Managing Human Resources in a Liberalized Economy

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People from the corporate sector who have benefitted from the liberalization of the Indian economy need to work towards ensuring a superior quality of life for people living in villages

INDIA IS the world's second most populous and a comparatively young democracy. The Indian economy after liberalization in 1991, has transformed into a vibrant, rapidly growing consumer market, comprising over 300 million strong middle class with increasing purchasing power. Indian economy in terms of purchasing power parity with an equivalent GDP of US$ 3.666 trillion is the fourth largest economy in the world after USA, China and Japan. In US Dollar Terms, it is the twelfth largest in the world, with a GDP of US $719.8 billion. The Indian economy is expected to grow with more than or about five percent growth till 2050 as projected by BRIC Report (2003). In the recent past, the manufacturing sector has caught up and has been doing very well with more than ten percent growth per annum. Automobiles, automobile components industry, textile, white goods, steel and cement are some of the manufacturing industries that have grown at about 20 percent per annum for the last few years. Performance of India in the service sector has been much better as compared to manufacturing and agriculture sector. Knowledge-based service sectors such as IT and IT-enabled services, biotechnology and pharmaceuticals, and health services have significantly contributed towards the growth of export from the country.

Human Resource Challenges and Initiatives in Formal Sectors

The fast rate of growth both in service sector as well as in manufacturing sector in India has led to enormous shortage of talent. It is estimated that IT and IT-enabled service sector alone will hire about 400,000 people and financial service industry will hire about 100,000 people. Organizations experience a big challenge to attract, retain and engage the talented manpower. Since talent market has been demand driven, every talented person has multiple choices which

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has led to increase in attrition rates in most of the industries. In addition, after liberalization of Indian economy, the manufacturing sector as well as service sector being integrated to the world markets, they need to ensure that the products and services being offered by them are world class. Hence, Indian organizations should have access to the latest knowledge and technology to remain competitive and to sustain growth. Some of the service sector such as organized retail is new to India. A number of new educational programme at degree level have been started to take care of the knowledge needs of the sector. Hospitality industry is another industry which has been experiencing phenomenal growth due to substantial increase in business, leisure and medical tourism to India. In the following section, we discuss some of the major human challenges being experienced by Indian organizations and approaches to overcome the problems.

Recruitment, Selection and Induction of the New Employees

Indian manufacturing and service organizations have been recruiting fresh graduates at the entrée level in very large numbers. The top few software organizations have plans to recruit at the entry level in the range of 15-35,000 employees. Such a large number of fresh employees are required partly to take care of large attrition rate and partly to provide for the business growth. It involves substantial work in resume sourcing, initial screening, referencing and selection process. Organizations need to reduce cycle time to ensure that the business gets the additional manpower in time and at the same time the

selection process should ensure that the right candidates are being selected. Resume sourcing, initial screening work and referencing work is increasingly sub-contracted to recruitment agencies. Selection is increasingly competency based and managers who participate in selection interviews are trained in competency based interviewing skills. In fact, many organizations insist that a practicing manager cannot participate in a selection interview unless the person has attended a workshop on interviewing skills. Since the talented fresh graduates are hugely in demand, an interview becomes an opportunity for the interview panel to market the organization to a candidate by sharing the excitement of working for the given organization. Organizations have increasingly realized the need for creating match between vision and values of an organization and the aspiration and values of potential employees. Hence, interview panels spend substantial effort to assess the aspiration and values of the interviewees. Organizations which are in service sector look for behavioral evidences for service orientation in the potential candidates. In addition, since in the present era existing knowledge is becoming obsolete very fast and new knowledge is evolving even faster, organizations give high importance to learning capability of the potential candidates.

Since in the large organizations, twenty to thirty percent of the employees are young and fresh, organizations need to ensure that they are inducted to the organizational values and norms. And hence, organizations invest substantial amount of effort in inducting the new recruits to organizational

values, systems and processes. The new entrants are made familiar with the intranet based information about various systems and processes of the organization. Organizations use buddy system for the first few months to make the new recruits comfortable. Since attrition is typically high for the first six months to one year, organizations take special care to get regular feedback from the new entrants after 30 days and again after 90 days.

Finishing School Training

Due to the shortage of qualified professionals, new economy businesses such as software organizations in India have been recruiting engineering graduates irrespective of their disciplines based on their analytical and learning capabilities. These fresh engineering graduates need to be given substantial inputs in software engineering. The computer and IT courses that are taught in different university colleges need to be expanded to cover not only the fundamentals but also to expose the students to current practices in the software industry. Similar problems exist in other fields such as business process outsourcing (BPO), insurance, clinical research, organized retail and business analytics. Since university colleges do not provide enough knowledge about current tools, technique and industry practices, fresh graduates joining an organization need to be exposed to these aspects before they start taking work responsibilities.

Industry associations and organizations have started a number of initiatives to take care of the finishing school training. Organized retail and insurance business organizations have started

offering industry-practice related courses at different colleges. Software organizations have adopted engineering colleges and are teaching courses related to software engineering. Industry related courses offered by an organization facilitate students to acquire the industry specific relevant knowledge. In addition, it also contributes towards organizational brand building which helps an organization to attract talent from the partner college. Organizations have also created large in-house training facilities and young graduates are provided finishing school training for 3-6 months. In addition, e-learning is extensively used to supplement on the job learning for fresh graduates.

Performance and Reward Management for Talent

Talented employees are highly achievement-oriented and value learning, autonomy and professionalism. Hence, organizations need to ensure that talented people are put in their roles at the earliest and they are given big roles much early in the career. Further, leaders at multiple levels in an organization should take active interest in creating opportunity for the young talent to learn by socialization, dialogue and reflections. Leaders should ensure that the young talent is not hoarded by any one department and they should be job rotated. It facilitates the growth of the young talent and everyone in the organization becomes aware about the talent. It further facilitates giving big responsibilities to the talent much early in the career which makes them feel good that they were trusted to handle big responsibilities.

Talented employees like to receive feedback about how well they are doing and then they look forward to receiving rewards which are in congruence with the performance. High performing organizations typically provide formal feedback twice a year. Organizations having globally distributed employees rely on internet based performance management and feedback. Many organizations practice normalization of performance rating using a bell-curve. Increasingly, organizations are using open performance appraisal system and self-appraisal by employees. Organizations invest efforts to train managers in coaching and counseling skills so that they can learn to give data based authentic feedback and feel comfortable to participate in appraisal interviews with team members.

Indian organizations have been increasingly working towards enhancing the linkage between pay and performance. Organizations reward high performers as well those who have unique and relevant competencies. Senior and top management get much higher proportion of total salary as variable pay as compared to middle and junior managers.

The fast growth of organizations, industry and the Indian economy as a whole makes the challenge of managing internal and external equity a big challenge. In the recent past, organizations have been finding themselves in peculiar situations where the fresh recruits would have to be paid higher salary as compared to employees working in the organizations for one year and more to maintain external equity for the new recruits, and which

disturbs the internal equity for the experienced employees. Entry and the growth of multinational corporations in a big way in India who are willing to pay much more as compared to Indian companies; and the easy mobility of the young talent from one industry to another industry due to their learning capabilities, make the task of reward management much more complex. Organizations have to review their salary structures every year and many-a-times twice a year to retain external equity.

Developing Leadership Pipeline

Indian organizations are investing substantial resources and efforts for career and succession planning. The process helps in nurturing leadership pipeline and at the same time helps in retaining talent. Early identification of talent using performance feedback and use of assessment centers is quite prevalent in fast growing organizations in traditional as well as new economy organizations. Usually, the external consultants are invited for design and conduct of assessment centers. The assessment centers are designed around the superior competencies required for a role. In addition, organizations provide career linked development and educational programme for identified employees. Organizations nominate mentors for talented employees. The mentors are expected to remain in touch with the mentees and help them to plan for their future growth and development.

Nurturing Global Leadership and Diversity

Indian organizations are moving towards internationalization and globalization of the business. The

success of such internationalization efforts require nurturing leaders who could work in cross-cultural settings. Indian organizations have been innovative in nurturing global leadership. Infosys, a software company started a global internship programme, 'instep' to attract international students from different parts of the world. Currently the programme attracts students from about eighty countries. The participants spend about two to six months working on live projects with Indian team members. Such an initiative helps in providing cross-cultural exposures to a much large number of Indians working along with interns from different countries. Many multinational organizations are nurturing Indian talents as potential global leaders. Organizations are also nurturing diversity in a big way. Currently, the ratio of female employees in the IT and IT-enabled services companies is about 25 percent which will become about 40 percent in the next few years. ICICI Bank, the largest private sector bank in the country has been providing equal opportunities to its female professionals and today a large percentage of top and senior executives in the company are female. While providing reservations for people coming from backward castes in government organizations is compulsory, even private sector has been talking of proactive initiatives to provide out of turn employment opportunities for the people from backward classes.

Conclusion

India is a large democratic country and has tremendous diversity in terms of caste, language, religion and economic status. In spite of such a large diversity, the indications so far suggests that India has been successful in moving towards greater liberalization and globalization of its economy. The business leadership and HR systems and processes have played a vital role in making the change process a great success in context of Indian industries. However, the challenges of managing human resources for the sixty percent of the population which lives in villages and depends upon agriculture and allied activities are urgent and enormous. Leaders and people from the corporate sector who have benefitted from the liberalization of the Indian economy need to work towards ensuring a superior quality of life for people living in villages and those who have migrated from villages to cities in search of a better life in terms of education, health care, infra-structure and livelihood opportunities. ❑

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