



AN EMPIRICAL STUDY ON ATTRITION ANALYSIS & EFFECTIVE ATTRITION FORECASTING

Dr. Kiran Kumar Thoti

Assistant Professor (SL), Sree Vidyanikethan Institute of Management, Tirupati.

Abstract

Attrition is the reduction in the number of employees through resignation, retirement and death. The research was analyzed the reasons for attrition and attrition trend at KPIT Cummins Info systems Ltd. The research was calculated the attrition rate for the year 2015-2016. A brief study was done on the attrition forecasting process at KPIT Cummins Info systems Ltd. KPIT Cummins is focused on co-innovating domain intensive technology solutions for manufacturing corporations (in Automotive, Industrials, Hi-Tech verticals) and Diversified Financial Services to help its customers become more efficient, integrated and innovative enterprises.

Keywords: Human Resource Management, Attrition, Exit Management.

Introduction

Attrition is the reduction in the number of employees through resignation, retirement and death.

- **Fresher Attrition:** the number of fresher's who leave within one year. It tells you how many are using the company as a springboard.
- **Infant Mortality:** percentage of people who left within one year. This indicates the ease with which people adapt to the company.

Critical resource attrition: Key men exit.

Low performance attrition: Those who left due to poor performance.

Attrition Rate: It is the percentage of people leaving the organization, people left i.e. relative to total number of people who have worked for the organization under consideration. A reduction in the number of employees through retirement resignation or death; High percentage of labour turnover is not desirable for the organization.

Why Do People Leave Jobs?

There are various factors that affect an individual's decision to leave a job. While an employee's leaving the job is considered attrition by one organization, it is looked at as talent acquisition by the new organization and to the individual it means a career move, economic growth and Enhanced quality of life convenience or closeness to family etc. Hence, what is a problem for one may be an opportunity for another?

Factors Affecting Attrition and Retention

There are various reasons why people leave their current job; these reasons may vary from individual to individual and when data are collected from a large number of individuals leaving or who have left an organization, some consistencies may be observed-providing more insights as to why people leave in large numbers; If these are controllable-one attempts to control. If these are not within the control of the organization, the organization should prepare itself for managing attrition.

Managing attrition does not mean reducing attrition only. It could also mean bringing down the negative effects of attrition and increasing the positive effects of attrition. To increase the positive effects of attrition and reduce the negative effects, appropriate retention and capacity utilization or talent utilization tactics should be used. In one of the organizations, attrition has been used as brand building opportunity. Thus an organization may say that we provide talent for other companies or they may say that if you join us your brand value goes up and you get good jobs etc.

Today when a person leaves it causes a lot of disturbances in the organization. If it is a small organization the disturbance is even greater. Hence it is important to understand and manage attrition. There can be various reasons for people leaving their current jobs.

Some of these include:



First Find the Source of Attrition - Where and Why?

Any method of controlling attrition or increasing retention should be based on a good understanding of the factors leading to attrition. The factors may be some times very simple and could be revealed by an examination of the statistical data.

Role of Human Resource Department

Attrition rate is good for the organization as long as the rate is at normal level. This will help the organization to get new blood into the organization and for the organization to develop. But it becomes a problem when attrition rate is abnormal. Therefore, Human Resource Department has the most crucial role to play in any organization at the time of conducting interviews; the HR personnel should try to bring right candidate to the right job. Similar is true when the attrition rate is abnormal, so they have a crucial role to play

Formulas for Calculating Attrition Rate in an Organization

- Attrition rate calculation per month = Formula: Attrition for the month/Total Headcount * 100
- Attrition: Number of employees who left in the year / average employees in the year x 100.
- Formula for calculating attrition rate annually = ((no of attritions *100)/ (actual employees + new joined)/100

Techniques to Reduce Attrition

- **Hiring:** Hiring individuals who are truly fit to succeed in the position for hire will dramatically increase the chances of that employee being satisfied with his or her work, and remaining with the company for an extended period of time.
- **Communication:** Employees should not only be selected on the basis of communication skills and educational qualifications. Communication of employee's roles, job description and the responsibilities within the organization, new policies will help to retain employees.
- **Participative Decision Making:** It is incredibly important to include employees in the decision making process, especially when decisions are related to employees. This can help to generate new ideas
- **Sharing of Knowledge with Others:** Allow the members to share their knowledge with others; this helps in retention of information; this also lets a team member know that he is a valuable member of the organization
- **Shorten the Feedback Loop:** This helps the employees to know the feedback to their work within a short period. This also helps to keep performance levels high and reinforce positive behavior among employees.
- **Pay Package:** Any employee wants to be appropriately paid and fairly for the work he or she does. For this, conduct a research to find out the pay package in other similar type of organizations at regional as well as at national levels.
- **Balance Work and Personal Life:** No doubt family is exceptionally important to employees. When work begins to put pressure on one family, no pay package will keep an employee in the organization. Therefore, there should be a balance between work and personal life.
- **Organizational Culture:** Try to select the candidates who believe in the organization culture and adopt with ease to organization culture.
- **Exit Interview:** Exit Interview with the employees who are leaving the organization will help the organization to find out the reasons why the employees are leaving the organization. This will also help to find out any drawbacks in the organization. Another method to reduce attrition rate is that they should find out why employees are leaving the organization from the employees who are working for the past so many years.



- **Motivational Training:** It is sure that motivational training helps to retain the employees. One of the crucial aspects to motivate employees is to ensure that they have ample growth opportunities which can be provided through training.
- **Multi Tasking:** One of the ways to retain the employees in the organization is try to get people with different qualities like smart, adaptable, and capable of multi-tasking.
- **Referrals:** Another technique is to try to get the employees hired through referrals. This makes them stick with the organization.
- **No Favouritism:** One of the surest ways to create animosity and resentment in an organization is to allow favoritism and preferential treatment towards an employee. Be sure to treat all employees equally and avoid favoritism at all costs.

Lagging & Leading Indicators

- Lagging Indicator → represents information that is the result of change or an event. Lagging measures are those that are measured at the end of an event.

Lagging Indicators are Results Indicators

- Leading Indicators → it precedes, anticipates, predicts or affects the future. Leading measures are those measures that help us to achieve the objectives and are measured upstream of the event.

Leading Indicators are Performance Indicators

- Leading indicators are considered the “Drivers” of lagging indicators.

There is a relation between attrition analysis and attrition forecasting, where attrition analysis stands as a lagging indicator. Where the organization gets results of what has actually happened and which are historic in nature. Whereas attrition forecasting stands as a leading indicator which gives insight into what might happen in future while organization can still influence them. Both are interconnected.

Attrition Forecasting

It is a forecast on the probability of the employee’s decision to resign from the services of the company based on various inputs and the events of his dissatisfaction.

Attrition Forecasting Effectiveness

It is the measurement of attrition forecasting effectiveness based on the number forecasted, actual resignations and retentions

Attrition Forecasting Process at KPIT Cummins Info Systems Ltd

Purpose: To have the pulse of employees stability and retain employees by taking proactive measures to address issues and concerns.

Scope: All employees of KPIT Cummins Info systems ltd across organization structure.

Biz HR representative:

- Meetings with new joiners.
- Meetings with existing employees
- Asses the mind set/comfort of the employee
- Work with immediate supervisor to forecast attrition
- Validation of forecasted attrition with unit manager
- Work with unit manager/immediate supervisor to prepare action plan for individuals and track.
- Maintain the data and update the same periodically
- To update the HR shared portal by 3rd of every month
- Prepare action plan for employees
- Tracking of issues

HRMS

- Analysis attrition forecast by 10th of every month.

Immediate Supervisor

- Work with Biz HR representative to forecast attrition.
- Keep meeting team members from time to time to check up on their mindset/comfort
- Validate the attrition forecast
- Prepare action plan to individuals and work with Biz HR representatives/unit managers to implement.



Unit Managers (Project Manager/Delivery Manager/Unit Head)

- Interaction with team members, individuals/groups
- Validate attrition forecast
- Implement and monitor action plan

Relevant Stakeholders

- Biz HR representative
- Unit managers (Project manager/Delivery Manager/Unit Head)
- HRMS
- HR Head.

Attrition Forecasting Process Description

Plan Meeting: The Biz HR team prepares this plan based on inputs from the immediate supervisor or DM. This does not have a specific time frame though ideally it should be every fortnight so that no one gets missed out. The decision regarding the following could be taken based on employee issue

- Types of meeting
- Frequency of meetings

It is to be noted that the frequency and type of meetings will be different for onsite locations as the teams there are much smaller and employees are spread across multiple locations.

Prepare conduct for communication: This is done by the Biz HR/Manager based on prevailing organizational climate and current events. These are usually at a micro level to be tailored to suit the nature and purpose of the meeting.

Co-ordinate & Conduct as per schedule

- Based on frequency planned and issues and critically employee meetings are planned and executed by Biz HR.
- All Biz HR/Managers as the case may be are responsible for conducting meeting as per schedule

Prepare Post Meeting Notes

This is done by the Biz HR representative if the manager conducts the meeting he will give inputs to the Biz HR for the documentation of the meeting notes and discussion. This should be done within 5 working days after the meeting.

Update Attrition forecasting template. If any employee (before or after the meeting) is identified as a probable attrition case needs to be recorded in the attrition forecasting template on HR share portal. This should be done immediately, though the cut-off date is 7th of every month.

Prepare Unit Level/ D U Level Meeting Update

The Biz HR representative prepares a meeting update mentioning the number of employees met, issues if the employees and action points. The period and format of this report depends on the requirements of the unit/Du and the frequency on their requirement. It contains the following data,

- Schedule date and time of meeting
- Type of meeting
- Number of participants(Expected & actual)
- Name of facilitator
- Focus of the meeting

Prepare Monthly Attrition Forecasting Report: Corporate HR will generate the report based on the updates received from all the business representatives in the attrition forecasting template on HR shared portal.

Presentation in the BRM: The attrition forecasting effectiveness report is added to the BRM presentation where it is presented by the HR.

Prepare action plan for employees: Biz HR along with the respective manager formulates an action plan for retaining the employees and a time frame is decided for implementation, review and feedback.

Tracking of Issues

- Biz HR representative tracks the closure of issues of the identified employees.
- Biz HR representative also collects the feedback from the employees.

Outputs

- Post meetings notes
- Update attrition forecasting template on HR shared portal.
- Employees feedback – concerns/issues/suggestion wide continuous improvement initiatives
- Attrition forecasting effectiveness

Objective of the Study

- To identify and understand the main reasons for attrition in KPIT Cummins Info systems Ltd.
- To come up with suggestive measures to overcome the employee attrition.
- To understand what is attrition forecasting and come up with effective tools to forecast the probable attrition cases.

Scope of the Study

The present study is an attempt to evaluate and understand Attrition Analysis and Effective Attrition Forecasting at KPIT Cummins Info systems Ltd.

Presentation, Analysis and Interpretation of Data

Attrition Analysis

The employees at KPIT Cummins Automotive SBU are divided into different grades. On the basis of their designation; Following are the grades and the designations attached to those grades,

Employee Grades	Employee Designations
Grade A	Trainee(Software Engineers)
Grade B	Software Engineers
Grade C	Senior Software Engineers
Grade D	Team Leaders
Grade E	Associate Project Leader
Grade F	Senior Technical Leader
Grade G	Project Manager
Grade H	Program Manager

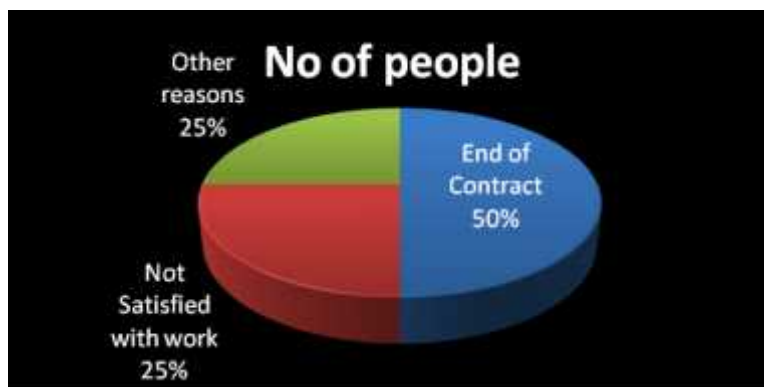
Total Number of employees in the Automotive SBU – 1450 employees

Analysis of each grade: Grade A

- Employee’s classification - Trainees (Software Engineers)
- Experience – 0 to 1 yr
- No of employees resigned – 4

Analysis of Primary Remarks

- End of contract
- Not satisfied with work
- Other reasons



Month Wise Resignations (2015/2016)

Month 2015/16	No of people
Sep-09	1
Jan-10	1
Apr-10	1
May-10	1

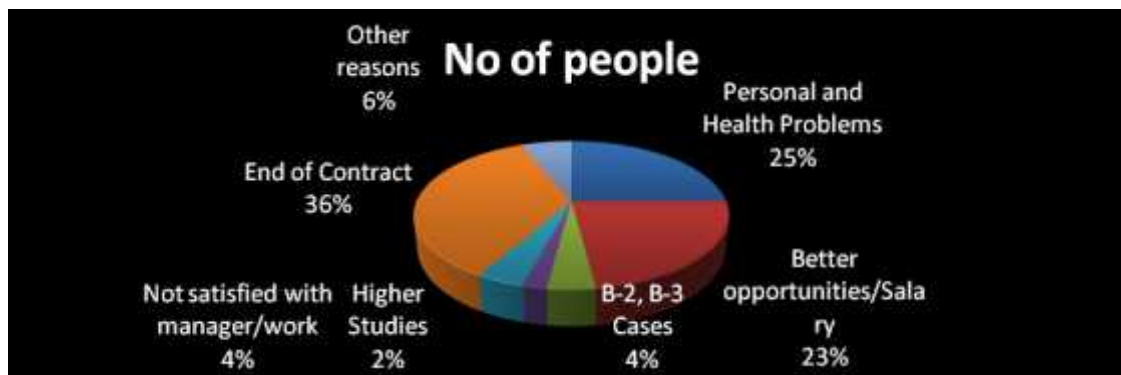
Interpretation: By the above analysis I can conclude that due to the completion of contract in Grade A the no of people left the organization is 2 and the attrition rate is low.

Grade B

- **Employee’s classification** - Software Engineers
- **Experience** – 1 to 3 yr
- **No of employees resigned** – 48

Analysis of Primary Remarks

- Personal/health problems
- Better opportunities/ Better salaries
- B-2,B-3 Cases
- Higher Studies
- Not satisfied with manager/work
- End of contract



Month Wise Resignations

Month 2015	No of people	Month 2016	No of People
January	-	January	7
February	-	February	8
March	-	March	4
April	-	April	6
May	-	May	2
June	2	June	-
July	5	July	-
August	5	August	-
September	4	September	-
October	3	October	-
November	1	November	-
December	1	December	-

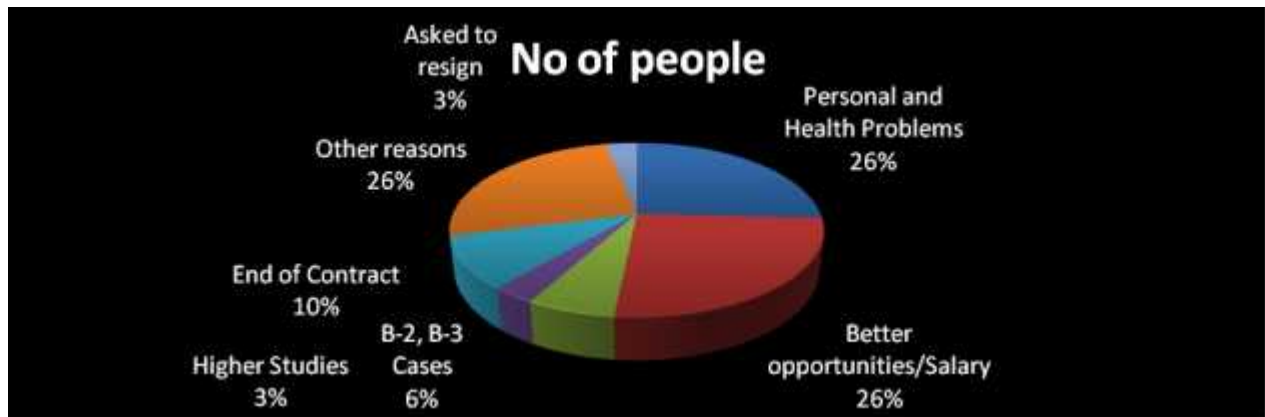
Interpretation: By the above analysis I can conclude that in Grade B 17 employees have left the organization because of the end of contract, 12 employees have left stating the reason as personals/health problems and 11 have left the organization stating the reason as better opportunities/ salaries. Top 3 reasons are highlighted in these interpretations.

Grade C

- Employee’s classification -Senior Software Engineers
- Experience – 3 to 7 yrs
- No of employees resigned – 31

Analysis of Resign Remarks

- Personal/health reasons
- Better opportunities/Salary
- B-2,B-3 cases
- Higher studies
- Not satisfied with manager/work
- End of contract
- Asked to resign



Month wise Resignations

Month 2015	No of People Left	Month 2016	No of People Left
January		January	3
February		February	1
March		March	0
April	3	April	8
May	0	May	4
June	1	June	
July	2	July	
August	1	August	
September	1	September	
October	4	October	
November	1	November	
December	2	December	

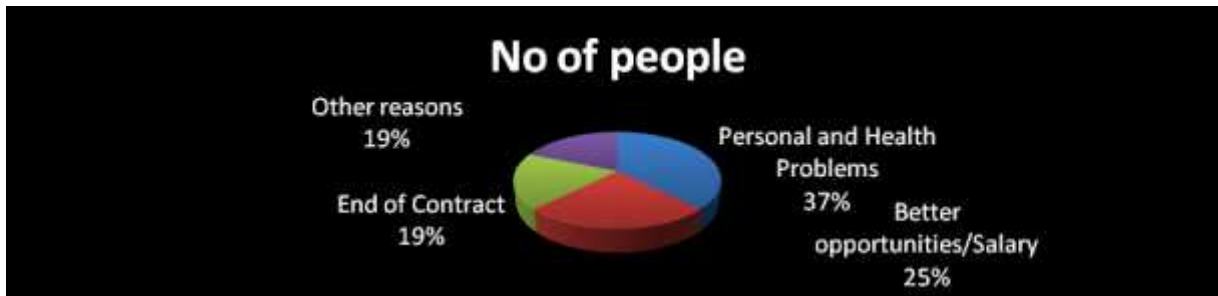
Interpretation: By the above analysis I can conclude that in Grade B 8 employees have left the organization stating the reason as personals/health problems and 8 have left the organization stating the reason as better opportunities/ salaries. Top 2 reasons are highlighted in these interpretations.

Grade D

- Employee's classification – Technical/Team Leader
- Experience –
- No of employees resigned – 16

Analysis of Resign Remarks

- Personal/health reasons
- Better opportunities/Salary
- Other reasons
- End of contract



Month wise Resignations

Month 2015	No of people	Month 2016	No of people
January	-	January	1
February	-	February	2
March	-	March	0
April	-	April	2
May	-	May	1
June	1	June	-
July	1	July	-
August	2	August	-
September	0	September	-
October	1	October	-
November	0	November	-
December	3	December	-

Interpretation: By the above analysis I can conclude that in Grade B 6 employees have left the organization stating the reason as personals/health problems and 4 have left the organization stating the reason as better opportunities/ salaries. Top 2 reasons are highlighted in these interpretations.

Calculated Attrition Rate Month Wise: Formula Used for Calculation

- $\text{Attrition} = \frac{\text{Total no of resigns}}{\text{total headcount}} * 100$

Grade A

Month	Attrition Rate
Sep-15	0.16%
Apr-16	0.16%
Jan-16	0.16%
May-16	0.16%

Grade B

Month 2015	Attrition Rate	Month 2016	Attrition rate
January	-	January	1.13%
February	-	February	1.30%
March	-	March	0.64%
April	-	April	0.97%
May	-	May	0.31%
June	0.38%	June	-
July	0.97%	July	-
August	0.86%	August	-
September	0.68%	September	-
October	0.50%	October	-
November	0.16%	November	-
December	0.16%	December	-

Grade C

Month 2015	Attrition Rate	Month 2016	Attrition Rate
January	-	January	0.48%
February	-	February	0.16%
March	-	March	0.00%
April	0.58%	April	1.30%
May	0.00%	May	0.62%
June	0.19%	June	-
July	0.38%	July	-
August	0.17%	August	-
September	0.17%	September	-
October	0.67%	October	-
November	0.16%	November	-
December	0.33%	December	-

Grade D

Month 2015	Attrition Rate	Month 2016	Attrition Rate
January	-	January	0.16%
February	-	February	0.32%
March	-	March	0.33%
April	-	April	0.15%
May	-	May	-
June	0.19%	June	-
July	0.19%	July	-
August	0.34%	August	-
September	0.00%	September	-
October	0.17%	October	-
November	0.50%	November	-
December	-	December	-

Findings

- It is seen that in grade A employees have left due to end of contract.
- It is seen in grade b, c, d that most of the employees have left due to personal/ health problems and better opportunities and salaries.



- It is seen that in grade A, the attrition rate is 0.16 % in all cases in grade a.
- It is seen that in grade B, the highest attrition is in the month of February 2016. And the attrition rate for that month is 1.30%.
- It is seen that in grade C, the highest attrition is in the month of April 2016. And the attrition rate for that month is 1.30%.
- It is seen that in grade D, the highest attrition is in the month of November 2015. And the attrition rate for that month is 0.50%
- After the analysis it is found that there is no particular trend, where in employees have left the organization in a particular month in all the grades.

Suggestions

For the above findings, the following suggestions can be drawn and can be applied.

- Focus more on counseling program, the organization should find out what are the priorities of the employees and whether they are willing to continue in the organization with a higher designation (based on their performance).
- Majority of the employees have left the organization stating the reasons as better roles and opportunities during the induction program, the organization should ask the employees what roles and responsibilities they expect and how well they can cope up with the given roles and responsibilities.
- The employees should be shown a career path where in the employees should be asked what extra they would like to do? Provide time and resources where the employees can work according to their interest and prove mastery in their particular field.
- The organization can come up with a buddy program, where the project lead, team lead should assign a buddy to the employees, the buddy can have informal chats with employees and find out more about personal problems about the employees. This can be done even through the help of company intra.

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Annexure: A

Questions for identifying probable attrition cases

1. What phase of the project are you in?
2. Do you think you have required skill set for the project you are working on?
3. Do you think you get opportunities to show your skills in the organization?
4. Do you think the company policies are flexible?
5. Do you think your work life balance is stable?
6. How comfortable are you with the project you are working on?
7. Are you comfortable with your project manager?
8. How flexible is your project manager? (Does he approve the leave request or any other request easily?)
9. Does the manager discuss about your career path and about your future goals in the organization?
10. Are you satisfied in the project you're working on?
11. What other benefits you expect from the company?
12. Are you happy with the roles and responsibilities offered in the current project that you are working on?
13. What is your opinion about the work timings?
14. Does your manager encourage team work?
15. Does your manager treat all the employees fairly?
16. Do you think your salary is competitive with the similar jobs you find elsewhere?
17. Do you receive useful and constructive feedback from your project manager?



Attrition Forecasting Process checklist

	Attrition Forecast Process Checklist	
		Effective From:

Sr. No.	Checklist Item	Yes / No / NA	Remarks
1.	Plan for meeting prepare by Biz HR based on inputs from immediate supervisor or DM		
2.	Biz HR or Manager prepared Content for communication for planned meetings.		
3.	Meetings are conducted as per schedule		
4.	Post meeting notes are prepared for meetings conducted		
5.	Identified probable Attrition case is updated on HR share portal.		
6.	Monthly attrition forecasting report is prepared		
7.	Action Plan for employees prepared		
8.	Tracking of Issues Done		
9.	All output documents mentioned in process are up to date.		
10.	All measurement metric defined in process are monitored		
Prepared by: (Name and Signature)		Date	