



## Innovative HR Practices in IT Industry in India

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**Abstract:** *Information Technology Industry in India has come of age and the competition between the various players have intensified. The main resource based on which IT companies define their core competencies have always been "manpower". Therefore attracting capable employees, developing them in the organization, retaining them and maintaining the knowledge they create is a major strategic objective for all the organizations in the sector. To do so the Human resource departments in these companies has to evolve and take on a more central role in the organization. With the top management support, the HR function in IT organizations has taken to the new challenges posed by the business environment by bringing in innovation in the Human Resource practices. While trade papers intermittently record these efforts, research efforts have not been undertaken to understand the extent and impact of iHRM practices in India especially in the Information technology context.*

*Well organized HR practices are a requirement for a successful strategic change. HRM plays a critical role in redefining new strategies so that they can suit the changing environment scenario. At times, HRM not only be a part of the new strategy, but also becomes the deciding and defining factor in pursuing a particular strategy.*

**Keywords:** *IT, Human Resource Management, Innovatives, iHRM.*

### Introduction

It's no secret that business success today revolves largely around people, not capital. This is of great significance especially in 'people businesses' like software companies with relatively high people costs and low capital costs. According to Barber & Strack, (2005) people businesses are those companies with relatively high employee costs, a high ratio of employee costs to capital costs, and limited spending on activities, such as R&D aimed at generating future revenue. The question of where and how value is being created or

squandered could be identified in people-intensive businesses by looking into metrics of productivity of people rather than of capital. The critical resources are employees a software company hires, motivates and retains. While occasionally, the value employees create in some software companies does take the form of intangible assets like intellectual property, brands, and the like, most employees in people businesses like IT services and products concentrate more on creating short-term value directly for customers, month for month and year



for year, without the intermediary step of creating an intangible asset. The distinct but generally unappreciated economics of people-intensive businesses like software call not only for different metrics but also for different management practices. Even slight changes in employee productivity in software companies have a significant impact on shareholder returns. In such cases "human resource management" is no longer a support function but a core process for line managers. It goes without saying that managing people is a key task for any company. But in a people business, this task becomes central to success because employees represent both the major cost and the major driver of value creation, People- management measures that lead to even small changes in operational performance can have a major impact on returns (Barber & Strack, 2005).

### **Innovative HRM Practices in the IT and ITES Industry**

The Information Technology Industry has gradually evolved over the period of years. The progression has been rapid from IT to BPO (Business Process Outsourcing) and to the newer terminology known as KPO or Knowledge Process Outsourcing. According to the Daintith, (2009), , "Information technology (IT) industry involves in the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data, often in the context of a business or other

enterprise". ITES (Information technology enabled industry) took shape because of the increasing need of IT in every aspect of business. Small to large scale businesses requires IT in their business. Working in ITES sector means to work within a business setting using information technology. A major part of ITES in India is through Business process outsourcing (BPO) which is a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business functions (or processes) to a third-party service provider. Often the business processes are information technology-based, and are referred to as ITES-BPO, where ITES stands for Information Technology Enabled Service.(Nellis & Parker 2006). Knowledge process outsourcing (KPO) is a sub-segment of business process outsourcing industry. Sachdeva, (2009) defines KPO as "The outsourcing of high-end knowledge intensive processes requiring considerable domain expertise which necessitates a shift of execution from standardized processes to processes that demand superior analytical and technical skills as well as decisive judgment". People or employees are the most important success factors that contribute to the massive growth of the Indian IT and Business Outsourcing Industry (Disha Sachdeva, 2009). Since IT and especially, BPOs and KPOs are a People-centric Industry, it becomes even more imperative for it to focus



and concentrate on the Human Resource management area, to acquire, retain talented knowledge workers and to provide them a comfortable and peaceful working environment. Picking and choosing the right talent or manpower in the BPO and IT is very crucial. Hence, people management issues are the top most priority of the industry since the job involves the application of the necessary job skills of the knowledge workers (Disha Sachdeva, 2009) (Naresh Khatria, Dec 2010).

Major IT companies are at the forefront of innovation in HRM. This includes the leaders in the industry including Infosys and Wipro. Infosys – The name of the company reminds us of the great leadership skills of the founder Mr. Narayan Murthy. Mr. Narayan Murthy started Infosys with his sheer determination and hard-work. He values and considers his employee workforce the most important asset of his organization. He believes in nurturing them and providing the right skill sets to be able to face the harsh realities of the dynamic corporate world. He believes that knowledgeable and talented workforce is the top priority of a company and that it creates a competitive factor for the company. Hence, the demand for talented and skilled labor force is increasing rapidly. From a mere number of 42 employees in 1987 to 23,000 in 2003, the increase in the number of workforce rose drastically. Mr. Narayan Murthy realized that the

traditional ways of recruiting and selecting employees had become redundant, and that the company required to adopt innovative human resource practices to be able to attract and retain the best possible talent in the market. In Infosys the recruitment process was interesting as well as a difficult nut to crack. It involved a lot of puzzles, problem-solving equations, that tests the analytical, logical and problem-solving skills of the candidate. The only selection criterion in Infosys is to test the ability or capacity to learn of the candidate. These tests helped the company to gauge the skills and capacity of the candidate to be able to survive in the dynamic Corporate Culture. Mr. Narayan Murthy believes that as long as the company continues to innovate, Infosys would continue to succeed, flourish and grow. Infosys built a training centre in Mysore, especially for its employees for building their skills and competencies (Som, March-April 2006).

Human Resource Management Research has always been a very hot topic and has been discussed and researched by several researchers all over the world. There have been several developments in the Human Resource field and the Human resource department has eventually evolved over the years (Paauwe, Nov 2001) (Harvey, Dec 2001). Because of rapid industrialization and globalization, the need for trained and skilled manpower becomes



imperative. Companies have started recognizing the importance of the HR Department and are aligning the HR function to the strategic business goals and objectives (Srimannarayana, Oct - Dec 2010). HR Department would be accountable for the strategic decisions and the overall performance of the organization (Harvey, Dec 2001). A lot of Researchers have emphasized that employees that work in teams or team work has resulted in productive performance of the organization (Carmen Camelo Ordaz, April 2008). Nowadays, there are many companies which have also adopted newer technologies like internet services in an effort to undertake their HR responsibilities. There are many social networking websites available which connect people from the farthest corner of the world. Websites such as naukri.com, timesjobs.com and LinkedIn are very popular websites for recruitments in India. (Bing, 2011).

**Vanitha, V, et al.(2006)** analyze the organizational commitment and stress among the information technology (IT) professionals. Some of the demographic variables and sex differences between the male and female IT professionals on organizational commitment and stress were also examined. An Analysis of Variance (ANOVA) test was used to analyze the data, which consisted of 76 IT professionals. Results, based on the study of various variables, revealed that there was no

significant difference between the male and female IT professionals.

### Objectives of The Study

- To identify traditional HR practices
- To identify responsible factors for innovativeness
- To evaluate relationship between high tech culture and innovative HR practices
- To investigate scope for innovations available in HR practices

### The Indian HRM Context

India has absorbed ideas and practices from around the world for many centuries. Her contributions to science, mathematics, astronomy and political administration have been widely noted. Ancient Indian wisdom, as enclosed in many sacred texts from 2000 B.C., provides an integrated tradition that still continues to influence the Indian mindscape. This stream of "Wisdom" literature can best be explained through a philosophical tradition of holistic reasoning called Vedantic philosophy which synthesizes a common set of ideas and values. The Vedantic Philosophies underpin the essential unifying forces of many apparent divergences that characterise India. This school of thought holds strongly that human nature has an immense capacity for self-transformation and has been incorporated in much religious literature. Many of these



spiritual teachings are practical and relevant to the modern context. For example, the narratives of Panchatantra use animals and birds to create guidelines for noble and practical human behavior.

### **HR Practice in India:**

According to Arthur and Boyles (2007), HR practices refer to how an organization's HR programs are implemented for and experienced by lower-level employees and managers. Thus, HR practices capture the potential for variation in employees' perceptions and experiences of an HR program based on the quality of the HR program implementation. (HR programs are defined as the set of formal HR activities used in the organization) While international human resource management has been traditionally studied through Western theoretical and empirical lenses (Bossard & Peterson, 2005; McMahan, Bell, & Virick, 1998), there has been a growing theoretical and empirical appreciation that certain HR practices are sometimes context and culture specific (Bowen, Galang, & Pillai, 2002; Budhwar & Bhatnagar, 2009; Budhwar & Khatri, 2001). This recognition and certain counterintuitive research findings across culturally diverse countries have led HR scholars to demonstrate that merely transplanting "best" HR practices around the globe may be less than desirable from an organizational competitive advantage perspective (Björkman & Budhwar, 2007; Huo & Von Glinow, 1995;

Lowe, Milliman, De Cieri, & Dowling, 2002; Von Glinow, Drost, & Teagarden, 2002). Although researchers have undertaken ambitious crosscountry and cross-cultural international HR studies (Von Glinow et al., 2002), these studies have not directly incorporated the Indian HR perspective, and a scarcity of research in the Indian context persists (Budhwar & Sparrow, 1997). While some studies have considered other Asian countries, India differs culturally from its geographical neighbours in terms of socio-cultural attributes (Triandis, 1989), which have been thought to influence organizational HR practices (Aycan et al., 2000; Dowling & Welch, 2004).

### **Innovative Human Resource Management**

In the recent studies, Human resource management have been defined as a sun rise concept and traditional personnel management as a sun set concept. But a few studies on HRM have stated the need for new and innovative human resource management which are early sun risers. In this era of high competition, a set of older human resource management practices can't result in productivity enhancement for a long time. With increasing globalization, firms are entering a dynamic world of international business that is marked by liberalization of economic policies in a large number of emerging economies like India. To face the challenge of increasing competition



that has resulted from liberalization, Indian organizations have initiated adoption of innovative human resource management practices.

### **Need for adoption of iHRM practices**

The dynamic and changing business environment of India, that started off with liberalization in the first phase, then moved on to privatization/deregulation (second phase), and the third or the current phase of globalization, has made it imperative for modern organizations to adopt iHRM practices (Som, May 2007). Previous research has also indicated and shown that organizations adopt iHRM practices to improve their organizational performance. According to authors who have worked in this area, organizations adopt iHRM practices to remain competitive and save their business. Several Indian organizations have adopted iHRM practices to remain competitive and improve their organizational performance (Singh, June 2003). Companies such as Hero Honda, Tata Motors, Bharat Forge, Hindustan Inks, Sundaram Clayton, BPCL, Maruti Suzuki, Infosys, and Wipro were able to successfully adopt iHRM practices in their organizations to withstand the blow of liberalization, privatization, FDI, and the threat of MNC's (Som, May 2007). Sung-Choon, (2013) and Conway, (2011) suggests that organizations are inclined to adopt IHRM practices to improve or augment their

organizational efficiency and employee productivity. It also suggests that organizations now face severe competition or regulatory pressures which again makes iHRM practices inevitable. A previous research interviewed some HR professionals in the U.S, who named some 40 innovative HR practices that were executed or implemented in their organizations. Some of these innovations that were named were human resource information system, 360-degree appraisals, internet or online recruiting, Six-sigma, outsourcing, competencybased compensation, etc.

### **INFORMATION ECHNOLOGIES**

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<sup>2</sup>. "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 (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.

### **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.

### **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.

### **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.

### **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.

### **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.

#### **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.

Human resource practices are most effective when coordinated with strategic goals of organizations. HR practices role in the company's success is growing rapidly with the growth in many sectors in the present globalized era. With the growth of the Indian industries in the knowledge-verticals', human knowledge is

undoubtedly the most important strength nowadays. To make sure that a company chooses the right person for the right job, and manages human resource carefully, processes like competency mapping are gaining ground. Competency planning is a process of identifying key competencies for a particular position in an organisation, and then using it for job-evaluation, recruitment, training and development, performance management, and succession planning. In conjunction with the balanced scorecard, this can be an extremely healthy tool to manage an organisation's performance. As far as the HR function is concerned, the time has perhaps come where it needs to be treated as a line function with every manager having HR activities as part of his line responsibilities, rather than treating HR as a separate, support-providing activity only. The shift in focus from traditional HR practices to strategic HR practices was inevitable. Competitive advantage for an organisation lies not just in differentiating a product or service or in becoming the low cost leader but in also being able to tap the company's special skills or core competencies and rapidly respond to customer's needs and competitor's moves. HR practices can play a vital role in identifying and analysing external opportunities and threats that may be crucial to the company's success. It is in a unique position to supply competitive intelligence that may be useful in the strategic





planning process. Hence, HR practices to attract best talent, giving them pleasant environment to work with, that enables the company to retain talents, the above said practices are conceived and implemented and found successful by the leading companies in India.

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### **Conclusion**

Information Technology Industry in India has come of age and the competition between the various players have intensified. The main resource based on which IT companies define their core competencies have always been "manpower". Therefore attracting capable employees, developing them in the organization, retaining them and maintaining the knowledge they create is a major strategic objective for all the organizations in the sector. To do so the Human resource departments in these companies has had to evolve and take on a more relevant role in the organization. With the top management support,



the HR function in IT organizations has taken to the new challenges posed by the business environment by bringing in innovation in the Human Resource practices. While trade papers intermittently record these efforts, research efforts have not been hitherto undertaken to understand the extent and impact of iHRM practices in India especially in the Information technology context. Therefore this study attempts to understand:-the extent to which HR managers believe that innovation in HR practices are important for achieving goals of the organization, the major areas in which innovation is required, the extent to which Indian companies have succeeded in inculcating innovative HR practices, the major influences on the kind of HRM innovations adopted by Indian IT organization, and the important outcomes of innovation in HR practices with reference to organizational commitment and performance. In order to do so, HR managers at twenty large, medium and small IT companies were interviewed in the city of Hyderabad with head quarters in Bengaluru.. The data collection instrument was tested for reliability and validity before proceeding. The data thus collected was subjected to empirical analysis using descriptive analysis, Factor analysis and Analysis of variance. The results of the study indicate that HR managers agree that including innovative HR practices is extremely important especially in the process of attracting and rewarding

employees which are two of the largest challenges they face. In Employee acquisition use of referral bonus and the social media is increasingly common while in use of a blend of financial and non-financial rewards in addition to "Best employee" etc. is finding more takers. Virtual working has also become increasingly acceptable to organizations if it means that they can retain talent. The main motivation for organizations to adopt iHRM is to remain competitive in the market according to the HR managers interviewed in this study. Moreover the external environmental factors including competition and the customers compel organization to incorporate innovative practices. The other major reasons include attempt to provide a satisfying work environment, Top management insistence, already inculcated organizational culture and structural characteristics. The respondents were very positive about the impact of innovative practices in HRM. They said that the most visible impact is on the ability of the organization to attract and retain talent. This first may also be because of the increased employee satisfaction which is also an outcome of iHRM. The third area in which the impact of iHRM can be felt is Employee productivity. Other areas in which the managers felt that iHRM practices can have a positive effect are: Employee attitude and Behavior, Sales growth and People orientation of the management. While ROI, market share and



customer satisfaction are according to them positively impacted too. These have been rated the least since these iHRM may not have a direct or immediate impact on these. An organization investing in iHRM naturally would do so only if the outcomes gave them strategic advantages. These innovative practices according to HR managers of these companies help organizations to remain competitive in the job market; moreover their clients also audit them to ensure that their HR practices as per acceptable international standards. With these and the employee satisfaction in view, top managements have also been pushing their HR departments to bring in innovative HR strategies. But at the same time it's interesting to note that the impact of the iHRM initiatives is significantly higher for larger organizations than for smaller ones. In Impact of organizational effectiveness at the micro level including Employee satisfaction, employee productivity.

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