CHAPTER III
HUMAN CAPITAL MANAGEMENT IN ITeS INDUSTRY – CONCEPT OF HRM AND HR PRACTICES

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3.1. INTRODUCTION

This chapter is a theoretical projection of HR practices in ITES industry. It discusses the nature of ITES industry, various HR practices like Recruitment, Training and Development, Compensation, Retention and Attrition in ITES industry. Information Technology Enabled Services (ITES) are called as the web enabled services or the remote services. ITES refers to the offering of the services from the remote locations with the help of the harnessing of the power of the Information Technology with the help of the telecommunications. As such, this chapter is descriptive in nature based on the secondary data collected from journals, books, articles, websites and reports.

3.2. INFORMATION TECHNOLOGIES

Information Technology (IT) industry is playing a significant role in transforming India’s image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. “Information Technology”, this “mantra” has changed the image of India in the global arena. The rise of the IT and ITeS industry in India is widely regarded as a model for India’s visibility after globalization; its development got rooted almost before 50 years. ITES, depending on the situation can also act as the business processes and the different services performed or provided from a location different from that of their users or the beneficiaries and are then delivered with the help of the information technology over the telecom networks. ITES at some stages act as the avatar or a blessing for the various activities, like business process outsourcing (BPO). In the BPO, complete transfer of the business process or the function to an external service provider takes place.
Information Technology Enabled Services include services like the following –

The IT & ITeS industry in India today have become a growth engine for the economy, contributing substantially to the increases in GDP, urban employment and exports, to achieve the vision of a powerful and resilient India. Indian firms, across all other sectors, largely depend on the IT & ITES service providers to make their business processes efficient and streamlined. NASSCOM expects the IT services sector in India to touch US$ 225 billion for
years on end, Information technology and Information Technology-Enabled Services (ITES) – their evolution, advancements and results continue to spread at a rapid pace over telecom or data network to a range of external business areas. In today’s volatile operating environment, the Indian IT-BPO industry continued to exhibit resilience. IT and ITeS sectors lead the economic growth in terms of employment, export promotion, revenue generation and standards of living. As per NASSCOM the industry has led to employment opportunities and is expected to increase to more than 14 million (direct and indirect) by 2015 and to around 30 million by 2030. The market size of the industry is expected to rise to USD 225 billion by 2020 considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint. IT/ITeS industry has led India's economic growth and this sector's contribution to the national GDP has risen from 1.2 per cent in 1997-98 to an estimated 7.5 per cent in 2011-12.

3.2 – ITeS INDUSTRY – A SCENARIO

3.2.1 Global Scenario

Information Technology that enables the business by improving the quality of service is IT enabled services. ITES is the acronym for the term “IT Enabled Services”. ITeS has the following structures.

The global technology spending on Information Technology (IT) related services is estimated to reach $3.8 trillion in 2013.
The spend in IT Services and IT Enabled Services (ITES)/Business Process Outsourcing (BPO) was expected to touch over US 500 billion and US $ 450 billion in 2008. As per the table above the overall spending on Information Technology (IT) related services is estimated to reach $3.8 trillion in 2013. By 2015, IT sector is expected to generate revenues of USD 130 billion (NASSCOM) which will create a transformational impact on the overall economy. This indicates that there is ample room for India to tap the potential for growth in this market in the years to come.

3.2.2 – National Scenario

Information technology (IT) industry in India has played a key role in putting India on the global map. The industry has played a significant role in transforming India’s image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India to transform itself from a rural and agriculture – based economy to a knowledge based economy. India’s IT potential is on a steady march towards global
competitiveness, improving defense capabilities and meeting up energy and environmental challenges amongst others.

**Present Scenario**

India is one of the fastest – growing IT services markets in the world. The Indian software and services industry has grown at a remarkable pace since 2001 – 02. India’s share of IT/ITeS in GDP stands at impressive 5.8% in 2008 – 09 against 1.2% in 1997 – 98. The overall revenue has grown from US $ 10.2 billion in 2001 – 02 to US $ 58.7 billion in 2008 – 09. As of 2008 -09 direct employments through this sector is about 2.20 million people when compared to just 0.52 million in 2000 – 01. The indirect employment from this sector is estimated around 8 million\(^8\). Indian enterprises are planning to increase IT spending in 2013, with an average IT budget of US$ 12.2 million\(^9\).

During FY12, the total income of this industry grew at a faster pace at 27.3% y-o-y as compared with the overall Top 500 companies, which recorded 24.6% growth y-o-y. The contribution of the sector to the total income increased marginally to 3.4% in FY12 as against 3.3% reported in the preceding year. The Indian software and ITeS sector showed buoyancy and witnessed growth in the midst of domestic and international slowdown. The sector battled uncertainties in the global market and reached a major breakthrough in FY12 by accumulating revenues of 1,475.7 bn in FY12, a 27.3% growth over FY11. The total income of software and ITeS was equivalent to nearly 1.6% to country GDP at current market prices.
The Indian IT – business process outsourcing (BPO) sector including the domestic and exports segments continue to grow by leaps and bounds, witnessing high levels of activity both onshore as well as offshore. India’s leadership position in the global IT and BPO industries are expected to grow by around 12.8% in the FY22.
Market share of major IT players based on revenues (FY2012)

- TCS is the market leader commanding about 10.1 percent of the total Indian IT & ITES sector’s revenue.
- Top six firms share around 36 percent of the total industry revenue.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCS</td>
<td>10.1%</td>
</tr>
<tr>
<td>WIPRO</td>
<td>7.7%</td>
</tr>
<tr>
<td>INFOSYS</td>
<td>7.0%</td>
</tr>
<tr>
<td>COGNIZANT</td>
<td>6.1%</td>
</tr>
<tr>
<td>HCL TECH</td>
<td>4.3%</td>
</tr>
<tr>
<td>TECH MAHINDRA</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Chart – 3.7

Segments of the Indian IT & ITes Sector

- **IT services**: Market Size: USD 52.0 billion during FY2012
  - Over 76% revenue from exports
- **Business Process outsourcing**: Market Size: USD 19.0 billion during FY12
  - Around 84% revenue from exports
- **Software products & services**: Market Size: USD 17.0 billion during FY12
  - Over 76% revenue from exports
- **Hardware**: Market Size: USD 13.0 billion during FY12
  - Domestic market contributes for significant share.

Chart – 3.8
Market Overview

The Indian IT as well as ITeS industry has continued to perform its role as the most consistent growth driver for the economy. Service, software exports and BPO remain the mainstay of the sector. Over the last five years, this sector has grown at a remarkable pace. A majority of the Fortune 500 and Global 2000 corporations are sourcing IT and ITES from India and it is the premier destination for the global sourcing of this sector accounting 55% of the global market in offshore IT services and 35% of the ITES / BPO market.

India’s IT and BPO sector exports are expected to grow by 12 – 14 percent in FY14 to touch US$84 billion – US $ 87 billion. The Indian IT infrastructure market is projected to grow by 9.7% year to reach US$2.1 billion in 2013. NASSCOM has created a separate unit to drive its newfound enthusiasm for software products and has set a target of US$10 billion by 2020 from software products. The below table shows the growth of this industry during 2008 – 2012. The contribution to the GDP from this industry has grown from 6.4% to 7.5% during these years.

Market Share IT industry in India (USD billion)

![Chart 3.9 Source: NASSCOM](image-url)
3.2.3 Market Scenario

Despite the recent economic slowdown, India’s IT-BPO sector continues to take centre stage with 51% of total sourcing market. The industry has turned out to be an aspiring industry for the young generation. IT industry with its different emerging branches employed both highly skilled youth in hardware and software sectors and people with less technical and formal education in ITES-BPO industry. Hence it has created employment opportunities for both highly skilled and formally graduated. Since 2005, apart from creating jobs software industry has provided opportunities for expanding the local base of entrepreneurship. Lesser initial start-up costs and insignificant economies of the scale, especially for services enterprises reduced the entry barriers and this factor induced many technical professionals to start their own. Further the industry helped to reduce the extent of the brain drain by creating rewarding employment opportunities within the country, a trend also supported by availability of venture capital to implement new ideas. The rise of the software industry had also prompted a number of non-resident Indians to return to start software ventures.

The ITeS-BPO industry has witnessed explosive growth in the past 5 years. The importance of this industry can be gauged by its contribution to the country’s GDP. The industry has grown manifold with the inclusion of newer verticals such as knowledge process outsourcing (KPO) and legal process outsourcing (LPO). Presently, even third-party and relatively smaller captive service providers are considering expanding operations to previously unexplored regions. The dynamism of this industry has prompted a detailed study on trends in this industry. Through this primary research undertaken by Dun & Bradstreet, India (D&B India), we attempt to add value through insights that have emerged from our study.

Our insights are based on 214 companies providing an array of services — from primary services like data capture/management, customer care,
technical support, inbound/outbound voice processes etc to newer areas like business research, market analysis, litigation, strategy consulting, and legal research. Some key highlights of this study are presented below.

The ten mammoths

The table shown below provides us with the employee count of the top 10 ITeS companies in and around Chennai which employs around 40 per cent of the total employee base. The ITeS-BPO biggies comprise domestic as well multinational entities which have a total of 3.9 lakh employees on their payroll.

**TABLE 3.1**

**List of Employee count in Top 10 ITeS companies**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Company</th>
<th>Employee count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tata Consultancy Services</td>
<td>313757</td>
</tr>
<tr>
<td>2</td>
<td>Infosys</td>
<td>173000</td>
</tr>
<tr>
<td>3</td>
<td>Wipro Technologies</td>
<td>154297</td>
</tr>
<tr>
<td>4</td>
<td>HCL Technologies</td>
<td>85505</td>
</tr>
<tr>
<td>5</td>
<td>Tech Mahindra</td>
<td>95729</td>
</tr>
<tr>
<td>6</td>
<td>IGate</td>
<td>34450</td>
</tr>
<tr>
<td>7</td>
<td>Mphasis</td>
<td>45426</td>
</tr>
<tr>
<td>8</td>
<td>L &amp; T Infotech</td>
<td>84027</td>
</tr>
<tr>
<td>9</td>
<td>Syntel</td>
<td>35000</td>
</tr>
<tr>
<td>10</td>
<td>Genpact India</td>
<td>65000</td>
</tr>
</tbody>
</table>

*Source: NASSCOM 2012-13*

The study reveals an interesting distinction about these 10 big players. All of these players are offering customer care services and also have a presence in the finance vertical. This again highlights the fact that finance remains the most sought-after vertical and customer care remains the most preferred service offered by Indian ITeS players.
In the past five years, India has emerged as the preferred outsourcing destination. 50 BPO units have been established in the rural areas. As per NASSCOM’s projection, the number is expected to increase to 1,000 centers which will be employing 1,50,000 employees. Indian ITeS BPO industry is an integral part of the global sourcing strategy and has been increasingly contributing to the domestic economy over the years. In 2010, the Indian BPO industry accounted for almost 34% of the global BPO market, making the country the largest destination for BPO service delivery.

Overall revenue of the ITeS BPO industry is estimated to have reached USD 88.1 bn in FY11 and its contribution to GDP is estimated to have risen from 1.2% in FY98 to 6.4% FY11. Their share in exports has also increased from less than 4% to almost 26% during the crucial period. They have also attracted significant investment, accounting for almost 7% of the total FDI in the country as on May 2011. Favourable Government policies such as that related to Special Economic Zones (SEZ) for these two industries have
significantly helped in increasing SEZ units in India. As indicated in the graph below, majority of the SEZ units built in the country over the past three years belonged to the IT and ITeS BPO industry. While the IT industry has been the dominant player, ITeS BPO industry has managed to keep pace with its growth and provide valuable contribution to the services sector.11

3.3 – ITeS INDUSTRY – ITS NATURE

Information Technology Enabled Services (ITES) industry is playing a significant role and has helped India transform from a rural and agriculture-based economy to a knowledge based economy. The industry has to be very competitive in nature. The following are some of the characteristics of this industry in today’s global competition. The industry is

3.3.1 Technology Complex

This industry is highly technology complex. It must go through a complex set of regulatory and compliance to ensure that both clients' and business data are kept safe. To overcome this, it has to get advanced on the day to day technology. The IT and ITES companies face many challenges in adhering to compliance requirements from their clients. In order to face their clients, they adhere to the following measures to keep them on pace.

i) Web application security, Cloud computing security
ii) Access control
iii) Communication security
iv) Risk management and business continuity
v) Security Policy and procedures
vi) Systems security
vii) Legal protection
viii) Physical security
ix) ISO 27001:2005, ISO 20001, PCI consulting and certification
However, the increased need for internet-oriented models and technologies face obstacles in the form of cost, speed and complexity pressures of conventional IT models and technologies. The opportunity has been usurped by major technology players like Amazon, Sales force.com, Google etc. leading to a whole new world of cloud computing which could lead to business optimization and better ROI. Another key emerging trend in the industry is expansion of delivery channels. A host of factors such as rising protectionism, regulatory norms and onshore service demand from customers is driving this. Many companies in the industry are building up capabilities to enhance their onshore services with greater focus on high-end services. Onshore services also provide greater flexibility in terms of cost, minimizes language barriers and provides access to innovative technologies of clients.

### 3.3.2 Talented workforce

The next importance must be given to the workforce. This industry in order to sail in the global competition must rope in the talented workforce. It is not only the concept of adhering to but also withholding the workforce to keep in race. Executives and HR management have always focused on basic talent management—acquiring, hiring and retaining talented employees. But, to drive optimal levels of success, business leaders need engaged, high-performing employees. Business leaders who implement the best talent management process are more prepared than their competitors to compete in the global economy and capitalize quickly on new opportunities. True success is only available when companies do more than adapt themselves to long-term trends; they must be able to anticipate and jump on to new opportunities before the rest of the market. A strategic talent management plan allows you to:

- Become "proactive" versus "reactive". Fill your critical talent management needs and address company and industry changes promptly;
- Identify essential skills to be developed in all employees, and minimize training costs by focusing on key development areas; and
• Improve your recruiting process by identifying high-quality candidates using job descriptions based upon the expertise of your high performing employees holding uniquely valued company or industry competencies.

3.3.3 Major Trends Impacting Skill Requirements

The major trends that would impact the human resource and skill requirements in the IT Industry are outlined below:

• Demand for a skilled workforce
• Building upon transformation from IT Services to include IT Consulting
• Ability to Innovate:
• Increasing play in Migration Projects:
• Green IT and Cloud Computing
• Increasing share of other business verticals.
• Increasing play of Infrastructure Management Services
• Larger share of newer markets
• Increasing play in the Indian market

3.3.4 Highly Competitive Field

Basically this industry is very competitive in nature. Many competitors like Philippines, Ireland and even China are expected to catch up with India in the future. India outruns all its competitors when it comes to availability of quality services at the lowest possible rates. However, this does not mean that the Indian BPO industry can sit back and relax. It needs to gear up and prepare itself to face the competition. The strategy of the Indian industry should be to go up the value chain and offer more specialized services that can create a special position to grapple the global outsourcing industry. It should not completely bank on the low-end services as they are cost-based and can be transferred to any country that offers the same services at a cheaper rate. In order to be highly competitive the Services provided by the Indian ITeS BPO companies have been gradually expanded to other key emerging verticals such as retail, healthcare and knowledge services. With increase in competition from
emerging nations in low-cost service offerings, the Indian ITeS BPO companies have shifted their focus on improving value proposition, largely in established verticals such as BFSI. The range of services in the BFSI vertical has expanded from basic accounting services to complex treasury and risk management services.

![Diagram: Service offering by the Indian ITeS BPO companies]

Source: NASSCOM

3.3.5 A different Work Culture

Work culture, when compared to other countries, is more complex in India. In the Global work culture and management practices ‘flat’ and flexible organizational structures and informal relationships are at work. In order to match themselves with the global race Indian companies do have comparatively more open and flexible organizational structures. They offer employee-friendly human resource policies and very comfortable working environments. These positive features are often offset by periodic intense work pressure, long working hours, and job insecurity. Moreover, the gap between the official work culture as described by managers and expressed in company policies, and the actual culture of work that develops spontaneously within any industry or workplace need to be described to delineate their inter-relation, in order to come to a deeper understanding of work-related issues in the industry and of the concerns and aspirations of employees.
3.3.6 Always Innovative

In today’s global race, creativity and innovation is often the key to the success of a business. Creativity is the nature of creating something new, a new idea, concept or method. Innovation is using creativity to enhance performance of a process, person, team or organization. The industry to be on the pace should always be innovative in nature. It is the duty of the HR management to have innovative, creativity, initiative as a key source during their recruitment process. The process should also get continued during their tenure. The employees must be given enough opportunities to share their thoughts and views so as to be always innovative.

3.3.7 Mobility of Labour (Attrition)

It is no wonder that in today's aggressive business environment, the challenge of sustaining a competitive advantage preoccupies the minds of many business leaders. Corporate customers and individual consumers have more providers to choose from than ever before. The industry players are trying out all the tricks in the book to tie down their employees and keep them locked in a safe. They have been offering excellent infrastructure facilities in the form of ergonomically designed work stations and spacious, air-conditioned offices. They have been offering industry specific benefits like 24/7 cafeterias and home pick-up and drop facilities apart from regular benefits like retribals and loans at low interest rates. Some players are also sponsoring the higher education of their employees. This is one of the best ways of retaining a skilled employee for 2-3 years with a company.

The industry has been quite benevolent on the compensation front as well. According to a Hewitt Associates survey conducted last year, the highest salary increase in the Asia Pacific region was in India. It was the ITES industry which recorded the highest growth of 14%. The variable pay component varied in the range of 15-70%. In spite of all these measures, the attrition rates have remained high. All these attempts by the employers have resulted in only
partial success. Experts feel that appropriate staffing strategies and managing employee morale are the key areas. Recruiting the right kind of people not only at the entry level but also for the middle management level can be a big contributing factor. Adequate care should be taken in choosing and employing candidates in the entry level positions. Companies should also be willing to invest in training employees to take up higher responsibilities as team leads and managers. A strong middle and senior management helps in arresting attrition at the lower levels and consolidates the organizational culture and character.

3.3.8 Employees at work, job insecurity.

Today’s ITES industry, is on the global race has perceived threat of job loss to their employees. This job insecurity is a worry to every employee who does not update his knowledge during his tenure. Every employee must be given proper training to update their technical knowledge and match them to the organizational goals and can eradicate this threat of job insecurity. The industry in order to pace itself with the global race needs to provide them with innovative techniques and concepts.

3.4 – ITeS INDUSTRY AND HR PRACTICES

A best practice can be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people. Best practice can evolve to become better as improvements are discovered.

The adoption of certain best practices in HRM will result in better organisational performance. Perhaps these practices help in achieving competitive advantage through people and 'building profits by putting people first'. These practices included: providing employment security, selective hiring, extensive training, sharing information, self-managed teams and high pay based on company performance and the reduction of status differentials.
3.4.1 Strategic Oriented Practices

In order to accomplish the organizational goal at a specified time, HR should follow some strategic practices. This makes the employee feels that he is not over loaded and with full satisfaction will work for the organization in achieving the goal.

3.4.1.1 Safe, Healthy and Happy Workplace

Creating a safe, healthy and happy workplace will ensure that employees feel homely and stay with the organization for a very long time. This will help the organisation to arrive at the desired results at an early date.

3.4.1.2 Open Book Management Style

Sharing information about contracts, sales, new clients, management objectives, company policies, employee personal data etc. with employees ensures that the employees are as enthusiastic about the management. Through this open book process, gradually a culture of participative management is created and ignites the creative endeavour in the work force. It involves making people an interested party to your strategic decisions and thus helps in building trust & motivates employees.

3.4.2 Pay and Benefit Oriented Practices

This is one of the successful methods to motivate employees in achieving their target within the stipulated time. Every employee is keen and particular about the pay that is being paid for his contribution to the organization. The following are certain benefits that are being showered to motivate the employees and to retain them

3.4.2.1 Performance Linked Bonuses

Bonus must be designed in such a way that people understand that there is no payout unless the company hits a certain level of profitability. Additional criteria could be the team's success and the individual's performance. Never
pay out bonus without measuring performance, unless it is a statutory obligation. Paying out bonuses or having any kind of variable compensation plan can be both an incentive and disillusionment, based on how it is administered and communicated.

3.4.2.2 Incentives

Incentives are additional rewards that are being paid to employees to attract them to work more for the organization. These incentives may be cash or in kind. Some of them are:-

**Cash Bonus**

This is purely based on performance and has always been a favourite among employees and that comes from being recognized as an important and valued associate an extremely powerful motivator for employee.

**ESOP**

ESOPs (Employee stock option plans) enable workers to earn a retirement interest, which will grow as the company's business prospers. This has also allowed employees to help the company succeed. An ESOP can also be a great boon for the owner of the business.

**Project completion Lunch**

This type of incentive has become the norm in most mid tier and top IT firms. Having a lunch together with the team will enhance the team rapport, refresh them, will get the team to be cohesive and will reduce personal clashes if any.

**Joining Bonus**

This is a great Incentive that works well among employers in attracting and retaining a talent that is critical for niche arrears of technology, and hence not losing out to rival firms. The bonus depends on the size of the firm, can
range bonuses on special occasions for instances, on the occasion of the silver jubilee of Infosys, the IT Giant offered a princely sum of Rs.126 crores to be distributed among its 58000 employees.

Tax saving Incentives

Tax saving incentive like food coupons, HRA (Health Reimbursement account) transportation allowance, reimbursement of their children's education bill and telephone bills, which are non taxable allows them maximum savings and therefore acts as a big boost for an employee to join a company.

Corporate discounts

Company products and services are offered at a discount to staff or negotiated corporate discounts with certain retailers, recreational facilities or hotels/airlines. Today employees around the world can benefit from substantial discounts at nearly all the top retailers, when purchasing holidays, household appliances or everyday items like CDs or magazines, whether it is online, over the phone or in store.

3.4.2.3 Rewards and recognition

One of the most valued of all employees’ incentives is rewarding and recognizing them in the right way and in right time. It includes the peer programs, or in the other words awarding performance through recognition. In 2008, one of India's Top IT Firms, Infosys doled out IPods and Xbox players to its Top Performers as incentives.

3.4.2.4 Point system

This system of providing points has been created to encourage and motivate hourly employees; this point system is being tied to prizes. This re-energizes the first tier employees and creates a more competitive working environment. For workers on salary, several companies offer large prizes based
on a 'points lottery' or simply allow for extra days off or an extra 15 minute break or two.

3.4.2.5 Reward Ceremonies

Merely recognizing talent does not work, you need to couple it with ceremonies where recognition is broadcast. Looking at the Dollar Check is often less significant than listening to the thunderous applause by colleagues in a public forum.

Such healthy HR practices encourage the growth of the organization as employees after all play a major role in the well-being of a company. Make an employee feel like a million.

3.5 PERFORMANCE INDICATORS OF HR IN ITeS INDUSTRY

Performance Feedback System

3.5.1 360 Degree Appraisal

This system, which solicits feedback from seniors (including the boss), peers and subordinates, has been increasingly gaining ground among employees. Every person in the team is responsible for giving relevant, positive and constructive feedback among others in their team. Such system also helps in identifying leaders for higher level positions in the organization.

3.5.2 720 degree Appraisal

It is a performing feedback after the main 360 degree appraisal. This is an effective procedure where the performance of the employee is analyzed and having a good feedback mechanism where the boss sits down with the employee another time and gives him feedback and tips on achieving the targets set. These helps to measure improvements, receive feedback and is essential for the success of any appraisal. This gives a pre and post intervention result. The pre-intervention result sets the base line; the development intervention is then done to improve the participant's behaviours (e.g. training,
coaching). The post intervention survey then shows the amount of improvement in the results and helps to attain goals set for them.

3.5.3 Fair Evaluation System for Employees

Develop an evaluation system that clearly links individual performance with corporate business goals and priorities. Each employee should have well defined reporting relationships. Self rating as a part of evaluation process empowers employees. Evaluation becomes fairer if it is based on the records of periodic counseling & achievements of the employee, tracked over the year. For higher objectivity, besides the immediate boss, each employee should be screened by the next higher level (often called a Reviewer). Cross - functional feedback, if obtained by the immediate boss from another manager (for whom this employee's work is also important), will add to the fairness of the system. Relative ratings of all subordinates reporting to the same manager are another tool for fairness of evaluation. Normalization of evaluation is yet another dimension of improving fairness.

3.5.4 Knowledge Sharing

Adopt a systematic approach to ensure that knowledge management supports strategy. Store knowledge in databases to provide greater access to information posted either by the company or the employees on the knowledge portals of the company. When an employee returns after attending any competencies or skills development program, sharing essential knowledge with others could be made mandatory. Innovative ideas (implemented at the work place) are good to be posted on these knowledge sharing platforms. However, what to store & how to maintain a Knowledge base requires deep thinking to avoid clutter.

3.5.5 Highlight performers

Create profiles of top performers and make these visible though company intranet, display boards etc. It will encourage others to put in their
best, thereby creating a competitive environment within the company. If a system approach is followed to shortlist high performers, you can surely avoid disgruntlements

3.5.6 Open house discussions and feedback mechanism

Ideas rule the world. Great organizations recognize, nurture and execute great ideas. Employees are the biggest source of ideas. The only thing that can stop great ideas flooding your organization is the lack of an appropriate mechanism to capture ideas. Open house discussions, employee-management meets, suggestion boxes and ideas capture tools such as Critical Incidents diaries are the building blocks that can help the Managers to identify & develop talent.

Always a creative and innovative HR practice can only sustain and retain the existing talent in the organisation. More and more organizations understand the relevance of being creative in their ways of implementing different practices for retaining their employee in order to gain the competitive advantage. Such practices always encourage and boost the employees' morale and will make them stable in the organization in the long run.

3.6 – BEST PRACTICES IN ITeS INDUSTRY

A best practice is a technique, method, process, activity, incentive, or reward which conventional wisdom regards as more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people\textsuperscript{15}. 

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A given best practice is only applicable to particular condition or circumstance and may have to be modified or adapted for similar circumstances. In addition, a "best" practice can evolve to become better as improvements are discovered.

The notion of best practice - sometimes called 'high commitment' HRM - proposes that the adoption of certain best practices in HRM will result in better organisational performance. Perhaps the most popular work in this area is that of Pfeiffer who argued that there were seven best practices for achieving competitive advantage through people and 'building profits by putting people first'. These practices included: providing employment security, selective hiring, extensive training, sharing information, self-managed teams, and high pay based on company performance and the reduction of status differentials. However, there is a huge number of studies which provide evidence of best practices, usually implemented in coherent bundles, and therefore it is difficult to draw generalized conclusions about which is the 'best' way.

**Best HR Practices**

Here are some of the best HR practices that help in the creation of a highly satisfied and motivated work force.

**Structured governance and business case development**

(HR impact opportunity — 39%). From Bersin:“Building a business case requires a clear understanding of the business or businesses that HR serves, as well as working relationships with all business leaders. HR can achieve both by involving business leaders in the planning processes and governance. This involvement also helps to ensure business alignment and, as a result of that alignment, business buy-in and support.”
Developing advanced workforce planning capabilities

(HR impact opportunity — 28%). From Bersin: “High-impact HR organizations incorporate sophisticated forecasting and workforce analytics into their processes. This enables them to translate company-wide talent, business data and external workforce segment data into workable insights that they can use and share with business leaders.”

Implementing the “right” HR philosophies

(HR impact opportunity — 27%). From Bersin: “High-impact HR organizations tend to commit themselves to creating work environments that enable employees to thrive both as individuals and as contributors to business success. They strive to create positive employee environments, and clearly communicate these expectations in the HR philosophy and mission. The most effective philosophies focus on fostering innovation and collaboration, or creating the best place to work, while the least effective philosophies focus narrowly on efficiency or cost-cutting efforts.”

Reducing administrative work for HR business partners

(HR impact opportunity — 25%). From Bersin: “Many HR functions have a role that is a liaison between the HR function and business leaders. The specifics of this role vary widely. High-impact HR organizations use it to advise senior business leaders, focusing on decision support, workforce planning, leadership development and executive coaching. By enlisting the right person, HR can improve its credibility across the enterprise, improve working relationships with business leaders, cultivate mutual understanding and gain influence. When this role is implemented poorly, with more focus on administrative duties and taking orders, our research found that it can actually reduce an HR function’s ability to work effectively and efficiently.”
Implementing flexible HR organization design

(HR impact opportunity — 20%). From Bersin: “High-impact HR organizations are flexible and agile. Like earthquake-proof buildings, they are structured to allow adaptive movement if the ground shifts. No overall HR structural model (centralized, decentralized or a combination of the two) in itself emerged as a predictor of HR success. But certain structural features do lend themselves to areas of excellence. One feature that we found to be universally valuable was flexibility. Fancy organization charts and designs are fine – provided that you also have a culture which recognizes the need to adapt structurally when business needs and challenges change, as well as an HR staff that is capable of making those changes.”

Improving employee-facing HR systems

(HR impact opportunity — 19%). From Bersin: “The most significant contributions to the overall effectiveness of an HR function come from community-building and self-service elements. Knowledge-sharing portals, web-based recruitment tools and management dashboards let various HR stakeholders and clients find what they need when they need it. HR functions with user-friendly client systems are regarded as twice as effective and efficient as functions that do not invest in this advantage.”

Measuring both HR operational and business metrics

(HR impact opportunity — 19%). From Bersin: “Measurement strategies in high-impact HR organizations have evolved to ensure efficiency, effectiveness and business alignment. Such strategies incorporate both operational measures by which to manage the HR function and strategic people measures to support crucial business decisions.”

Developing internal HR skills

(HR impact opportunity — 13%). From Bersin: “As they focus on programs to develop employees company-wide, HR organizations often neglect
the development of their own team members. This is a mistake. The world of HR solutions is constantly changing. High-impact HR organizations must invest the time and money needed to ensure team members’ competence grows in such disciplines as change management and relationship management. Efforts must also focus on developing team members’ business acumen, industry knowledge and command of current best practices in all areas of talent management, as well as the use of social networking tools and other HR technology.”

**Improving line manager capabilities**

(HR impact opportunity — 10%). From Bersin: “A common pitfall for many HR functions is the attempt to meet the needs of every stakeholder directly, thereby spreading limited HR resources very thinly. High-impact HR functions have prioritized the focus of their HR resources on building the capabilities of their line managers. This decision allows them to work in partnership with their line managers, versus trying to work around line managers who may be incompetent or ill-prepared.

**Outsourcing HR services strategically**

(HR impact opportunity — 10%). From Bersin: “High-impact HR organizations use outsourcing to enable their internal teams to focus on things that cannot be outsourced, such as building business relationships and developing custom solutions for business managers. These organizations outsource areas that can be improved through economies of scale, or which require global coordination and expertise. What an organization outsources often depends on its level of maturity.”
3.7 RECRUITMENT AND TRAINING PRACTICES IN ITeS INDUSTRY

3.7.1 Recruitment

Recruitment is a process of screening and selecting qualified people for a job. It is also a process of Procurement of adequate and suitable personnel which is quite essential for the success of any organization. For this purpose human resource planning (HRP) helps determine the number and type of people an organization needs. Recruitment has acquired immense importance in today’s organization. Organizations have realized the value of human capital and its role in their development. Recruitment is the first step in the process of acquiring and retaining human resources for an organization.


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Thus, recruitment is not only a matter of satisfying organizations’ needs. It is an activity which influences the shape of the organizations’ future. Recruitment is the process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when they are selected. Thus recruitment serves as a link between those having jobs and those seeking jobs.

**Need**

The need for recruitment arises out of the following situations:

- Vacancies due to transfer, promotion, retirement, termination, permanent disability or death.
- Vacancies due to expansion, diversification, growth or job re-specification. The first of these occurs purely because of the mobility of human assets and the second by the growth of organization.

**Sources of Recruitment**

Sources of recruitment can be broadly classified into two types ‘Internal’ and ‘External’. Most of the organizations usually depend on internal and external sources of recruitment. However, the relative importance and use of these two sources may differ from one organization to another.

**Internal Sources**

It includes – Transfers, promotions, and present employee’s extension services. etc.

**Transfer**

This involves shifting of employees from the present jobs to similar job in other places. But they do not suffer any change in rank, responsibility and prestige of the employees.
Promotion

It refers to shifting of the employees from lower positions to higher positions carrying higher responsibility, higher salaries and better prestige.

Employee Referrals

The existing employees know the needs and requirements of the vacant positions; they would be able to recommend the names of suitable persons from their relatives and friends.

Extension Services

Due to expansion of organizational working activities the existing part time employees become fulltime. It is a best internal source to stimulate and develop the employees.

External Sources

When recruitment is not possible from within either because the adequate persons are not available or it is on entirely new organization, the external sources have to be tapped. External source of recruitment means filling up the vacant posts in the organization by inviting people from outside. It includes.

Advertisement

It is the best source of recruiting the skilled, experienced staff at higher level. The advertisements are given in local, regional and national newspapers, journal, TV channel and magazines. The details of the requirement are given in the advertisements.

Employment Exchanges

Under the controlling of state Government the employment office in every district the names of the people desirous of getting employment are registered. They supply the details of the job seekers to the employers at the request of the latter.
Educational Institutions

Schools, colleges, universities and other educational institutions serve as an important source of employees. Some institutions have setup their own employment bureaus for providing employment opportunities to students. It is known as campus recruitment.

Private Employment Agencies

Nowadays; private employment agencies are also coming up as a good external source of recruitment. They register the names of people desirous of being appointed at higher or middle level. For rendering these services they charge some fee from organization.

Recommendations of the Present Employees

Sometimes the organization recruits the people on the recommendations of the present employee with a view to establishing better labor management relationship. It is a method to motivate the old employee and there is a complete control on the new employees.

Employment at Hospital/Organization Gate

This method is generally adopted to recruit unskilled workers and to fill up casual vacancies. Job seekers assemble at the gate of a hospital / organization on given time and the manager selects the required number of persons according to his need.

Unsolicited Application

Sometimes an organization receives application from jobseeker without any notice or advertisement and they are kept on record. Whenever necessity arises, reference is made to this list and suitable candidates are recruited.

External sources of recruitment has the following benefits

- Availability of suitable persons
- Entry of young blood and new ideas
➢ To secure expertise experience
➢ Less chances of favoritism
➢ Scope of wide choice
➢ It is economical and permanent source.

On the contrary there are some limitations like
➢ Decrease in morale of existing employees
➢ Increase in labor turnover
➢ Lack of cooperation
➢ Chances of wrongs election
➢ Very expensive sources.

**Recruitment Policy**

The authorities should frame a recruitment policy for the guidance of the human resource development. The management should clearly spell out the objectives and principles they need to pursue while recruiting employees. They should bestow considerations for framing recruitment policy such as (a) Internal vs. External recruitment (b) Appointment of relatives of employees (c) Over and under qualified staff (d) Exit interview.

A good recruitment policy is based on the organization’s objectives, identification of recruitment needs, source of recruitment, criteria for selection, and the cost of recruitment and other financial implications. It should hold a lot of reputation and image of the organization.

**3.7.2 TRAINING PRACTICES**

The term ‘Training’ indicates the process involved in improving the aptitudes, skills and abilities of the employees to perform specific jobs. Training helps in updating old talents and developing new ones. It is an organized activity for increasing the knowledge and skills of people for a definite purpose. It involves systematic procedures for transferring technical know-how to the employees so as to increase their knowledge and skills for
doing specific jobs with proficiency. Training makes a very important contribution to the development of the organizations’ human resources and hence to the achievement of its aims and objectives. All types of jobs require some type of training for their efficient performance and therefore all employees (new or old) should be trained or retrained.

Thus, training is an organized procedure for increasing the knowledge and skill of the employee for the better performance on the job. Training and development constitute the most important factors for developing people at all levels. It is conscious of the efforts directed towards the improvement or increase of a person’s power, skills and understanding and development of his beliefs and values. Thus training and development are the basic and strong mechanism of HRM. It can also strengthen inter-personal relationship, increase team work and collaboration and reduce wastage.

Types of Training

Induction Training

It refers to the initial training provided to new employees at the time of joining the hospital organization. The aim of induction training is to introduce the new employees to the organization and familiarize them with it.

Job Training

It refers to the training of workers for a particular job. It is provided to the employee to increase their knowledge about their job and make them more proficient.

Training for Promotion

It is provided in some organizations to fill up higher post from among the existing employees. This gives encouragement to employees to work harder.
Refresher Training

It is arranged through short – term courses for the old employees to keep themselves abreast of latest development in their fields. It is designed to avoid the personnel obsolescence in the organization.

Methods of Training:

The choice of any of the methods depends on several factors such as cost of training, purpose of training, number of workers, and depth of knowledge etc. Some methods are as under

On the job Training

It is a commonly and widely used method. The new employees are put on a specific job in the organization and ask to perform it. He is instructed by a special instructor or his supervisor. Thus training and job operation go side by side.

Vestibule Training

It is training at training center through models. Under this method training is given in classrooms where working conditions are created which are similar to the actual workshop conditions. After training the worker is put on similar job in the workshop.

Apprenticeship

Under this method the new employees are required to work as apprentices to the experts for a period of 1 to 4 years. They also have to attend the classroom lectures for the theoretical knowledge. It is particularly used for training of technical areas.

Job Rotation

Under this method, the employee is periodically rotated from one job to another instead of sticking on to one job just to acquire the general background and knowledge of the functioning of the job.
Professional training through deputation

It is a joint program of training in which business houses and vocational institutions cooperate and hence perfect stress will be given on theory and practice. This method is useful for training only skilled and technical personnel.

3.8 PROFILE OF ITeS INDUSTRY IN THE STUDY AREA

The Indian Information Technology (IT) and Information Technology enabled Services (ITeS) sectors go hand-in-hand in every aspect. The industry has not only transformed India’s image on the global platform, but also fuelled economic growth by energizing higher education sector (especially in engineering and computer science). The industry has employed almost 10 million Indians and hence, has contributed a lot to social transformation in the country.

Furthermore, Indian firms, across all other sectors, largely depend on the IT & ITeS service providers to make their business processes efficient and streamlined. Indian manufacturing sector has the highest IT spending followed by automotive, chemicals and consumer products industries.

Indian organizations are turning to IT to help them grow business in the current economic environment. IT is seen as a change enabler and a source of business value for organizations by 85 per cent of the respondents, according to a study by VMware.

3.8.1 Market Size

India's IT-business process outsourcing (BPO) industry revenue is expected to cross US$ 225 billion mark by 2020, according to a Confederation of Indian Industry (CII) report, titled 'The SMAC Code-Embracing New Technologies for Future Business'.
India is expected to become world's second-largest online community after China with 213 million internet users by December 2013 and 243 million by June 2014, according to a report by Internet and Mobile Association of India (IAMAI) and IMRB International.

Technology firms in India are expected to reap the benefits of Internet of Things (IOT) data, considered to be a US$ 18 billion opportunity, to help clients improve productivity and asset utilization as well as to enhance end-customer experience, as per networking firm Cisco.

India’s total IT industry’s (including hardware) share in the global market stands at 7 per cent; in the IT segment the share is 4 per cent while in the ITeS space the share is 2 per cent. India's IT and BPO sector exports are expected to grow by 12-14 per cent in FY14 to touch US$ 84 billion - US$ 87 billion, according to NASSCOM.

Moreover, India plans to spend around US$ 3.9 billion on cloud services during 2013-2017, of which US$ 1.7 billion will be spent on software-as-a-service (SAAS), according the latest outlook of IT research and advisory company, Gartner Inc.

The enterprise software market in India is expected to reach US$ 3.92 billion in 2013, registering a growth of 13.9 per cent over 2012 revenue of US$ 3.45 billion, according to Gartner.

Mumbai with 12 million internet users has emerged as the top most cities in the country with highest penetration of internet users, followed by Delhi (8.1 million) and Hyderabad (4.7 million), according to the data released by Internet & Mobile Association of India (IAMAI).
3.8.2 Investments

Indian IT's core competencies and strengths have placed it on the international canvas, attracting investments from major countries.

According to data released by the Department of Industrial Policy and Promotion (DIPP), the computer software and hardware sector has attracted foreign direct investment (FDI) worth Rs 54,347.88 crore (US$ 8.77 billion) between April 2000 and September 2013.

Some of the major investments in Indian IT and ITeS sector:

- Wipro plans to acquire US-based mortgage due diligence and risk management service provider Opus Capital Markets Consultants (Opus CMC) for Rs 465 crore (US$ 75.07 million). Opus CMC provides comprehensive risk management solutions to the mortgage industry in the US.

- Infosys has opened a new centre in Sydney, Australia. This is its fourth development centre in Australia and has a capacity to seat 140 employees. Further, the company plans to hire 85 people in the region.

- Hitachi has acquired a foothold in India's payment space with the acquisition of Prizm Payment Services. The firm has entered into share transfer agreements with Prizm shareholders, including Winvest Holdings (India), Sequoia Capital and Axis Bank.

- Dell has opened its India design centre for its storage technologies and has realigned its domestic research and development (R&D) unit. The facility will focus on developing software, integrating aspects involving back-up of emails and related storage.

- Tata Consultancy Services (TCS) has launched a software development facility in Ahmedabad, Gujarat. The facility will serve global customers across industry segments.

- Cognizant Technology Solutions has acquired Value Source, a subsidiary of KBC Group, a Belgium-based multi-channel bank insurance group.
• Schneider Electric has commissioned a services bureau in Bengaluru as a nerve centre and a support facility for data centers in India and the Asia-Pacific region.

3.8.3 Government Initiatives

IT spending by the Government of India is projected to reach US$ 6.4 billion in 2013, a growth of 7 per cent year-on-year, according to a report by Gartner.

Some of the major initiatives taken by the Government to promote IT and ITeS sector in India are:

• After a successful first-ever international delegation to Dubai, Gujarat-based small and medium enterprises (SMEs) in the IT sector plan to send similar business delegations to European and South East Asian countries.

• The Government of Karnataka plans to announce a new information technology (IT) policy to boost investments in state’s tier-II and tier-III cities. The policy would enable the sector to employ about two million people in the state directly by 2020.

• The Government of India has fast tracked the process of setting up of centers of National Institute of Electronics and Information Technology (NIELIT) in Northeast India.

• The Government of Brazil has liberalized the issue of short term work visas, a move which will make it easier for Indian IT professionals to take up assignments in Brazil.

• India and Vietnam have signed two memorandums of understanding (MOU) for partnership in the field of information, communications and technology (ICT).
3.8.4 Road Ahead

Globalization has a profound impact in shaping the Indian IT industry over the years with India capturing a sizeable chunk of the global market for technology sourcing and business services. Over the years the growth drivers for this sector have been the verticals of manufacturing, telecommunication, insurance, banking, finance and of late the fledgling retail revolution. As the new scenario unfolds it is getting clear that the future growth of IT and ITeS will be fuelled by the verticals of climate change, mobile applications, healthcare, energy efficiency and sustainable energy. As the traditional business strongholds would make way for new geographies, there would be new customers and more and more of SMEs will go for IT application and services.

Demand from emerging countries is expected to show strong growth going upward. Tax holidays are also extended to IT sector for software technology parks of India (STPI) and special economic zones (SEZs). Further, the country is providing procedural ease and single window clearance for setting up facilities. The country’s cost competitiveness in providing IT services, which is approximately 3-4 times cheaper than the US continues to be its USP in the global sourcing market\textsuperscript{16}.

3.9 SUMMARY

This chapter is descriptive in nature and has covered various aspects relating to the scenario prevailing world wide, nation and state wide, its nature, the various HR practices followed in the industry, the performance indicators adopted, the various best practices of the HR, the various recruitment and training practices adopted and the profile of this industry in the study area. As such. This chapter has been projected with the support of secondary data.
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