# There is no Truth; there is only Perception: A Case of Rising Employee Attrition

**Khushboo Gupta**
*Finitiatives learning India pvt ltd, India*
*Email: khushboogpt95@gmail.com*

**Arunabala**
*Christ Institute of Management, Christ (Deemed to be) University*
*Bengaluru, India*
*Email: aruna100.100@gmail.com*

**Abstract:** *When Neena, the head of HR, joined LMX technologies, it was badly hit by employee attrition. She then conducted a root cause analysis to narrow down the actual reason behind this huge drop out. However, she encountered an unforeseen challenge, which was the difference in the perception of employees and the top leadership regarding attrition. The case ends with the dilemma that Ms. Neena faces as how she will go ahead when there is no alignment in the way of employees and top leadership's perspective. The case can be taught for organizational behavior to teach perception, attribution and errors people make in the process. The case can also be taught for organizational change management, where we can understand the resistance issues of top leadership.*

## INTRODUCTION

LMX Technologies started in 2004 in IT hub of India Bangalore under the leadership of Mr. Naveen D'souza (CEO). LMX technology is one of the leading start-up firms which provide ERP/SAP solutions to mid-sized organizations. Some of the technologies leveraged by LMX are SAP B1, SAP Hana, Net, Ionic Framework for Hybrid Mobile App Development, Magento for E-commerce websites. Recently, they also created a dashboard compatible for all HR solutions from hire to retire. The team started as SAP Partner and now has evolved as Total software solution implementation company by adding E commerce, Enterprise Mobility, B2B and B2C Portal. They had a team of 60 members. The major USP of LMX Technologies is to provide the right solutions to their customers at a very competitive. Currently, they have completed 200+ SAP implementations across India and the UK. The company's vision is to be the best software solution company for SAP ERP, HRMS, and payroll.

Details of services provided by them are as follows:

- **SAP:** LMX has completed 200+ SAP Business One implementation. They have done over 80+ re-implementation of SAP B1.
- **HRMS:** World's Best HRMS, Payroll, E-recruitment, travel expense Management, Leave Management, Mobile Attendance, Training & Development, performance management i.e., complete Hire to Retire Solution.

- **App development services:** E Commerce, business website, B2B portal, dealer portal, B2C portal.

They have also received recognition and repeat business from their clients for LMX's ability to provide best business solution.

In 2017, LMX Technologies faced issues of higher employee turnover. Either the employees voluntarily quit the company, or the organization asked employees to move out. Ms. Neena, the Head of HR, wondered the root cause of rising employee turnover since she had joined the company recently. Ms. Neena made a temporary team for root cause analysis of rising employee attrition in the company. Ms. Neena decided to do an organization-wide survey by speaking to employees regarding their career opportunities, employee satisfaction, employee referral schemes, etc.

**Exhibit 1: LMX Technologies Attrition Rate data for April and May 2017.**

| Sl. No | Employee Name | Department | Role | Duration with the company (in days) | Type of Turnover | Action | Salary per Month | Month of Separation | Full and Final Settlement |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Lakshmi | Sales | Business Development Executive | 20 | E | Involuntary | 25,000 | April | 16667 |
| 2 | Priyanka | Sales | Inside Sales Executive | 20 | E | Involuntary | 25,000 | April | 16667 |
| 3 | Ganesh | Sales | Business Development Executive | 20 | E | Involuntary | 25,000 | April | 16667 |
| 4 | Akhil | Sales | Business Development Executive | 20 | E | Involuntary | 25,000 | April | 16667 |
| 5 | Rajveer | Sales | Business Development Executive | 20 | E | Involuntary | 25,000 | April | 16667 |
| 6 | Jaya | Sales | Business Development Executive | 20 | E | Involuntary | 25,000 | April | 16667 |
| 7 | Sujata | HR &Admin | Office Assistant | 43 | NE | Voluntary | 12,000 | April | 6400 |
| 8 | Reena | Technical | Technical Consultant | 90 | NE | Voluntary | 15,000 | April | 9000 |
| 9 | Ashwathy | Web Development | Web Developer | 78 | NE | Voluntary | 22,000 | April | 13200 |
| 10 | Vijaya | Functional | Associate Functional Consultant | 46 | E | Involuntary | 15,000 | April | 8000 |
| 11 | Venkatesh | Functional | Associate Functional Consultant | 61 | NE | Involuntary | 15,000 | April | 10161 |
| 12 | Harjot | Functional | Associate Functional Consultant | 55 | E | Voluntary | 15,000 | April | 11129 |
| 13 | Varun | Sales | Regional Sales Manager | 12 | E | Involuntary | 50,000 | April | 19355 |
| 14 | Ramesha | Sales | Regional Sales Manager | 8 | E | Involuntary | 58,000 | April | 14968 |
| 15 | Seema | HR& Admin | Human Resource Manager | 14 | E | Voluntary | 28,800 | May | 13006 |
| 16 | Virendra | Web Development | Web Developer | 19 | E | Involuntary | 25,000 | May | 15323 |
| 17 | Manoj | Mobility | Ionic Developer | 21 | E | Involuntary | 22,000 | May | 14903 |
| 18 | Kusum | Sales | Inside Sales Executive | 23 | E | Voluntary | 25,000 | May | 18548 |
| 19 | Amith | Technical | Project Manager | 700 | NE | Voluntary | 32,000 | May | 32000 |
| 20 | Shilpa | Sales | Inside Sales Executive | 48 | E | Voluntary | 28,000 | May | 13548 |
| 21 | Archana | HR &Admin | Front Desk Officer | 70 | NE | Involuntary | 22,000 | May | 10645 |
| 22 | Kunal | Technical | Consultant | 125 | NE | Involuntary | 18,000 | May | 2903 |
| 23 | Bhawna | Web Development | Web Developer | 23 | E | Involuntary | 26,000 | May | 19290 |
| 24 | Suman | Sales | Inside Sales Executive | 21 | E | Involuntary | 25,000 | May | 16935 |
| 25 | Rahul | Mobility | Ionic Developer | 92 | NE | Involuntary | 21,000 | May | 1355 |
| 26 | Neeraj | Mobility | Ionic Developer | 54 | E | Involuntary | 21,000 | May | 16258 |
| 27 | Neha | Sales | Business Development Executive | 72 | NE | Involuntary | 25,000 | May | 9677 |
| 28 | Priya Kumar | Technical | Associate Technical Consultant | 30 | E | Involuntary | 20,000 | May | 19355 |
| 29 | Prabhakar | Sales | Regional Sales Manager | 28 | E | Voluntary | 60,000 | May | 54194 |
| 30 | Anusha | Sales | Inside Sales Executive | 10 | E | Involuntary | 25,000 | May | 8065 |
| 30 | Anusha | Sales | Inside Sales Executive | 10 | E | Involuntary | 25,000 | May | 8065 |

Ms. Neena scheduled to get meetings with the top-level executives of the company as well to get the employer perspective on this critical issue. Ms. Neena, startled to know about the chaos in the company, went on analyzing the records and found that 360 employees had left the organization approximately for the past five years. Major attrition happened when Mr. Naveen became the CEO. In the last two months, around 30 employees quit the organization voluntarily and involuntarily (See Exhibit 1).

When the data was further analyzed, it was found that the highest turnover was in the sales department (Exhibit 2).

**Exhibit 2: Department attrition rate**
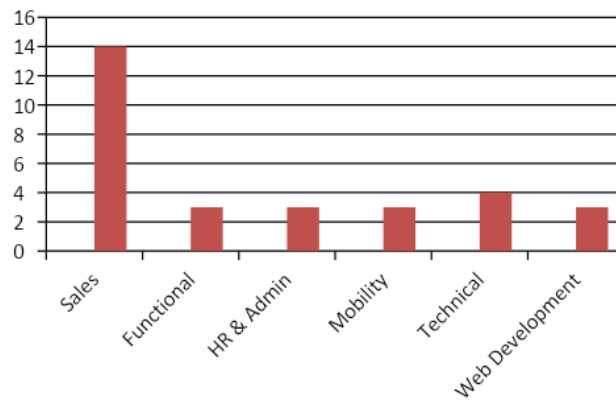


Also, the early turnover (employees separating from the company before completion of 60 days) was high. In the last two months, 16 employees who separated from the company were due to involuntary action and had not even completed two months in the organization (Exhibit 3).

**Exhibit 3: Early turnover & Non- Early turnover Vs Voluntary & Involuntary turnover**
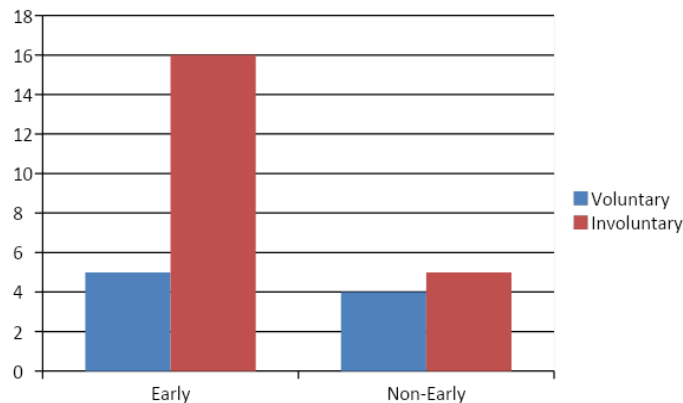


This was an alarming issue since the employee turnover rate for the last two months was approximately 55% (See Exhibit 4).

**Exhibit 4: Calculation of Basic Turnover Rates at LMX Technologies**

|  | April | May |
|---|---|---|
| Beginning | 60 | 57 |
| New Hires | 8 | 9 |
| Left | 14 | 16 |
| End | 54 | 50 |
| Average Employees | 57 | 53.5 |

| Types of Employee Turnover | April (%) | May (%) |
|---|---|---|
| **Monthly Turnover %** = (Employees Separated / Average Number of Employees) *100 | 25 | 30 |
| **Early Turnover Rate %** = (Number of employees separated within 60 days of joining/ Number of new employees hired in the same period) | 124 | |
| **Total Turnover %** = (Total number of Employees Separated / Average Number of employees)*100 | 55 | |

**Employees' perspective**

It was rather appalling for Ms. Neena when she heard some of the burning issues revolving around the leadership of the company. At first, employees were hesitant to share these issues with the HR Executives fearing the risk of termination. But, later as employees became comfortable, they slowly revealed problems.

Once a security guard was terminated from his service as he didn't come back from lunch on time. After the guard left, he was accused of stealing the company property by the CEO of the start-up, Mr. Naveen. On these grounds, his full and final settlement amount was not paid, and the guard was also denied his experience letter.

- A lady who had a lot of experience had joined recently in the company. Since she was a single mom, she had to balance her family commitments along with the work. In her tenure of 2 weeks, she took leave twice. When she took the first leave, it was granted, and there was less chaos. But when she asked for another leave, without a second thought, she was asked not to come back. Although she was called back after two days, she refused to join back in an insecure environment.

- Employees briefed about a project manager who used to be very joyful and cooperative in the company. He was insulted and humiliated in front of the whole office for his incapability of learning new techniques. The manager then put up notice after two days of humiliation. He was asked to serve his notice period for which he agreed. Mr. Naveen also terminated the manager without a second thought stating client dissatisfaction problems. Employees also alleged that the project manager was jailed after resignation for the company given by Mr. Naveen for threats and blackmail.

According to the employees' perspective, the top management fails to set a clear expectation for the people. An employee during the survey said

> "Last week, I and my manager formulated list of urgent and important tasks to go live for our new customer, and we had started working on the schedule as per plan, but then we received a mail from Mr. Naveen about change in priorities."

This has created a lot of ambiguity in the expectations of management. Many of the employees also felt that the working environment was not secure. They thought that they might be asked to leave the organization on any fine day.

Sales Head in the survey explained the reason for high attrition in the department

> "Executives in the sales department were under pressure for achieving their targets. Pressure till a certain point can motivate employees to perform better but when they are blamed for financial losses of the company- that's when they decide to quit." He added "the targets set for individual Sales Managers and Regional Heads are more than the company's last Total Revenue. These create a lot of fear and anxiety among the Managers."

One of the major causes for attrition from employee's perspective was also the leadership style of Mr. Naveen. His style of taking immediate actions of terminating employees and playing the blame game does not go well with the organization's employees. Many of them said, they feel unvalued and disrespected by management. One of the employees opined "Do not blame employees, for your inability to convert client meetings."

**From an employer's perspective**

Management consisting of Mr. Naveen and other directors of the company said that the reason for involuntary turnover was non-performance of employees.

Mr. Naveen ranted during his meeting with Ms. Neena,

> "Employee's must take ownership of their work. We are not here to make losses and burn money. They should deliver quality and timely results to clients. Employees should understand that time is money, we do not have much time to achieve our targets - it's already mid of May, and we haven't finished even a single project for the FY 2017-18."

Mr. Naveen claims that it was due to his hard work and persistence that the organization has completed 92+ projects under his guidance. Another reason for rising attrition rate mentioned by Mr. Naveen was the inability of new hires to adjust and understand the roles for which they are hired.

**Discussion with Management**

When Ms. Neena and her team discussed the results of the survey with Mr. Naveen, he was reluctant and pointed fingers towards the employees for the current situation and financial losses of the company. The head explained to Mr. Naveen that the cost of early employee turnover in the last two months was approximately Rs. 4 Lakhs. If the situation continues then, it will impact the organization both financially and non-financially (goodwill and employer branding). But Mr. Naveen dismissed the conversation by saying that it's the duty of the HR department to source the right talent, at the right cost & who would contribute to the organization's success.

**When perceptions become the truth**

Now the HR Manager is in a dilemma on how to bridge the gap between employee's and employer's perception. Employees perceive this workplace as an entrapment since a lot of people who quit did not end well with the company. Neena understands that Mr. Naveen is not immoral; however, ruthless in his approach to employees. He seems to judge his employee's way too soon even before giving sufficient time for them to perform. It is a herculean task for Ms. Neena and her team to bring about a change in Naveen's perception about the employees in general.

**Case Questions**

1. What are the perceptual errors made in the case?
   - Is Mr. Naveen is making **self-serving bias**?
   - Is it a case of **Anchoring bias**?
2. Can we give a benefit of doubt to the employer?
3. What can be the best strategy for the employer in the case of rising attrition?

(To arrive at the solution for this case, students can have a debate around the following questions.)

- Can Ms. Neena discuss the issues with employees (to make them understand management's perspective)?
- Is recruiting wrong talent leading to high attrition rate?
- Can formulation of KRA/KPI help in decreasing the attrition rate?