CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

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1.1 INTRODUCTION

The knowledge economy encompasses all jobs, companies, and industries in which the knowledge and capabilities of people, rather than the capabilities of machines or technologies, determines competitive advantage. From retail sales to computers to biotechnology, these jobs will be more knowledge intensive in their demands on employees and organizations. Although the service sector is an obvious place to find more knowledge intensive work, the manufacturing sector is also becoming more dependent on knowledge and human capabilities as microprocessors and computers pervade almost every facet of work. The knowledge economy came into existence as a result of the commercialization of information and communication technologies what is collectively known as information technology (Burton-Jones, 1999)\(^1\). The rapid development of computers and microprocessors has made it possible to collect and use vast amount of information from a variety of sources in a more integrative and interactive manner than ever before. Networking and connectivity coupled with the internet, have made it possible for information to be acquired and shared globally, so that proximity -no longer determines the ability of people to work together collaboratively. Combined these forces have dramatically altered business and everyday life.

In this information -Intensive economy, competitive advantage is based primarily on the application of knowledge, and not all of the data, intelligence, and wisdom, with which a global company needs to compete can be found in one place\(^2\). Increasingly, knowledge is dispersed around the world. Knowledge, rather than the concrete characteristics of goods or services or the mechanics of production processes, is becoming the defining characteristic of economic activities. The impact of knowledge is pervasive in both the "old economy" as well as the "new economy." Human know-how is a crucial component in virtually everything we produce, and it determines how we produce valued goods and services. As Don Tapscott\(^3\) asserts, more, added value is created by 'brain than brawn.'
The factory of today is as different from the industrial factory of the old economy as the old factory from the craft production that preceded it. Farms are operated with agricultural equipment brimming from chips. Cargo is shipped in containers loaded by giant computer-controlled cranes or in jumbo jets loaded with software. The knowledge economy is about adding ideas to products and turning new ideas into new products. To sum up, knowledge is becoming the primary component of virtually all products, services, and work activities. The effective production, accumulation, and handling of knowledge are becoming key sources of competitive advantage distinguishing businesses, industries, and nations.

Human capital is the knowledge, skills, abilities, and experience unique to all individual employees. The collective human capital forms a unique resource that distinguishes it from other organizations and provides the basis for other firms of competitive advantage. The new role of human capital steward requires accumulating, concentrating, conserving, complementing, and recovering the collective knowledge, skills, and abilities within an organization. To keep up in the knowledge economy, organizations will need to develop a deep reservoir of talent among employees' and free agents. Human resource management professionals must develop competencies and commitment among employees. The role of HR will focus on keeping the best minds and thinkers engaged. Human capital stewardship prescribes a relationship between the organization and its employees in which the organization leads without dominating and facilitates followers without controlling them. Stewardship allows for a relationship between organizations and employees in which each makes significant, self-responsible contributions to organizational success. Human capital is not owned by the employer but is bought and sold in human capital markets. Some of the challenges facing the human resource management function as stewards of human capital include the following.
How do you find and obtain that intellectual capital?
Do you rent or purchase that intellectual capital?
How do you attract, motivate and retain volunteers?
How do you facilitate volunteer’s identification with the organization?
How do you create a work environment that adapts to meet the needs of key workers?
How do you sense and respond to the needs of key workers?
How can HRM adapt practices from these organizations for knowledge workers?
How are the knowledge workers attracted and retained?
How do you create opportunities for personal growth among knowledge workers?
How do you match the needs of the company and the needs of the workers?
How do you manage employee flows (into, within, and out of the organization) to ensure the maximum continuous capability?

It is not enough to simply hire talented employees and put them to work. For an organization to gain a competitive advantage in the knowledge economy, it must ensure fair HR practices. In this context, the field of HRM has evolved into strategic, technical and measurement oriented area. The field will continue to grow in sophistication and complexity as a reflection of the world in 21st century4. Over the next decade, rapidly changing technology can serve the organizations in terms of improving productivity5. Thus, proper utilization of human resources is essential for achieving the objective goal of the organization. HRM alone will be able to help people to avail of the best, the most productive and assist every member of the organization in maximizing his contribution.

Among the 12 service industries classified by the GATS, information technology(IT) is one of the prominent industries. IT is both a labor-creating and labor-saving technology. As the introduction of automated machines
replaced manual labour in factories and on fields, it was once believed that the spread of computer technology would result in massive job destruction. However, two decades of experience has demonstrated that the reverse is actually the case. But overall computerization creates far more jobs than it destroys. The spread of computerization acts as a catalyst for the growth of many types of businesses. This is not only true of businesses directly related to the computer industry, such as research and development, computer education, computer repair and maintenance. In fact, every sector of the economy is being energized by the adaptation of computer technology. Studies by the National Research Council in the USA have found that IT has a stimulating effect on the growth of a wide range of service industries. The fastest growing sectors of the global service economy—education, financial services, insurance and health services—have all expanded by adapting IT technologies. IT has demonstrable benefits for employment and skill levels. Evidence indicates that IT contributes to growth in demand for labor, as well as an overall skill upgrading in the workplace.

For the purposes of this exercise, the IT sector is defined in a narrower sense as those businesses that are directly related to the manufacture of computer hardware and software, the training of personnel for the manufacture and operation of computer equipment, use of computers in education and the utilization of computer technology for IT-enabled services such as call centers, medical transcription services and the like. This IT – IteS sector has two major components:

i) IT Services and
ii) Business Process Outsourcing (BPO)

Growth of India’s IT sector is spurred by the global market for software services. The global outsourcing market is worth more than $100 billion. In 2000-01, software exports accounted for 13 percent of India’s total exports. By 2003, software exports from India are expected to account for almost 23
percent of India’s total exports. India has already acquired a substantial market share in the global customized software development market. In 1991, according to a World Bank study, India’s share was almost 11.9% of the global market. In 2000, it was 19.5 percent.

India's success can be attributed to a combination of factors, such as
- Resource Endowments- availability of cheap skilled labor
- Favorable government policies, such as investments in higher education
- Presence of large number of Indians working in US firms, who played an important role in matching US buyers with Indian suppliers
- Low level of investment required to launch software services

Perhaps the largest single employment opportunity for India is in the field of IT-enabled services, services made possible by the application of computer and telecommunications technology rather than the creation of computer hardware or software. India has been identified as a major source for IT-enabled services such as back office credit card support services, call centres, medical and legal transcriptions, and insurance processing.

India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 67 per cent of the US$ 124-130 billion market. The industry employs about 10 million workforce. More importantly, the industry has led the economic transformation of the country and altered the perception of India in the global economy. India's cost competitiveness in providing IT services, which is approximately 3-4 times cheaper than the US, continues to be the mainstay of its unique selling proposition (USP) in the global sourcing market. However, India is also gaining prominence in terms of intellectual capital with several global IT firms setting up their innovation centers in India. The IT industry has also created significant demand in the Indian education sector, especially for engineering and computer science. The Indian IT and ITeS industry is divided into four
major segments – IT services, business process management (BPM), software products and engineering services, and hardware. The IT-BPM sector in India grew at a Compound Annual Growth rate (CAGR) of 15 per cent over 2010-15, which is 3-4 times higher than the global IT-BPM spend, and is estimated to expand at a CAGR of 9.5 per cent to US$ 300 billion by 2020.

India, the fourth largest base for new businesses in the world and home to over 3,100 tech start-ups, is set to increase its base to 11,500 tech start-ups by 2020, as per a report by Nasscom and Zinnov Management Consulting Pvt Ltd. India’s internet economy is expected to touch Rs 10 trillion (US$ 151.6 billion) by 2018, accounting for 5 per cent of the country’s gross domestic product (GDP), according to a report by the Boston Consulting Group (BCG) and Internet and Mobile Association of India (IAMAI). India’s internet user base reached over 350 million by June 2015, the third largest in the world, while the number of social media users grew to 143 million by April 2015 and smart phones grew to 160 million. Public cloud services revenue in India is expected to reach US$ 838 million in 2015, growing by 33 per cent year-on-year (y-o-y), as per a report by Gartner Inc. In yet another Gartner report, the public cloud market alone in the country was estimated to treble to US$ 1.9 billion by 2018 from US$ 638 million in 2014. Increased penetration of internet (including in rural areas) and rapid emergence of e-commerce are the main drivers for continued growth of data centre co-location and hosting market in India.

According to NASSCOM, in fiscal year 2014, India’s information technology and business process management (IT-BPM) industry will add $12-15 billion incremental revenue, to existing industry revenues of $118 billion. During FY 2014, industry’s exports are estimated to grow 13 per cent at $86 billion, with domestic revenues up 9.7 per cent at Rs. 1,910 billion. NASSCOM reports also stated that the industry added 160,000 employees in 2013, and provided direct employment to 3.1 million people and indirect
employment to 10 million people. Exports by India's IT outsourcing sector are expected to rise 13-15 percent in the fiscal year starting April 2014, as an improving global economy encourages banks and companies to boost spending on technology. NASSCOM has forecasted IT services exports in 2014-15 to rise to as much $99 billion. The increase in growth rate compares with an estimated 13 percent rise in fiscal year 2014. It also states that the Indian IT and ITeS industry is likely to grow to about $300 billion by 2020, focusing on areas like e-commerce, software products and the IT market.

As stated earlier, among the resources like men, material and machinery, men is an important factor. Proper human capital management is required to run any organisation successfully. It is proved that integrated and aligned human capital management system has provided significant economic benefits to the organization. It has emerged as an ongoing process instead of one-time event. To be successful, it is essential to increase revenue, improve fund flow, increase return on investment, improve quality, increase productivity, reduce cost and reduce cycle time and to increase market capitalization. To achieve the above objectives, the participation of HR is necessary. The competitive workforce creation is necessary. Talent Management has to be practiced. It should be conducive to the change that takes place in the business field now and then. The organisation which will adopt the change rapidly will only survive.

This IT–ITES sector has contributed to the growth of service sector in India by contributing substantially to increase in GDP, employment, and exports. According to NASSCOM, the IT–BPO sector in India aggregated revenues of US$100 billion in FY2012, where export and domestic revenue stood at US$69.1 billion and US$31.7 billion, growing by over 9%.
Nearly 90% of these sectors exports are Bangalore, Hyderabad, Chennai, Delhi, Mumbai and Kolkata. Bangalore is considered to be the Silicon Valley of India as it is leading as IT exporter\textsuperscript{9}. Export in this industry constitutes about 77% of the total industry revenue. Total Indian exports (merchandise plus services) have got increased from less than 4% in FY1998 to about 25% in FY2012. Gartner opines that the "Top Five Indian IT Services Providers" are Tata Consultancy Services, Infosys, Cognizant, Wipro and HCL Technologies\textsuperscript{10}.

Tata Group partnerships with Burroughs and the first software export zone SEEPZ was set up in Mumbai way back in 1973 gave birth to IT services. Services like back office operations, remote maintenance, accounting, public call centres, medical transcription, insurance claims, etc are rapidly increasing. Indian IT companies such as HCL, TCS, Wipro, and Infosys are likely to become household names around the world. This IT and ITeS sector have paved way for the growth of different sectors like the financial service, telecommunications, and manufacturing industries, etc for employment which have grown phenomenally in the last few years\textsuperscript{11}.

In India, BPO categorized as information technology enabled service industry has grown at phenomenal rate. Despite emerging constraints, the industry is expected to grow rapidly, given cost pressures and demographic shortages in developed countries and India’s comparative advantage based on its labour endowment and skill base. The BPO industry has far-reaching socio economic and cultural implications, beyond the employment and foreign exchange earning effects. One important contribution is the sector's enabling role in the accumulation of human capital. High-end and specialised outsourcing projects enable the development of knowledge and capabilities in areas like engineering design, finance and accounting and provide exposure to cutting edge technology and practices. It is evident from the statistics that India has been engaging a large number of employees in this field.
As BPO has rapidly grown in India, there is a critical need to investigate the dynamics of human resource management (HRM) practices and systems in this sector. The nature and structure of work and organization of Indian BPOs, as well as the strategic role played by HRM in such organizations are the determining factors. Furthermore, HRM practices have been realigned in such a way that human skills are made task oriented and result oriented. The traditional practices such as recruitment, training, performance appraisal and compensations have taken a different shape in the context of effective utilization of human capital in the BPO industry. The field of HRM has evolved into strategic, technical and measurement oriented area in the past decade. The field will continue to grow in sophistication and complexity as a reflection of the world in 21st century. Over the next decade, rapidly changing technology can serve the organizations in terms of improving productivity. Thus proper utilization of human resources is essential for achieving the objective goal of the organization. HRM alone will be able to help people to avail of the best, the most productive and assist every member of the organization in maximizing his contribution. In the words of Dessler, Human resource management (HRM) refers to the policies and practices involved in carrying out the ‘human resource(HR)’ aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labour relations.

HRM is composed of the policies, practices, and systems that influence employees’ behaviour, attitude, and performance. Barney and Wright say that the performance of a firm largely depends on the performance of the employees of the organization. In order to achieve results HRM practices should be given more importance and issues like job analysis, recruitment and selection, training and development, work environment and performance appraisal which enhance the competence of employees for high performance should be taken into consideration. Skilful talents and competitive performance plays a vital
role in this industry, the concept of HRM acts as the blood of this ITeS industry. The nature of this industry is considered most vibrant, has innovative methods of work culture which are exclusive from other sectors. Though it has its own merit the major problem of this industry is there is high attrition rate, lack of job satisfaction, job hopping of the employees can be retrieved by proper and effective HRM alone will be able to help people to avail of the best, the most productive and assist every member of the organization in maximizing his contribution. Organisations have started giving extreme priority to training and development by providing corporate training on regular basis to employees, as skill redundancy is more acute in this industry. This training has been monitored by their performance and it is being measured as a scale for the performance appraisal of an employee. This process of Performance Appraisal has become the heart of HRM system in Indian IT Industries. Employees are made to retain themselves in the industry by providing attractive incentives, rewards and compensation along with bonus pay when there is more profit turnover made by them in the organisation. In order to make HR practices more effective VSP Rao have enlisted 7 HRM practices which can be present in any IT-ITES business enterprise. Therefore, an attempt has been made to take up a study on HR practices in ITeS industry in Chennai Region, the workforce is knowledge bound on one hand and technology oriented on the other hand.

1.2 STATEMENT OF THE PROBLEM

Among all the M’s in the management (Materials, machine, methods, money, motive power), the most important one is Men i.e., Human Resource. It is thought of the total knowledge, skills, creative abilities, talents and aptitudes of the organisation's workforce. In fact it is an important economic resource in managing and operating productive and service industries. As such, human resource or human capital is the most crucial resource for any type of industry. In India, among different sectors, the Information Technology enabled Services (IT& ITeS) industry depends on large amount of human capital. Apart from the locational advantage that India has, the factor for the country's immense
success in the overseas markets is its abundant and cost effective human capital which is one of the key assets that has kept India to sustain its edge in the ITeS sector.

As the field involves employment of human capital in large number, Human Resource (HR) professionals in BPO industry are striving to formulate strategies to retain human capital but nothing is working in their favour. In spite of all their trials, the average attrition rate in the BPO sector is still very high. Companies have different kinds of strategies adopted to tackle the problem of retaining human capital. It ranges from cash incentives to career concern for the employees. In the context of human capital management, the HR practice- in this industry is unique and distinct to deal with human resource, as it is highly portable. The ITeS industry is confronted with the problem of attrition. The HR practices are designed in such a way that the organisation can keep the recruitment and training low and thereby it can achieve less productive cost. Therefore, an attempt has been made to undertake a study to analyse the HR practices in the ITeS sector in Chennai Region as part of human capital management.

1.3.OBJECTIVES OF THE STUDY
The following are the objectives of the study:

i) To present the profile of ITeS industry in India and in Tamil Nadu.
ii) To explain the concept of Human Capital Management in the context of ITeS industry.
iii) To examine the HR practices in relation to recruitment, training and development, compensation, retention and attrition.
iv) To analyse the factors that are responsible for retention of employees.
v) To analyse the factors that are responsible for attrition of employees and consequences of attrition.
1.4 SCOPE OF THE STUDY

Since it was contemplated to highlight the opinion of the respondents on HR practices like recruitment, training and development, compensation, retention and attrition, ITeS employees have been considered. Though the study has focused on the opinion of the respondents regarding HR practices, it takes into account employment characteristics with reference to recruitment, training and development, compensation, retention and attrition. Besides, the level of HR practices has been analysed taking into account the components like recruitment, training and development, retention and attrition to bring out different facts of HR practices on the basis of the opinion of the sample employees. As such, the study has emerged as a descriptive study. Thus, the study has been undertaken from the point of view of the sample employees in Chennai District.

1.5 HYPOTHESES
The following are the hypotheses formulated for the purpose of the study:

ANOVA

(i) There is no significant influence of (a) selection process (b) source of hiring (c) selection criteria (d) nature of employment on recruitment

(ii) There is no significant influence of (a) designation (b) current experience (c) employee size (d) nature of employment on Compensation, Training, Growth and Development, Retention and Attrition.

ANOVA and t - Test

i) There is no significant difference between personal variables (age, education, occupation and income of the respondents) and training, growth and development, compensation, level of retention and level of attrition.
Chi-Square Test

There is no significant relationship between
- matching the needs and retention.
- career and job security and retention.
- employee and the organization and retention.
- fitness between employee and job and retention.
- fitness between employee and their group and retention.
- loyalty and retention.
- commitment and retention.
- job satisfaction and retention.
- working condition and retention.
- span of control and retention.
- motivation and retention.
- openness in communication and retention.
- employee participation and retention.

Correlation:

There is no significant relationship between
- alternative employment opportunity and attrition.
- freedom of work and attrition.
- job demand and attrition.
- between work stress and attrition.
- between burnout and attrition.
- intention and attrition.
- working condition and attrition.
- promotion policy and reward and attrition.
- performance appraisal and attrition.
- work environment and attrition.
Regression Analysis:

- There is no significant predictor variable for attrition of Project Leaders in ITeS company
- There is no significant predictor variable for attrition of Team Leaders in ITeS company
- There is no significant predictor variable for attrition of Associates/Processing Officers in ITeS Company.
- There is no significant predictor variable for retention of Project Leaders in ITeS company
- There is no significant predictor variable for retention of Team Leaders in ITeS company
- There is no significant predictor variable for retention of Associates/Processing Officers in ITeS company.
- There is no significant predictor variable for attrition in ITeS company.
- There is no significant predictor variable for retention in ITeS Company

1.6. OPERATIONAL DEFINITIONS

The following terms have been used in this study

1.6.1. IT

Information Technology," refers to everything related to computing technology, such as networking, hardware, software, the Internet, or the people that work with these technologies. Today every company have IT departments for managing the computers, networks, and other technical areas of their businesses. Information Technology includes activities related to computer programming, network administration, computer engineering, Web development, technical support, and many other related occupations. We live in the "information age," and today information technology has become a part of our day to day activity.
1.6.2 ITeS

ITEs (Information technology enabled services) is a form of outsourced service that use information technology in the processing and delivery of the services such as banking and finance, telecom, insurance, etc due to involvement of IT in various fields. Companies usually from developed countries outsource such services to countries like India, China and Philippines in order to gain from large talent pool and low labour cost. Some of the examples of ITES are medical transcription, back-office accounting, insurance claim, credit card processing and many more.

1.6.3 BPO

Business process outsourcing (BPO) is a type of outsourcing activity that contracting the operations and responsibilities of a business processes to the service provider. It processes the back office functions which include internal functions like finance, accounting, customer related services etc., when the process of outsourcing is contracted outside a company's country is called off shore outsourcing. BPO that is contracted to a neighbouring country’s company is called near shore outsourcing.

1.6.4 Project Leader

One who applies his knowledge, skills and techniques in his project in order to meet the project requirements is known as a project leader. They are responsible for the planning, management, coordination and financial control of the project. They also ensure whether the project is completed on time and within budget, that the project's objectives are met and that everyone else is doing their job properly. Projects are usually separate to usual day-today business activities and require a group of people to work together to achieve a set of specific objectives. Project managers oversee the project to ensure the desired result is achieved, the most efficient resources are used and the different interests involved are satisfied.
1.6.5 Team Leader

A Team Leader is responsible for managing and leading teams in different processes within the organization. He/ she is responsible for maintaining the required service levels, motivate and drive the team and strive for continuous process improvement within the given stipulated time period\textsuperscript{19}.

1.6.6 Associates

Associates / Processing officers are the one who operates day to day business activities according to the directions of the team leaders and project leaders in order to achieve the organisational objectives within the set limit in an effective manner. They comprise the low scale medium of this industry.

1.6.7 Attrition

Attrition means reduction in the number of employees through retirement, resignation or death. In simple terms it is the rate of shrinkage of employees in size or number.

1.6.8 HR Practices

Human Resource Management involves various practices in carrying out the aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and enhancing labour relations in the organisations.

1.6.9 Loyalty

Loyalty is the state of being loyal, faithful to commitments or obligations given by the organisations to the employees.

1.6.10 Low / Medium / High Scale Company

The company in which the number of employees is less than or equal to 5619 is classified as Low scale company, the number of employees ranging
from 5620 to 6624 is classified as Medium scale company whereas the number of employees greater than 6625 is classified as High scale company.

1.7 METHODOLOGY

The present study is a descriptive one, based on the survey method. As the study was to generate opinion of the sample employees in ITeS industry on HR Practices such as recruitment, compensation process, training and development, attrition and retention process and also to achieve certain new insights into it, it was decided to be based on observation and experience. Though the study is descriptive in nature, it has been supported by secondary data. To gain familiarity with the phenomena, secondary data been collected from various books, journals, magazines and related web sites. The primary data were collected with the help of an interview schedule. The schedule (Vide Appendix A) was used to mobilize the opinion of the sample workers regarding HR practices in ITeS industry in Chennai District. Thus, the study has been constructed with the help of both primary and secondary data.

1.8 PROFILE OF THE STUDY AREA

The City of Chennai, also known as Madras earlier times, is the Capital of the state of Tamil Nadu. It is situated at the Coromandel Coast off the Bay of Bengal. Spread over an area of about 200 sq km and still growing, it is the biggest industrial, commercial centre, and a major cultural, economic and educational centre in South India. It is today India's fourth largest metropolis with an estimated population of 4.68 million (2011). The city is famous for its sandy beaches- the 12 km long Marina Beach being second longest beaches in the world, parks and historic landmarks. Chennai, originally known as Madrasappatnam, was located in the province of Tondaimandalam. Around 2nd Century AD, Tondaiman Ilam Tiraiyan, a representative of the Cholas family at Kanchipuram, was ruling the Tondaimandalam province. The Tondaimandalam province covered the area lying between North Pennar River, Nellore and the South Pennar River, Cuddalore. It is believed that Ilam
Tiraiyan had subdued Kurumbas, the original inhabitants of the region and established his rule. Subsequent to Ilam Tiraiyan, the region seemed to have been ruled by the Cholas Prince Ilam Killi.

Around 3rd Century AD, the Cholas occupation of Tondaimandalam was put to an end by the Andhra Satavahana incursions from the north under their King Pulumayi II. They appointed chieftains to look after the Kanchipuram region. Bappaswami, who is considered as the first Pallava to rule from Kanchipuram, was a chieftain under the Satavahana. The Pallava, who had been mere viceroys, became independent rulers of Kanchipuram and its surrounding areas. From beginning of 3rd to close of 9th Century AD, Pallava held sway over this region, except for the interval of some decades when the region was under Kalabharas.

During 1361, Kumara Kampana II, the son of Vijayanagar King, Bukka I conquered and established Vijayanagar rule in Tondaimandalam. The Vijayanagar rulers appointed chieftain known as Nayaks who ruled over the different regions of the province almost independently.

**Early European settlers:** Modern Chennai had its origins as a colonial city and its initial growth was closely tied to its importance as an artificial harbour and trading centre. It was the Portuguese who arrived first here in 1522, and they built a port and named it São Tomé, after the Christian apostle St. Thomas, who is believed to have preached in this region between the years 52 and 70 AD. The region then passed into the hands of the Dutch, who established themselves near Pulicat just north of the city in 1612. Both groups strived to grow their colonial populations and although their populations reached into 10,000 persons when the British arrived, they remained substantially outnumbered by the local Indian population.
**English Settlement and establishment of Chennai:** After arrival to India and in their process of establishing various settlements, English East India Company were in search of a suitable place in the eastern coast. Their agents Francis Day and Andrew Cogan selected a region which was then primarily a fishing village known as "Madraspatnam". The area was under rule of Damarla Venkatapathy Nayak, who was an influential chieftain under Vijayanagara Ruler Peda Venkata Raya a.k.a. Venkata III from Chandragiri-Vellore Fort. The Nayak gave grant of a piece of land, lying between the river Cooum and river Egmore, to the English East India Company through their agents, in 1639. A year later, Fort St. George was founded there. In honour of Chennappa Nayak, father of Venkatapathy Nayak, the settlement which had grown up around Fort St. George was named as Chennapatanam.

The Fort St. George served as the center around which the settlement grew. Neighboring villages like Triplicane, Purasawalkam, Egmore and Chetput merged with the new settlement Chennapatnam. It later became the major naval base and administrative centre of British.

In 1746, Fort St. George and Madras were captured by the French. The British could regain control of the town only in 1749. The city witnessed a quick growth and was connected to other important cities by rail. After India's independence in 1947, it became the capital of Madras State, which was subsequently renamed Tamil Nadu in 1969. The city was renamed as Chennai in 1996.

**Industry and Commerce**

Known as the Gateway to South India, it is one of the most progressed cities in India. Chennai's economy has a broad industrial base in the automobile, computer, technology, hardware manufacturing and healthcare sectors. As of 2012, the city is India's second largest exporter of information technology (IT) and business process outsourcing (BPO) services. Software
giants like TCS, Infosys, Wipro, Cognizant Technology Solutions, Satyam, IBM, Accenture, Sun Microsystems, HCL and others have their presence in Chennai.

Many of the leading international names like Dell, Nokia, Motorola, Cisco, Samsung, Siemens, Flextronics and others are already in Chennai or are in the process of setting up shop around here.

The city has two biotechnology parks. A major part of India's automobile industry is based in and around the city thus earning it the nickname "Detroit of India". Companies like Hyundai, Mitsubishi, Ford, TVS, Ashok Leyland, Royal Enfield, TAFE, Dunlop, and MRF have plants in and around Chennai. The Heavy Vehicles Factory in Avadi in the outskirts of Chennai produces India's main battle tank, Arjun. Chennai is one of the leading Indian cities for banking and finance.

The CMA falls in three Districts of the Tamil Nadu State viz. Chennai District, part of Thiruvallur District, and part of Kanchipuram District. The extent of the Chennai District (covered in Chennai Municipal Corporation area) is 176sq.km and comprises 55 revenue villages in five Taluks [viz. (i) Fort-Tondiarpet Taluk, (ii) Perambur-Purasawalkam Taluk, (iii) Egmore-Nungambakkam Taluk, (iv) Mambalam-Guindy Taluk and (v) Mylapore-Tripcnicane Taluk]. Thiruvallur District out of total district area of 3427 sq.km while, 637sq.km in Ambattur, Thiruvallur, Ponneri and Poonamallee taluks fall in CMA. In Kanchipuram District out of 4433 sq.km, 376sq.km in Tambaram, Sripurumbudur and Chengalpattu Taluks fall in the Metropolitan area.
### TABLE 1.1

**Area and Population of Chennai District**

*(as per 2001 census)*

<table>
<thead>
<tr>
<th>Area and Population</th>
<th>Scale/ Number</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area in Square km</strong></td>
<td><strong>178.20</strong></td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td><strong>42,16,268</strong></td>
</tr>
<tr>
<td>(a) Males</td>
<td><strong>21,61,605</strong></td>
</tr>
<tr>
<td>(b) Females</td>
<td><strong>20,54,663</strong></td>
</tr>
<tr>
<td><strong>Density / Sq. Km</strong></td>
<td><strong>24231</strong></td>
</tr>
<tr>
<td><strong>Literates</strong></td>
<td><strong>30,79,004</strong></td>
</tr>
</tbody>
</table>

**Main workers**

a. Total Workers | **14,41,382**

b. Male Workers | **11,23,246**

c. Female Workers | **2,20,332**

i. Other Workers | **3,63,361**

j. Marginal Workers | **97,804**

**Revenue Administrative Divisions**

- Revenue Divisions: **1**
- Revenue Taluks: **5**
- Revenue Firkas: **20**
- Revenue Villages: **55**

**Local Bodies**

i. Corporations: **1**

ii. Municipalities: **9**

i. Town Panchayats: **5**

ii. Village Panchayats: **25**

iii. Panchayats Union: **13**

1.9 CONSTRUCTION OF TOOL

An interview schedule was constructed for this study to collect data from ITeS employees. For the construction of the interview schedule, the researcher made an in-depth study of the literature available on human resource management, hr practices, recruitment, training and development, compensation, retention and attrition procedures in ITeS industry. The researcher had several discussions on different occasions with the officials of the ITeS companies. In the light of the information gathered, she was able to identify the variables required for the purpose of construction. With this, the researcher prepared the interview schedule. After the preparation, a pre-test was conducted with 15 employees from three different ITeS companies like Cape Gemini, TCS and HP. Then, a pilot study was conducted with 30 employees from each company. In the light of the pilot study, the interview schedule was suitably modified to survey the sample employees.

Reliability Test has been done to establish reliability of the variables identified. As such, in the present study, 22 variables have been identified and used for the purpose of analysis. The reliability of such variables was measured using Cronbach’s Alpha Coefficient of Reliability. All the variables were found consistent. This has been discussed elaborately in Chapter V.

1.10 SAMPLING DESIGN

This study was intended to analyse the HR practices followed by the ITeS industry from the point of view of the employees in Chennai Region. It is with this objective the study has been undertaken. It has discussed the aspects such as selection, training, development, inter-personal relationship, motivation, compensation and satisfaction of the employees working in the ITeS industry in Chennai Region. As stated in 1.4, the study has been projected from the point of view of the sample employees in Chennai Region. As the study was intended to analyse the HR aspects from the point of view of the
employees and it is a fact finding research, the number of employees on the roll during 2013-14 was taken as the basis for sampling.

It is to be noted that there are different categories of employees with different designations depending upon the nature of work in the field. As such, there are three categories of employees in this industry such as Project Leader, Team Leader and Associates / Processing officers. For the purpose of the study and for the purpose of the analysis, the employees, as stated above, are classified into three categories namely low level employees (Associates / Processing officers), middle level employees (Team Leaders) and high level employees (Project Leaders). According to the opinion of the HR managers in this field and in consultation with the senior most employees in this field, it is found that the ratio as between these three categories is 30:60:10. In this ratio, the employees are, more or less, found on the roll of employees in each company in the study area. The researcher has taken this ratio as the basis for sampling.

As regards ITeS companies in Chennai Region, the companies function with different employee size. The employee size at the national level ranges from 200 to 280000. It would be prudent to project the research on the basis of the employee size of the company as it determines the HR practices. In other words, the HR practices are the function of employee size of the company. The higher is the size, higher the level of HR practices. Therefore, the employee size has been considered for the purpose of sampling. As such, the companies located in Chennai Region have been classified as large scale companies, middle scale companies and small scale companies. It is to be mentioned that the companies with less than 5000 employees have been excluded from the purview of sampling. The companies with 5000 and above have been considered and classified into three categories. For the purpose of classification, mean number of employees and standard deviation have been computed. The following scale has been developed. On the basis of the mean
and standard deviation, the companies fall under three categories low, medium and high.

- **Low** = Below (Arithmetic Mean – Standard Deviation)
- **High** = Above (Arithmetic Mean + Standard Deviation)
- **Medium** = From (Arithmetic Mean – Standard Deviation) To (Arithmetic Mean + Standard Deviation)

  - **Low** = \( \leq 5619 \) No. of Employees
  - **Medium** = 5620 - 6624 No. of Employees
  - **High** = \( \geq 6625 \) No. of Employees.

The above classification has suggested two dimensional analyses as regards sampling: one on the basis of category of employees and the other on the basis of employee size of the companies. As such, these two factors have been considered in determining the sample size.

Thus, to consolidate the opinion of the employees, the researcher resorted to the sampling method. As the numbers of employees are definite, the population can be stated to be known. As mentioned earlier, there are three categories of employees. Each category constitutes a stratum with a greater degree of homogeneity. Hence, the researcher resorted to the Stratified Random Sampling Technique. This allowed the researcher to take a specified number of employees from each stratum. The employees of three categories are found in the ratio of 40:20:10, the researcher in consultation with the guide decided to take 1 employees from the first category, 2 from the second category and 2 from the third category. Thus, from each company, five employees were selected for the purpose of sampling. It deserves to be mentioned that in selecting the employees in each company, the HR managers were requested to determine with whom the survey should be conducted without any bias on the part of the researcher. In this way, for each category and for each company, the
sampling has been calculated. Table 1.2 shows the sampling design of the study on the basis of the number of category and size of employees.

### TABLE 1.2

**Sampling Design of the Study**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>No. of Companies</th>
<th>No. of Sample Employees (First category ie., Project Leaders)</th>
<th>No. of Sample Employees (Second category ie Team Leaders)</th>
<th>No. of Sample Employees (Third category ie., Associate/ Processing Officers)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>12</td>
<td>24</td>
<td>24</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td><strong>Low Scale Company</strong></td>
<td><strong>Medium Scale Company</strong></td>
<td><strong>High Scale Company</strong></td>
<td><strong>Table</strong></td>
<td><strong>400</strong></td>
</tr>
<tr>
<td>2</td>
<td>52</td>
<td>52</td>
<td>104</td>
<td>104</td>
<td>260</td>
</tr>
<tr>
<td>3</td>
<td>16</td>
<td>16</td>
<td>32</td>
<td>32</td>
<td>80</td>
</tr>
</tbody>
</table>

Therefore, in selecting samples, weightage has been given to the category of employees along with the size of the company. The company concerned was requested by the researcher to conduct a survey with the required number of employees. On the recommendation of the company, the sample employees were contacted and interviewed. The sample units were selected without any prejudice and without violating research norms. Thus, the researcher fell absolutely in line with the sampling norms without any bias and was able to interview 400 employees as determined. Thus, from each company, five employees were selected for the purpose of sampling. Thus in total, the sampling has been derived with 80 project leaders, 160 Team Leaders and 160 Processing Officers.
1.11 COVERAGE OF PERIOD

As stated earlier, the study has been constructed on primary and secondary data to collect the secondary data, a period of ten years (April 2000 to March 2013) was earmarked as the study period. The primary data were collected through an interview schedule during November 2014 to January 2015.

1.12 FIELD WORK

The field survey of this study was conducted by the researcher himself. As the companies are spread over the district and each interview schedule required an hour on an average for securing information from the respondents, it took nearly three months for the researcher to complete the survey. The survey was undertaken at the respective ITeS companies in Chennai region. As the researcher had to travel from one spot to another, she was able to interview five to seven respondents a day covering 400 respondents within the duration of 90 days.

1.13 DATA PROCESSING

After completing the interview with sample ITeS employees, the completed schedules were edited properly to make them fit for further processing. For the purpose of coding the information, a master table was prepared in order to sum up all the information found in the interview schedule. In the process of coding, the data from the interview schedule was transcribed to a coding sheet. This was done to eliminate coding errors. The data thus transcribed were arranged in groups or classes on the basis of common characteristics. In this way, the entire data were divided into a number of groups. This facilitated to summarize data and displaying in the form of statistical tables for further analysis. All calculations were done with the help of calculator and computer.
1.14 FRAMEWORK OF ANALYSIS

The study has been analyzed with the help of the following statistical tools:

Regression analysis has been applied to find the effect of certain performance factors on the overall opinion score of the sample respondents on retention and attrition aspects. The analysis has been undertaken for project leaders, team leaders, associates/processing officers individually and collectively on two variables such as: retention and attrition.

ANOVA (One way) has been applied to find out significant difference in the demographic variables of the sample respondents on recruitment process, training and development, compensation, retention and attrition. And also independent sample t-test has been applied to identify the significant influence of gender and marital status of the sample respondents on recruitment process, training and development, compensation, retention and attrition.

The hypotheses formulated on the basis of literature have been tested with the help of ANOVA on recruitment process; training, growth and development, compensation, retention and attrition.

In order to analyze the perception of the sample employees, they were asked to respond to different statements using Likert’s Five Point Scale with the following scale:

(i) Strongly Agree (5), Agree (4), Neither Agree nor Disagree (3), Disagree (2), Strongly Disagree (1).
(ii) Highly Satisfied (5), Satisfied (4), Neither Satisfied nor Dissatisfied (3), Dissatisfied (2), and Highly Dissatisfied (1)

For the purpose of analyzing the attitude of the respondents, Factor Analysis has been applied. This has been done to identify the factors which are significant taking into account factor loading.
1.15 LIMITATIONS OF THE STUDY

The study is subject to the following limitations:

(i) The study has been undertaken among the ITeS companies located in Chennai within the radius of 50 kilo meters. The companies located outside the radius have been eliminated for the purpose of the study.

(ii) In ITeS industry, the employees are classified into a number of categories according to nature of their operations. However, three positions such as Project Leader, Team Leader and Associate Officers are found common in all the companies. Therefore, for the purpose of analysis, these three categories have been taken into account, leaving the other positions.

(iii) The scope of HRM is very wide. All major activities in the working life of workers- from the time of his/ her entry into an organization until he/she leaves -come under the purview of HRM. As such, it is comprehensive in nature. However, for the purpose of study, aspects relating to recruitment, compensation, training, growth and development, retention and attrition have been taken into consideration, as they are closely associated with and widely used in HR practices in ITeS industry.

1.16 SCHEME OF THE REPORT

The thesis consists of the following chapters:

The first chapter, “Introduction and Design of the Study”, deals with the design of the study. It covers introduction, statement of the problem, objectives of the study, scope of the study, hypotheses, operational definitions, methodology, construction of tools, sampling design, coverage of period, field work, data processing, frame work of analysis, limitations of the study and scheme of the report.
The second chapter, “Review of Literature”, discusses the literature relating to HR Practices, recruitment, compensation, training and development, retention and attrition.

The Third chapter, “Human Capital Management in ITeS Industry – Concept of HRM and HR Practices”, presents the different dimensions of the industry, its nature, HR practices followed in this industry, performance indicators adopted, best practices, recruitment and training practices and the profile of the industry in the study area.

The fourth chapter, “Perspectives of the Respondents Towards HR Practices” gives the opinion of the respondents in the study area.

The fifth chapter, “Evaluation of Opinion of the Respondents – Testing and Determining the Impact of Select Variables”, analyses the opinion of the sample employees with the support of statistical tools.

The sixth chapter, “Summary of Findings, Suggestions and Conclusion”, presents the summary of findings and offers suggestions for the successful performance of HR practices in the ITeS industry in the study area.
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