome: The overall objective of the organization is to make profit out of business activities hence, HRM practices is one of the potential ways to get this objective achieved. The ultimate outcome of HRM practices is making profit to the organization.

The HRM model advocate the role and significance of HR practices to avoid so many problems in the organization and keep the organization at right track of growth and expansion. Without HR practices or policies organization cannot run or live for a long. Guest model brought revolution in the organizations' HR approach and change the picture of HR management (Bratton & Gold, 2012).

1.5 Emergence of HRM in BPO Industry

The BPO industry is known for its dynamism, daily innovation in ITES making it challenging to the IT professionals. Today, business of information services is very popular across the countries. India is a well-known destination for ITES and BPO business, the country is growing rapidly on its high tech platform and skilled labor force. Great demand for technical labor force in BPO companies has led to the emergence of high attrition rate (Batt & Moynihan, 2006). Frequent switching from jobs becomes a trend among BPO employees. Researchers have found that there is no specific reason of high attrition but with some precautions it can be controlled up to some extent. New form of human resource management has been adopted by BPO companies and handling the issues of job switching. Human resource is difficult to imitate through technology therefore organizations are concerning for competent and efficient employees. HR practices are now only concentrates on attracting and retaining skilled employees to ensure survival and growth in long run (Deery et al. 2002).

Innovative HR practices including methods of retaining employees through designing good career path and growth in the organization. This is the contemporary issue in BPO industries in India. Frequent job switching in search of better career path and growth is bringing new challenges to the HR managers (Thite & Russell, 2007). The new challenges in 21st century to BPO industry are classified into 'internal and external' category. The internal challenges comprise managing highly qualified employees at workplace, putting manager at

various level of management, performance appraisal, promotion and workplace conflicts. Whereas, the external challenges includes keep growing numbers of other related firms in the market, working fleet breaking system in which competitive firms try to discontinue the employees' employment from current organization, thus resulting into higher attrition rate.

2 Purpose of the Study

The current research focuses on HRM practices and mechanism being used in Indian BPO industry in order to optimize the HR performance and minimize HR problems. BPO industry is vulnerable to higher attrition rate and job switching as it has younger working population compare to any other industry. With the help of Guest Model of HR Strategy, the study made an attempt to investigate the nature of HR problems exists in BPO companies situated in Indore city. Targeting 10 BPO companies in Indore city the study tried to figure out the contemporary issues and challenges before HR managers of the companies.

3 Study Method

Total 10 BPO firms in Indore city were targeted with a questionnaire based on variables discussed in 'Guest Model'. The firms named- Firstsource, Red Pearl Services, One point One Solution, Red Maison, Vinzap Infotech, Reliance BPO, Ampples Technocom, Stark Vision, NSB BPO Solution and Intigrity Group pvt. Ltd. Total 89 respondents were contacted including HR managers, HR executives, HR trainees and other HR personals. The questionnaire included six parameters of Guest Model and HR personals were asked to respond on the same. By this means the study desired to know the most common issues come across the BPO industry. The study used both 'qualitative and quantitative' method for analyzing the facts.

4 Theory and Hypotheses Development

Standard approach of Guest theory explaining about possible issues of HRM to an organization has been used to record responses. The development of hypothesis is based on six principles of Guest Model. The foundation of research hypothesis is basically belonging to the assumption of Guest theory stating that every HR manager prepare strategies to optimize the HR efficiency and productivity. With this thought, the null hypothesis has been framed stating that, BPO industry is free from most usual HR problems and away from contemporary

issues of HRM. The hypothesis gives direction to the research for further explaining the cause and relation between specific HR issue and their cause of arising.

5 Analysis

The analysis of research hypothesis is done on the assumption that 'HRM Strategies do not have significant relationship with other five dimensions of Guest Model viz. HRM Practices, HRM Outcomes, Behavioral Outcomes, Performance Outcomes and Financial Outcomes. With this thought the research tried to investigate the closeness of variables with HR strategies to achieved organizational goals. It also helps to determine the most potential issues (variables) that cannot be handled efficiently through HR strategies. With the help of multiple correlation-regression it attempts to identify that, which variable is not significantly establishes the relation. If any variable shows negative or weak relation, it can be considered as the potential factor (issue) that lies in BPO industry which is/are unsolved and un-controlled through existing HR policies or as a contemporary issue/challenge for HR manager.

Table 5.1

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	10.488	5	2.098	13.902	.000 ^a
Residual	12.523	83	.151		
Total	23.011	88			

a. Predictors: (Constant), Financial_Outcomes, HRM_Outcomes, Behavioral_Outcomes, HRM_Practices, Performance_Outcomes

b. Dependent Variable: HR_Strategies

The assumption of the study stands rejected as the sig. value is found $0.00 < 0.05$. The result reveals that, BPO industry is not free from usual HR problems. Also, HRM strategies fails to handle all aspects of HR issues

and problems. The regression model proves that, BPO companies in Indore city of MP state-India are suffering from various types of HR issues. The existing HR strategies couldn't meet the expectations of the management thus, the firms have numerous contemporary issues and challenges.

Table 5.2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675 ^a	.456	.423	.38844

a. Predictors: (Constant), Financial_Outcomes, HRM_Outcomes, Behavioral_Outcomes, HRM_Practices, Performance_Outcomes

The above table 5.2 represents the model summary of multiple correlation-regression analysis. The result reveals that the studied variables have positive association with HR strategies as the $R = 0.675$. The value represents considerable relationship among the factors.

Table 5.3

Descriptive Statistics			
	Mean	Std. Deviation	N
HR Strategies	3.9820	.51136	89
HRM Practices	3.9551	.45900	89
HRM Outcomes	3.4643	.65270	89
Behavioral Outcomes	3.3960	.62768	89
Performance Outcomes	3.9685	.62078	89
Financial Outcomes	4.0506	.75017	89

As the research hypothesis was found rejected and opined that BPO companies are not free from usual HR issues. The industry have some contemporary issues in today's working environment. The above table 5.3 represents the descriptive statistics of variables included in the study with their mean and standard deviations. It is also proven that (refer table 5.2) variables have positive and strong association with HRM strategies. Hence, the study found that despite of association of various strategies to HRM strategy few dimensions of Guest Model are found to be less associated with HRM strategy. The two dimensions viz. HRM Outcomes & Behavioral Outcomes are away from HRM control. It means the HRM strategies of BPO companies are failed to handle behavioral issues of employees and ensure desired HRM outcomes. The mean value of both the dimensions (HRM outcomes= 3.4643, Behavioral outcomes= 3.3960) are found less compare to other dimensions used in the study.

Table 5.4

Variables	HRM Strategies = 1.000				R Value	
HRM Practices	0.519				0.519	
HRM Outcomes	-	0.230			0.230	
Behavioral Outcomes	-	-	0.210		0.210	
Performance Outcomes	-	-	-	0.631	0.631	
Financial Outcomes	-	-	-	-	0.559	0.559

The above table 5.4 displaying the correlation value of each dimension with HRM strategy. The statistics represent the clear picture of variables' association with primary strategy of HRM. With reference to the above quantitative analysis the research identified that two important dimensions have very less (weak) association

with HRM strategies which are HRM outcomes and Behavioral outcomes. Because they are less associated with HRM strategy, the study considered them as potential issues which HRM strategy fails to handle. Thus, these dimensions are found to be the contemporary issues of HRM in current business scenario. The correlation value is found of HRM outcomes= 0.230 & Behavioral outcomes= 0.210 which shows very less association or almost no association. Other dimensions have strong relationship with HRM strategy and can be considered as the most controlled dimensions of HRM strategy. In other words, dimensions which shows strong association are well controlled and handled by HRM strategy.

6 Findings

The current research determined two most significant issues/challenges in BPO companies in India, first overall HRM outcomes and second Behavioral outcomes. With the help of 'Guest Model's Dimensions, the study could figure out the area where HRM strategy fails to control the events. HRM outcomes of Guest Model includes overall performance of human resource at work place. The overall performance of team members is essential for goal achievement and innovation (Edmondson & Harvey, 2017). The performance of the employee's influence from HRM strategies of the organization. In any case, if HRM strategy do not allow an employee to manage work-life balance it directly affects its productivity. Work-life balance has direct relation with employee's performance and it directly connected with organizational performance (Beauregard & Henry, 2009). Apart from work life balance, other factors like recognition, job security, growth etc. are some very crucial part of HRM strategy which directly influence the employees' performance and working years in the organization. Thus, BPO companies are facing HR problems in their operation and fails to control the overall performance of the employees.

Another challenge to BPO companies is found as 'behavioral outcomes'. It includes 'Motivation, Cooperation and Organizational Citizenship'. The current HRM strategy of BPO companies is failed to bridge the gap between company's mode of work and employee's expectations. This event leads to demotivation and reduced cooperation of employees with HR practices. HRM strategies are required to increase organizational citizenship among the employees for optimum output and minimize team conflict. Also, strategies must ensure high performance work practice for employees while managing their behavioral expectations. It is also

observed that, the current HRM strategies are more output centric than employees' psychological need. BPO is a service company in which employees' performance is crucial to ensure quality of services, therefore, HR practices must look after the behavioral requirements of the employees at work place (Russell et al., 2018).

7 Conclusion

BPO companies in Indore city of Madhya Pradesh-India are majorly facing 'intrinsic human behavioral problems' which includes employee's belongingness with organization and work, commitment to give his/her 100%, ready to be flexible as per the requirement of the work, confined to deliver quality in work, self as well as group motivation for their doings, cooperation with colleagues and organization's policies and feel organizational citizenship. These soft issues are the new contemporary challenges of today's dynamic BPO world. HR managers and researchers believe that such intrinsic behavioral issues are hard to handle as it differ person to person. Extrinsic challenges can be easily resolved through scientific methods, training and development but psychologists believe that the soft issues of employees are found unresolved in most of the cases which results into higher attrition rate and volatile product/service quality. Hence, the study suggests BPO HR personals to handle behavioral issues of employees very carefully and in the supervision & consultancy of psychologists.

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