# A study of Human Resource Management practices in Information Technology and ITES units in Mumbai

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## Introduction

The process of globalization led competition within and beyond the nation. The extension of the global competition to Indian industry is source of both a threat and opportunity. There is a free flow of modern technology. Indian industry has accepted the challenge of technology and competition along with the free flow of foreign capital. Foreign companies are coming to India because labour is cheap and cost of production is low as compared to their country; they are coming with the new technology and huge capital .These companies are outsourcing in different activities.

The Indian IT success  story has also highlighted India's attractiveness as an investment  destination-not only  in the IT sector  but another key  impact  of the global sourcing model  popularized  by the growth of IT-ITES has been  the reversal of the brain drain  as people of Indian  origin as well as young  experts  are  now  being attracted to worth in India. .

## Importance of IT and ITES Industry

The growth of the Indian IT\ ITES sector in dollar terms and as a share of the gross domestic product [GDP] has been impressive.The IT-BPO sector in India is estimated to aggregate revenues of USD 88.1billion in FY2011,with the IT software and services sector(excluding hardware) accounted for USD 76.1 billion of revenues. During FY 2011 direct employment is excepted to reach nearly 2.5 Million,an addition of 240000 employees.While indirect job creation is estimated at 8.3 Million.As a proportion of national GDP the revenue have grown with 1.2 per cent in FY1988 to an estimated 6.4 per cent FY2011.The share of IT-BPO Industry in the  total Indian exports increased from less than 4 per cent in FY1988 to 26 per cent in FY 2011.Seven Indian cities account for 95 per cent of export revenues, focus on developing 43 new locations to emerge as IT-BPO hubs. Higher growth in European/Asian market is predicted. [NASSCOM 2011].

The sector is largely driven by the larger firms and multinationals For instance ,in 2007-08 ,out of top 20 IT firms 12 are multinationals and among top 200 firms ,34 per cents are multinationals [Dataquest 2008].

## Selection of the problem

The information technology industry is growing fast in India .The impact of this industry is experiencing in the society as a whole .Social and economic life of the people is affected .Young youth are getting an opportunity for employment in the country and abroad also there is continuous demand from local as well as foreign market .Youths are getting good salary and other benefits. Customers are expecting, more satisfaction by

way of product and services. The processes of production is also continuously changing .There is more scope of upgradation of technology employees are also trying to cope with new technology but they are finding it difficult with the space of modernization.

Employees are paid good salary as well as other amenities. The work culture is different with the traditional industry .Young boys and girls are attracted, working hours are more flexible, it extends late in the night, the nature of work is unique and new .There is hardly any scope for the personal interaction. The industry is functioning day and night because transactions are taken place with the local as well as global market.

There is competition among the IT companies to attract people as a result, high attrition rate is observed. In this sector employees are experiencing less job security and tension .The system is new and difficult to adjust .To attract people monetary and non-monetary benefits are provided .Employees expectations are very high and hence they change job frequently. This being service industry the benefits are offered on the basis of capacity and skill of an individual employee .There is low level of unionization and work force is organized on the line of unorganised sector. The practice of collective bargaining is absent and individual level bargaining is experienced. The salary package is offered comparatively very high.

This industry has challenge to attract, develop and retain talented people. Many companies have started innovative H.R. practices, which are unique .There is impact on quality of work and quality of life .Problems relating to health are also

experienced with the youth, eating habits are also changed, and new lifestyle is observed with the IT people .Management has started new policies and practices relating to H.R.D. These practices are varying with the one region with another .Another small company outsources company's activities .Technology has to be adopted for the effective utilization of human resources.

The study of this research proposal is restricted to information technology industry within the metropolitan area of Mumbai .This sector is important and big in terms of financial turnover, size of the employment, rate of growth, contribution to export, and very fast changes. In the wake of the changing global services landscape Indian I.T. and IT enabled services [ITES/BPO] continues to chart remarkable double –digit growth with industry.

**Objectives of the study**

The new economic policy of 1991 was introduced to cope with the problem of our economy i.e. economic crisis .Industrial policy was liberalized to develop competitiveness in local and foreign market .The changes in the industrial policy made employees to initiate measures pertaining to cut down cost of the production .Employer started to take steps to reduce wage cost and other related costs .Many Employers started to change their human resource policy for growth and survival. Resrarcher has selected some areas for research relating to employers and employee's concern.

1] The Information technology and ITES services being an important segment in national economy therefore, wanted to have scientific and rational investigation into H.R. policies with a view to understand Human Resources working in the vital sector with a proper perspective. The following area has been identified for detailed investigation.
[a] Recruitment and selection
[b]Retention of talented people
2] To understand the sources of manpower in the local labour market in relation to Information Technology industry. This is with a view to understand employment opportunities for local population.
3] To understand the impact on working life vis-à-vis work practices in IT industry.
4] To explore and investigate management philosophy of IT companies in relation to compensation benefits to their employees.
5] To benchmark H.R. practices in the above listed areas –so as to develop a set of model practices for IT companies.

**Research Methodology**

In the present study domestic as well as Multi-National companies constitute the universe and hence stratified as well as systematic sampling method is followed.  The list of IT & IT Enabled services has been collected from NASSCOM and is being referred for the proper sampling .This list includes Information Technology companies, IT Enabled services plus Business Process Outsourcing companies operated in Mumbai metropolitan area.Researcher has  selected 26 companies through the sampling method out of which 19 are domestic and 7 are multinational companies

**Exact Size of the Sample:**

▪      Total no of companies as per the list of NASSCOM – 222
▪      Total no. of companies selected for sampling-126


Final List of IT/ITES Companies for Sampling

| Type of Companies | Total No. | Selected | per cent |
|---|---|---|---|
| Domestic | 90 | 19 | 21 |
| Multinational | 36 | 7 | 19 |
| Total | 126 | 26 | 20.5 |

Source: survey data

For this purpose researcher has used the stratified as well as systematic sampling method for the research. The pre-designed schedule has been prepared and administered for the collection of data along with in-depth personal interviews of managers. The data has been subsequently analyzed with the help of computer analysis and interpretation and conclusions have been drawn.

At the time of pilot study, respondents had suggested to the researcher that at the time of designing the questionnaire/schedule, preference may be given to open ended questions, so as to elicit maximum information from them. Accordingly questionnaire was suitably modified and hence researcher has adopted qualitative technique for analysis. Researcher has enabled use of field work to focus on the cultural attributes of a setting based on the perceptions and perspectives of those are studied and where the findings are reported in a non-judgmental way. Unstructured and conversational interviews have been evaluated by the researcher in the study.

**Data presentation, analysis, interpretation in relation to sample unit**
As per the sample design, researcher contacted the unit company H.R. professionals on telephone. Researcher personally went to the company with questionnaire for administering with them. They shared their own experience and helped me to get relevant information.  Later on, Researcher tried to fill up questionnaire at home in detail.  These interactions helped me to learn practical knowledge with reference to my study. The questionnaire was classified into two categories i. e. Domestic company and Multinational Company. The data presentation, analysis and interpretation were done separately.

In the questionnaire, there were about 40 questions. The information relating to each question was presented in tabular form as well as in pie chart. Then each table's analysis and interpretation was done simultaneously few of them as given below.

<div align="center">Recruitment and Selection</div>

Table -1 :     Sources of Recruitment

| Type of response | No of respondents | percentage |
|---|---|---|
| a) JOB SITE | 19 | 100 |
| b) EMPLOYEE REFERENCE | 19 | 100 |
| c) RECRUITMENT AGENCY | 15 | 79 |
| d) ADVERTISEMENT | 14 | 74 |
| e) HEAD HUNTING | 12 | 63 |
| f) COMPANY WEBSITE | 14 | 74 |
| g) WALK-IN-INTERVIEW | 11 | 58 |
| h) ENGG. INSTITUTE | 08 | 42 |
| i) ANY OTHER | 01 | 5 |

(Source; Survey Data)

The data of my research indicates that all respondent companies use Job-site and Employee reference as a major recruitment source for their company. Out of 19, 79 per cent companies go to Recruitment Agency as a source of recruitment. Out of 19 companies, 74 per cent companies have opted for advertisement and company website. Out of 19 companies, 63 per cent companies have preferred head hunting process for recruitment. Out of 19 companies, 58 per cent companies have Prefered walk-in-interview process for recruitment. Out of 19 companies only 42 per cent companies have gone for campus recruitment to the engineering institutes. The above table reveals that companies give more preference for recruitment through job-site and employee reference because it is cost effective method as well as time saving as compared to other processes of recruitment. Another important reason for recruitment through job-site and employee reference is high attrition rate in IT companies. For example if you go for campus recruitment, it is very long, time consuming and lengthy process.

**Table -2: Parameters for Selection Process**

| Type of response | No of respondents | Percentage |
|---|---|---|
| Functional Knowledge | 17 | 89 |
| Leadership Skill | 12 | 63 |
| Attitude | 15 | 79 |
| People Management Skill | 11 | 58 |
| Potential for Growth | 13 | 68 |
| Good Academic Qualification | 15 | 79 |
| Any Other ( Based on Job Profile, as per requirement) | 02 | 10. |

(Source; Survey Data)

It is also observed that the functional knowledge is important for deciding selection process as per 89 per cent respondents. The attitude and good academic qualification are also important parameters for selection process as per 79 per cent respondents. The 68 per cent respondents identify the potential for growth as an important parameter for selection process. According to 58 per cent respondents, people management skill is one of the major criteria for selection process. The respondents see leadership skill also important parameters for selection process. Only 10 per cent respondents say that job profile and requirement will decide parameters for selection process in different circumstances.

The functional knowledge, good academic qualification, attitude, potential for growth leadership skill, people management skill is the important parameters for adopting selection process. The one of the parameter i.e. job profile is not important from respondents point of view. The selection process is very important that, if the right candidates are not properly selected, the attrition rate may be high, the cost of which will have to be borne by the companies concerned. In the selection process management prefer good academic record at the entry level where they can mould them in systematic way.Candidates intelligence, analytical ability and logical reasoning is tested in the process.

**Table -3: Why do people leave the organization?**

| REASONS | NUMBER OF RESPONDENTS | percentage |
|---|---|---|
| a) Increase in Salary | 08 | 42 |
| b) Higher Education | 07 | 37 |
| c) Career Opportunities | 12 | 63 |
| d) Brand name of Company | 03 | 16 |
| e) Non-listed company in market | 01 | 5 |
| f) Overseas Opportunities | 02 | 11 |
| g) Personal reason | 04 | 21 |
| h) Relocation | 01 | 5 |

(Source; Survey Data)

The data reveals that, the most important reason for leaving the organization is better career opportunities as per 63 per cent respondents. As per 42 per cent respondents, employee leaves the job for getting higher pay package. According to 37 per cent respondents, employee leaves the job for further higher education. According to 21 per cent respondents, employees leave the job on personal grounds. According to 16 per cent respondents, candidates leave the job on the basis that companies' products are not branded. Only 11 per cent respondents indicate that candidates leave organization for overseas opportunities. According to 2 candidates employee leave the organization due to non-listing of the Company in the Share Market and change of location.

The data can be interpreted; the employees are leaving the organization for better career opportunities because of the characteristics of the IT industry the brand name and want to grow very fast and that is why the young generation is acquiring good positions in IT industries. The IT industries pay high salaries and provide lot of welfare facilities, so employees are changing job frequently. The employees leave the organization for higher education because they feel they must get stability in life through good career and opportunities. Another important aspect is that the technology is changing very fast and they want to cope up with the new technology otherwise they will be loosing the job.

The exit interview is one of the major instruments from the management side to curtail attrition rate, this process helps the management to get real picture from the outgoing employee through one to one interview. This is very effective in IT Company because through this process they can analyze the drawbacks/ loopholes in the organization. They can improve through the counselling, that's why they have either the prepared questionnaire or exit interview form. It will help them to reduce the cost for further recruitment and selection process. They can also benchmark with the competitors about the compensations and other facilities. This process helps them to get right information from the candidates about competitors, their policy of compensation and relevant activities.They can modify company's policy according to the situaton.

According to the majority respondents, monetary benefit is the crucial factor from the management side to retain the talented people. So it is observed that people are leaving the job even though there is a small rise in the salary. As a result more attrition rate is observed in the IT industry. People are not attracted towards the non-monetary benefits offered by the companies. Career development, recognition and rewards are also one of the important aspects of management policy to retain talented people.

With regard to innovative HR policies, 7 companies have performance link reward system as a major monetary benefit policy. The 4 respondents say that there is no specific policy in regard as far as monetary benefit is concerned. Very few companies have responded to monetary benefit provided with regard to ESOP scheme, loyalty bonus, Group insurance, Loan policy, leave enhancement policy, incentive, special rewards, market driven compensation, high salary, night shift allowance and conveyance etc.

With regard to non-monetary facilities 5 respondents give more weightage to recognition award. At the same time 5 respondents have replied that there is no specific non-monetary scheme in the organization. According to majority respondents the non-monetary benefits like higher education, IPR- patents, promotions, quarterly project policy, get-together, picnics, conducive working environment, cultural programmes and food-coupon. In house medical treatment, flexible working hours has not been given more importance in the organization.

The data reveals that performance link reward system and incentive scheme is the major HR policy adopted by the companies to retain talented people. Other monetary factors are not given weightage by the respondents. With reference to non-monetary policies recognition award and get-together contribute to large extent as HR innovative policy to retain talented people. Other factor as far as the non-monetary is concerned has not given more weightage to retain talented people.

**MAIN FINDINGS**

Main findings have been presented in relation to hypothesis which is framed in my research work.
1] Innovative H.R. practices are emerging in IT sector.
The respondents of both categories have stated that work culture in IT industry is friendly, open and transparent. There is a lot of variation in the observation of the respondents in both the categories. It is also stated that work culture in IT industry is more vibrant, professional, competitive work environment and more scope for knowledge upgradation. This industry provides more attractive and healthy environment. This industry is employing young workforce. Therefore the work culture is very unique and attractive. The work culture in this industry cannot be compared with that of any other industry.

All the respondent companies are initiating Innovative human resource practices to attract and retain talented work force. There is a shortage of skilled manpower. The practices like work-life balance, recognition and reward system, flexi work time concept,

employee of the month are more effective in the I T industry. The flexi work concept is very unique because company is allowing employees to work from home. The company is saving cost on infrastructure like cafeteria, power, transport etc. Flexible work schedules are initiated by employees and approved by management to meet business commitments while supporting employee personal life needs. The factors on which Flexi time is allowed to an employee include: Child or Parent care, Health situation, Maternity, Formal education program. This hypothesis is proved to a great extent.

2] The practices of individual bargaining are based on Individual skill and being followed in IT industry.

Individual employee is evaluated by the supervisor on the basis of individual skill and experience. Domestic as well as multinational companies decide compensation through individual bargaining. There is always shortage of skilled manpower. Therefore; salaries of the IT employees are not identical. The process of collective bargaining is being replaced by individual bargaining based on the individual skills.

3] The change in technology is so fast that both i.e. employers and employees are finding it difficult to cope with the speed of technology. As a result of which the industry faces the problems like high turnover and the lack of job security for the employees.

The majority of respondents from both the categories have stated that management as well as employees is trying to learn new skills by way of training so that they will not encounter any problem in future. The employee's turnover is not so high in case of

normal skilled employees in both the categories but in case of highly skilled employees, turnover is observed to be higher. The employee while evaluating their role to cope up with the changing technological needs perceive it may positively, on the whole the attitude of the employee in respect of changing technology is incourageous and pro-active. Some of them are more positive as they have enlisted the response is very positive. Of course in this perception they do not necessarily look towards technology which can provide them better opportunity .However employees has been seeing and taking periodical review of the changing technological needs and pro actively take up the initiative on their own in respect of upgrading their skills .This is with the hope to get more monetary benefits and better carrier opportunities .on the whole it has been observed that the employees in IT sector are very eager to cope of with the changing technological needs.

The majority of respondents from both the categories have stated that there is job security for the employees. A few of them have stated job security is not there. In the present study, all the respondents are the managerial staff. According to them, they do have their job security but generally employees are scared of losing their jobs.

4] The social life of the employees is disturbed due to stress, working environment and job timings.

The majority of domestic as well as Multinational company respondents have observed that there is an impact on social and economic life of employees in the IT industry. The economic status has been improved, at the same time due to busy schedule, long

hours of work, permanent night shift, incredibly high work targets, loss of identity, fast life, junk food, lack of social participation; new social environment and odd timings have resulted in negative impact on work-life. The life styles have been affected to a great extent.

About 30-40 per cent of the employees working in the call centre had complained of eye problems, Soreness, dryness, blurred vision, light sensitivity, headache, all these put together is labeled as the computer vision syndrome. This problem is more acute with the team leaders who need to come in early and go back late. Digestive disorders are common among employees in the call centre. Thirty-four percent of employees had complaints on this point as revealed by the HR managers. This hypothesis is proved to a great extent.

**General Observations**

Besides specific findings in relation to pre-decided area, the researcher would like to share general observations, since he had spent a considerable amount of time with practicing executives in the IT sector.

It is significant to note that all the MNC respondents have stated that there is job security to the employees whereas out of 19 domestic respondents 84 per cent of them have stated that there is job security. The majority of MNC and domestic company respondents have stated that the grievances are resolved through one to one discussion, at the same time other methods are also used as per their needs. The majority MNC respondents have stated that health hazard in IT industry has been observed. In case of domestic company respondent a few of them have observed health hazard. As a result high stress and physical problems are

experienced. It is significant observation in both the categories that there is impact on Social and economic life of employees in IT industry. The social and economic status has improved. At the same time some negative impact on social and family life has also been observed.

The majority MNC and domestic respondents have stated that the work culture in IT industry is very different, open, friendly and more scope for personal development. The nature of work in IT industry is unique but no common factor is emerging out of the same. It is a technology driven, fast growing organization. It is significant observation in both categories that innovative HR practices have been observed in IT industry as compared to other industries such as Engg, pharma and services. The majority MNC and domestic companies respondents have stated that there is impact of long working hours on health of employees that is high stress, physical ailments etc. It is very significant that majority MNC and domestic companies trying to initiate steps to attract develop and retain talented people in the competitive environment.

**MAJOR RECOMMENDATIONS:**
**1)** Recommendations with reference to recruitment and selection

It has been observed that both domestic and multinational companies covered in the survey follow systematic manpower planning i.e. short-run planning covering 3-6 months based on the project requirements. This may result in to complacency and hence it is suggested that the companies may develop long term perspective covering the period of 2-3 years. This will help them to sustain in global competition.

The attrition rate is always high in respect of IT companies. However, our survey findings indicate it is in the normal range of 10-15 per cent. Since, attrition rate is related in the high cost of recruitment, it is suggested that there may be upgradation of the skills program in the beginning so as to reduce the further cost of recruitment.

It has been found that local employment market is sufficient to fulfill the future demands of the companies. It is advisable and necessary to upgrade the skills of the candidates in the beginning for future prospects.

Job site and employee reference scheme are the major source for recruitment which is easy, fast, low cost and more effective. Therefore it is suggested that companies will have to effectively utilise the recruitment process under which job-site and employee reference scheme is given more importance due to cost effectiveness.

If recruitment process is planned, systematic and cost effective, it will reflect into reduction in attrition rate in the organisation.

It is observed that parameters for the selection process are different but functional knowledge and attitude is more important. As a result employee may be properly trained at the entry level so as to reduce attrition in the company.

It is suggested that medical examination may be conducted at the time of entry. This is necessary because of the type of work expected to be done by the candidate is quite different.

It is found that companies are having central talent pool of employees to fulfill future needs of the projects. It is advisable that companies should have planning for talent pool for short term as well as long term needs.

**2)** Recommendations with reference to retention of talented people
It is found that attriton rate in both the type of companies is about more than 10 per cent. The attrition rate measuring formula is used by the domestic as well multinational companies. The attrition measuring process may be evolved in such a way that it will help them to measure in a systematic way.

It is observed that younger generation feels that career planinng is very important. They are ready to accept more responsibilities and challenging tasks, therefore it is suggested that a proper career path may be explained to them initially so that they will not leave organisation at the initial stage.

As far as exit interview feedback process is concerned in both the categories, feedback is measured through one-to-one discussion. The exit interview process may be followed rigourously so that it will help to understand interdepartmental relationship in the company. The strong exit interview process will help management to reduce the cost of recruitment process.

The domestic companies as well as the MNCs adopt differnet innovative HR practises and policies to retain talented people. Compensation is not only the factor but the reward and recognition policy may be suitably modified to retain talented people. The non-monetory benefits are more important than monetory benefits to retain talented people. It is strongly recommended that work environment may be healthy and attractive to the employees.The company can create employees' benevolent fund and every employee should contribute a certain percentage of his/her salary to the same. In case of unexpected situation or financial contingency they can apply for assistance from the fund and the request for the same should be approved by a committee of employees. As we all know, employees love having potential safety net to fall back upon during difficult times.It is suggested that safety net shoud be properly evolved.

Effective succession planning that is tried to employee career plans has been found to improve morale and productivity. Organizations that support career development by allowing employees to explore new opportunities within the organization and encouraging job mobility are more likely to have employees who actively participate in their career development. Because, there employees are more likely to seek opportunities within the organization and as a result employee retention and overall satisfaction increases while knowledge drain and loss of critical knowledge decreases.

The companies must develop proactive, dynamic and committed strategy for building long term relationships with employees and clients. Further, from core values communication and listening to genuine view and concern about the company and community, the companies must focus on the objectives, while deciding the businesses strategy. This makes the, employees and clients to stay with the company.

The exit interview process should be formal and systematic so that feedback will help to monitor the attrition rate.
In all 60 innovative Human Resource policies are listed by respondents of employers in I.T industry out of which the following practices are unique in stability and growth of the industry

**Talent Retention Strategy**
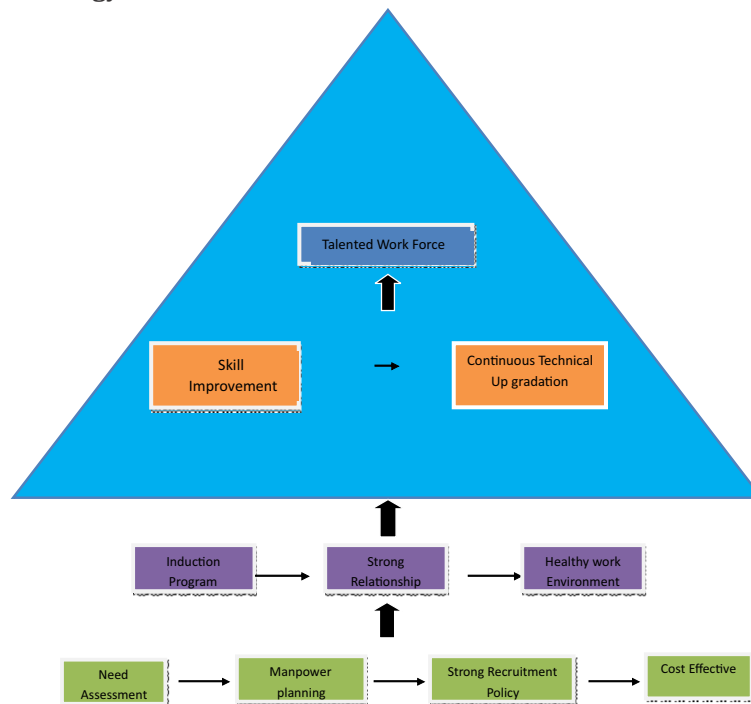


**Human Resource Management practices Ideal Model**

The above Human Resource practices ideal model is developed on the basis of research carried out in the information technology industry in the Mumbai metropolitian area. If the above model is experimented in the IT industry, the organisations' capability is going to be developed to attract and retain talented people.

The model is designed to suit any IT and ITES organisation which is flexible to suit different types of organisations. The IT organisation needs talented workforce and they are moving towards the talented workforce. To reach the destination, management should have strong foundation of manpower planning at the initial stage. At the first, organisation should carry out need assessment survey then accordingly individual needs and organizational needs must be aligned together. The need assessment process will help to design proper manpower planning for short term as well as long term. After the planning process, execution will go further through the strong recruitment policy which will be worked out with suitable steps. This process is going to be useful for reducing costs in the global competitive environment. It is fast, easy and cost effective recruitment process.

Once the foundation of the organisation is strong, new employee may undergo very systematic induction program which will focus on orientation on management as well as about their career in the organisation, which will help them be more comfortable in the organisation at the entry level. It will help in developing a strong relationship between the employee and the management. Then we have to take steps for creating conducive working environment for employee. The work culture is very important in IT industry to attract, nurture and retain talented workforce which will create healthy working environment.

At the third stage, organisaton as well as the employee are passing through process of skill development. In IT industry technology is changing very fast therefore, both are trying to improve skill for sustainability. The skill improvement depends upon new technology. Management as well as employees are trying to upgrade their skill to the latest technology through training, which is a continuous process of technology development. All the efforts will lead the organisation towards the talented work force for sustainable development of the organisation.

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