



FACETS OF HUMAN RESOURCE MANAGEMENT PRACTICES: PERSPECTIVES FROM THE INDIAN OUTSOURCING INDUSTRY

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Abstract

The academic literature and the discourses of industry experts have disclosed some of the major issues of concern for the HR executives in the outsourcing companies. It seems that the HR professionals should make a paradigm shift from the conventional HR practices to contemporary HR practices in order to cope up with the ever changing demands of the outsourcing industry and to gain sustainable competitive advantage. Hence, there is a need to identify and analyze issues related to HRM practices in the sector through empirical study. In this backdrop the authors have taken a humble effort to identify and analyze the different aspects of human resources management in some of the top outsourcing firms operating in West Bengal. The outsourcing industry in West Bengal promises a vibrant future growth with steady increase in scale and scope of existing service lines and literature suggests that currently West Bengal has been a preferred IT destination. Moreover employment in this sector has been growing at a phenomenal rate. Besides, interest into the nitty-gritty of HR practices in this sector has assumed greater significance in recent times. These factors impel us to carry out an empirical study on HRM practices in the outsourcing industry in West Bengal.

1. INTRODUCTION

Outsourcing, a globally established business strategy, is being followed by many companies for the purpose of survival and growth all aimed at gaining sustainable competitive advantage. Literature highlight that many Fortune 500 companies regularly outsource a part of their business processes to proficient outsourcing companies worldwide (Kearney, 2000; Stratton & Schatzberg, 2009). The reasons vary, from a desire to achieve economies of scale, to the access that it allows to technology infrastructure without the need for companies to build on their own, to the requirement to gain access to specific domain of expertise (Choudhury, 2004). Many developing countries are gaining extensively from the outsourcing sector by leveraging their resource-base and sources of cost advantages. The vast contribution made by the outsourcing industry in development of our Indian economy by providing employment to a large number of unemployed youth, developing infrastructural facilities, improving competitiveness etc. made it an interesting subject for policy makers, industry experts, academicians, researchers and others (Sarkar & Jafar, 2009). With the unprecedented rate of growth of the outsourcing industry and the turbulent business environment, the HR professionals have to grapple with several challenges of the industry and the business (Srivatava & Shafiq, 2005). According to the National Skill Development Corporation, the IT and ITES sector in India is to employ nearly 7.5 million human resources directly by the year 2022 (see [http:// www.nsdscindia .org/sites/default/files/files/IT-ITES-Industry-2009.pdf](http://www.nsdscindia.org/sites/default/files/files/IT-ITES-Industry-2009.pdf)). As companies in this sector are trying to identify different means of gaining competitive advantage, there is an increasing expectation from the prospective employees to equip themselves with the requirements of this sector and prospective employers have been in search of the right kind of talent coupled with the relevant practices to utilize these talents. These trends call for enhanced emphasis on HR and HRM issues and need for a strategic role on the part of the HR executives in the outsourcing industry. HR executives are required to take instantaneous and concrete steps for supporting the very basic organizational goals. They have to respond to these challenges in a positive manner to retain their competitive advantage.

2. HR ISSUES IN INDIAN OUTSOURCING INDUSTRY: A BACKDROP

The academic literature and the discourses of industry experts have disclosed some of the major issues of concern for the HR executives in the outsourcing companies. In this context one of the primary challenges for the HR professionals is the alignment of the HR strategy with the business strategy. The HR policies should be flawlessly intertwined with the strategic action orientation of the company. For this the HR executives are required to be fully aware of the business needs and strategies. All the operational areas of HRM should be given due consideration. Effective human resource management should always be in consonance with the overall organizational strategy. In the light of the realities of the external environment coupled with appropriate internal resources and capabilities configurations, companies in the outsourcing industry are required to formulate of an integrated and a mutually consistent set of HR practices in consonance with the overall business strategies, all aimed towards achievement of organizational objectives (Schuster, 1986; Arthur, 1984; Pfeffer, 1994; Huselid, 1995). A report on the BPO Industry in India reveals that the major challenges for a HR professional in BPO are brand equity, standard pre-job training, benchmarks for HR policies, higher expectations of the clients, and lack of focused training and certifications (Sharma, 2004). As identified by a study, one of the critical issues of concern is that the



growing expectations of the customers both external and internal have to be met by the HR professionals (Srivatava & Shafiq, 2005). A further study on the BPO/KPO industry reveals that HR issues of concern are stress, absenteeism, turnover, unfavourable working hours, unrealistic targets, training, career plan initiatives, and retention strategies (Khosla, 2006). Another study divulges that the growing HR challenges in the Indian ITeS sector are high level of attrition, not a serious career option, mismatch of expectations of the employees, lack of effective communication, and high training costs (Phukan, 2006). A study pointed out that the HR will have to play a crucial role in balancing the expectations of the customer, employees' vis-à-vis the demands and constraints of the organization (Aryashri & Manohar, 2006). Another study in the ITeS sector highlights that the dilemmas for an HR manager are to bridge the ever increasing demand and supply gap of professionals, to find the right kind of people who can keep pace with the unique work patterns in the industry, to maintain consistency in performance, to keep the motivation levels high despite the monotonous work, and to control the high attrition rate (Jasrotia, 2006). The Nasscom-Business Today-Perot Systems survey reveals that the critical issues faced by the Indian IT firms related to staffing are attrition, escalating salary demands, poor candidate assessment, management practices and brand awareness (Business Today, 2007). Mr. N Raghu Ram, GM-HRD, Slash Support India Pvt. Ltd. has remarked that intra-BPO poaching and supply versus demand gap are the main HR challenges for the BPO sector (Prabhu, 2005). Mr. R. Shankar of Mercer Human Resource Consulting, India pointed out that some concern areas for the IT industry in India are attrition, employee safety, need for more lateral movements within the company, mentoring and proportion of female employees being less than the global standards (www.thehindubusinessline.com, 2006).

As the outsourcing firms are confronting lot of challenges it is high time for the HR professionals to make a paradigm shift from the conventional HR practices to contemporary HR practices to cope up with the ever changing demands of the vivacious outsourcing industry and to gain sustainable competitive advantage. Moreover, there is need to identify and analyze issues related to HRM practices in the sector through empirical study.

3. EMPIRICAL STUDY: RESEARCH METHODS AND FINDINGS

3.1 Introduction

The present study aims to identify and analyze the different aspects of human resources management in the outsourcing industry in West Bengal. The outsourcing industry in West Bengal promises a vibrant future growth with steady increase in scale and scope of existing service lines and literature suggests that currently West Bengal has been a preferred IT destination. Moreover employment in this sector has been growing at a phenomenal rate. Furthermore interest into the nitty-gritty of HR practices in this sector has assumed greater importance in recent times (Narayanan and Neethi, 2005). These factors impel us to carryout an empirical study on HRM practices in the outsourcing industry in West Bengal.

3.2 Sample and methodology

40 firms in the outsourcing industry with highest exports that are having units in West Bengal have been considered for the study. These firms account for more than 80% of the total IT exports in West Bengal. This justifies the rationale of selecting the firms and can be aptly considered as representative of the entire outsourcing industry. A questionnaire entitled "Human Resource Management Practices Questionnaire" has been constructed with a view to identify the HR practices in the selected firms. The questionnaire has been developed covering different aspects of human resource management practices on the basis of the guidelines available in existing literature (Devanna, Fombrun and Tichy, 1984; Schuler, 1992, Walker 1992; De Cenzo and Robbins, 1994, Sanz-Valle, Sabater-Sánchez and Aragón-Sánchez, 1999). It has been given a final shape in synchronization with the HR issues identified in section 2 of this paper. The questionnaire been pre-tested and its validity and reliability have been established. It has been divided into two parts. The first part of the questionnaire consists of statements on different issues where a respondent is required to give answer on a five-point scale, based on the degree of agreement with a particular statement. The second part of the questionnaire consists of issues covering different aspects of HRM practices. Respondents have been requested to mention their preference under the different issues covering an assortment of diverse areas of HRM practices. The questionnaires have been mailed to the head of HR/ senior executive of the HR department. We have received responses from 15 firms, which represent 37.5% of the total firms considered in the study. The responses have been tabulated and the mean and standard deviation of different areas have been calculated. Appendices 1 and 2 give us the results of statistical analysis of the response of part I and part II of the questionnaire.

3.3 Analysis and Interpretation

An analysis of the results of Part I of the questionnaire highlights some common areas of human resource practices in the outsourcing industry. Some of the general areas of HR that are prevalent in the outsourcing as indicated through high values of mean are *applicability of performance appraisal system to all members of the organization* (mean 4.75 and SD 0.463),



formal induction programme (mean value 4.5 and SD 0.535), *awareness of HR executives about business needs and strategies* (mean value 4.375 and SD 0.744), *human resource planning, internal marketing efforts* etc. On the otherhand, there are some areas of HRM practices that are not very common in the outsourcing industry. In this perspective, one finding is that there is less or *no provision for negotiation, administration and interpretation of written agreement*. In fact, this item has the lowest mean value (2.5) among the different items of part I of the questionnaire. This may be because of the nature of workforce in the outsourcing industry often referred to as 'knowledge workers'. Again *assessment centers/development centers* seem to be less relevant in the outsourcing industry. This may be because of cost involvement and difficulties involved in the process. Although literature suggests that attrition is a major problem in the outsourcing industry, the mean value of *structured policy for management of attrition* is on the lower side. Moreover, firms in the outsourcing industry need to give more emphasis on *delegation of authority and responsibility, job analysis, employee empowerment programme, profit sharing/gain sharing* etc which are having mean values on the lower side. In our opinion, these issues need to be seriously considered in managing attrition. However, a few organizations have mentioned some important strategies in reducing attrition like job-rotation to match employees' expectation, online grievance handling through portal etc.

Statistical analysis of the second part of the questionnaire provides some interesting results as well. First, in the context of acquisition of human resources we can highlight some of the important observations. It is observed that *employee referral* seems to be the most preferred source of recruitment (with mean value 4.25 and SD 0.683), followed by *placement agencies and consultants* (mean value 3.5) and *advertisement* (mean value 3.125). Employee referral is preferred because employees get financial incentives and the process guarantees selection of appropriate talent. In fact, many firms have developed schemes for recruitment through employee referral. Many firms have not considered recruitment from educational institutions as a preferred source and the preference has been a mixed one with SD 1.437. However two firms under study have formed academies in collaboration with universities in West Bengal with an aim to get a steady supply of human resources. In the context of preferred employee contract, it is observed that mostly there are permanent employees with some employees on contractual basis (mean 2.5). In selecting employees, *performance tests and realistic job previews* are the two most common selection techniques used by firms in the outsourcing industry. Some companies prefer team-based selection as well which may be because of project based activities carried out by these firms. Psychological tests and trainability are the two least used selection techniques, which may be because of the nature of activities that are performed by employees in the outsourcing industry.

In identifying training needs, the order of preference of firms is corporate needs followed by group needs and individual needs. In imparting training, the most common type of employee training provided by organizations is training on *Technical and Knowledge skills* (mean 4.625), followed by *communication skills* (mean 4.25) and *team building* (mean 4.25). Thus training in the outsourcing industry involves the conglomeration of technical part, soft skill and the behavioural part. But in our opinion, psychological tests need to be given adequate importance in selecting employees. It is also observed that *training on outplacement/retirement and health services* are at the lowest priority of firms, which may be ascribed to the fact that majority of workers in the industry are young. The focus of training and development seems to be mixed and varied (as evident from the high values of SD of the different issues identified). However, *business-driven focus* assumes the highest position with mean value of 4.75 and SD of 1.341 because training programmes are aligned with the line of business. Application of *result-oriented rating methods* in performance appraisal system appears to be a common practice among firms in the outsourcing industry with a high mean value of 4.5 and low SD of 0.7302. Further, results of performance appraisal system are primarily used in *determining reward and compensation* (obvious from the highest mean value of 4.37 and lowest SD 0.718 in the category). This has been corroborated with a high mean value (4.625) and low SD (0.718) of performance as a preferred criterion for rewarding employees followed by similar criteria of *complexity of task* (mean value 4.5 and low SD 0.516) and *competence of employees* (mean 4.25 and SD 0.683). It is observed that incentive as a major component of compensation is *based on individuals* rather than groups and organization. No uniform compensation policy is followed by firms in the outsourcing industry as evident from low values of mean and high values of SD for different compensation policies and ability to attract employees appears to be the most preferred compensation objectives of firms. This may be because of the fact that firms in this sector are trying hard to attract and retain talent through different means and compensation policies are in the evolving phase. It is also observed that firms in general are giving more emphasis on employee services as an important benefit component (mean 4 and SD 0.894).

Communication through *groupware/intranet* is a common form of communication in many firms. Moderate degrees of preference towards *progressive* (mean 3.875 SD 1.088) followed by *preventive* (mean 3.375 and SD 1.258) and *corrective* (mean 3.25 and SD 1.238) principles of administering discipline have been observed. Finally, *cooperation* as a principle of



employee relations is preferred by almost all firms (mean 4.375 and SD 0.719) followed by *strategic partnership* (mean 3.75 and SD 1.342). Some companies have reported the usage of employee assistance programme to overcome stress with assistance of psychologists.

4. CONCLUSION

It can be appositely argued there are certain aspects of human resource management practices that are relevant to firms in the outsourcing industry. On the other hand there are certain aspects that cannot be generalized for these firms. However firms in this industry need to inculcate some popular and innovative areas of HR that seem to be missing in the findings in this paper. But we believe that these inferences should not be generalized since the present study is confined to firms in a particular region of our country and the sample size is a bit small. More empirical research works are necessary to highlight certain other areas of intervention for the HR executives of firms in the outsourcing industry, which is beyond the scope of this paper.

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APPENDIX 1 : RESULTS OF STATISTICAL ANALYSIS OF PART I OF THE QUESTIONNAIRE
RANKING OF HR AREAS IN TERMS OF MEAN
RANKING OF HR AREAS IN TERMS OF STANDARD DEVIATION (SD)

Sl. no.	Area of HR practice	SD	MEAN
1	Effective job design	0.354	4.125
2	Performance appraisal system is extended to all members	0.463	4.75
3	Formal Induction	0.535	4.5
4	Internal marketing efforts	0.641	4.125
5	Encouraging employees to suggest product/process improvement	0.641	4.125
6	Human Resource Planning	0.707	4.25
7	Awareness of HR about of the business needs and strategies	0.744	4.375
8	Quality Circles and/or employee management participation programmes	0.756	3.5
9	Passing of authority and responsibility	0.756	3.5
10	Formal procedure of potential appraisal	0.835	3.875
11	Performance standards developed on the basis of employees opinion	0.916	3.625
12	Formal policy of career planning and development	0.926	3.5
13	Importance of establishing goals and providing performance feedback	0.991	4.125
14	Employee empowerment	1.061	3.625
15	Employee attitude/employee satisfaction surveys	1.126	3.875
16	Profit sharing/gain sharing/employee share ownership plan	1.126	3.125
17	Structured policy for management of attrition and turnover	1.188	3.375
18	Utilization of assessment centre/development centre	1.2464	2.875
19	Job analysis of major jobs	1.309	3.5
20	Provision for negotiation, administration and interpretation of written agreement	1.309	2.5
21	Exit interviews	1.3562	4.125
22	HRIS with latest software	1.414	4
23	Succession planning	1.414	3.5

APPENDIX 2: RESULTS OF STATISTICAL ANALYSIS OF PART II OF THE QUESTIONNAIRE

AREA OF HR	MEAN	SD
Emphasis of organization on the sources of recruitment		
Advertisement	3.125	1.310216
Placement Agencies/Consultants	3.5	1.264911
Educational institutes	2.75	1.437591
Employee Referrals	4.25	0.68313
Type of employee contract preferred		
Temporary	1	0
Contractual	2.5	1.460593
Permanent	5	0
Employee selection techniques and issues		
Psychological tests	1.875	1.087811
Performance test	3.75	0.856349
Realistic job previews	3.375	0.5



Trainability	1.625	0.718795
Team based selection	2.375	1.454877
Basis of training needs identification		
Individual needs	3.625	1.360147
Group(department/team/function)	4.125	0.341565
Organizational (corporate needs)	4.375	0.718795
Types of employee training provided		
Technical/Knowledge skills	4.625	0.5
Communication skills	4.25	0.856349
Team building	4.25	0.68313
Product knowledge	4	1.36626
Employee motivation	4	1.154701
Customer service	3.75	1.341641
Organization development	3.625	1.024695
Career planning/personal growth	3.625	1.024695
Supervisory/Management skills	3.375	1.360147
Productivity enhancement	3.375	1.258306
Time management	3.25	1.341641
New equipment/method	3.125	1.5
Health promotion	2.625	1.360147
Safety	2.375	1.360147
Data processing/information management	2.125	1.5
Outplacement/retirement	1.875	1.204159
Criteria used for evaluation of training		
Learner's reaction	2.625	1.024695
Behavioural change	3.25	0.68313
Knowledge acquired	2.75	1.238278
Measurable results	3.75	1
Focus of training/development		
Short-term focus	2.875	1.204159
Long-term focus	3.75	1
Annual	3	1.264911
Business-driven	4.25	1.341641
Group-orientation	3.125	1.087811
Individual-orientation	3.5	0.894427
Task-orientation	3.75	1
Need-based	2.75	1
Issues in performance appraisal system		



Individual-based	3.5	1.549193
Team-based	2.875	1.668333
Flexible	1.625	1.147461
360-degree feedback	2.5	1.712698
Behaviour-oriented rating methods	3.375	1.454877
Result-oriented rating methods	4.5	0.730297
Areas where the results of performance appraisal system used		
Human resource planning	3.625	1.454877
Employee development	3.625	0.885061
Determining reward and compensation	4.375	0.718795
Enhancing motivation	3.375	1.360147
Issues in job design		
Job enrichment	3.25	1.341641
Job rotation	3	1.154701
Work modules	3.375	1.258306
Shorter week	1.5	0.730297
Flexi-time	3.25	1.341641
Work sharing	3.875	1.204159
Home work	1.875	1.310216
Criteria in the context of providing rewards		
Performance	4.625	0.718795
Seniority	2.25	1.341641
Skills	4	1.264911
Complexity of task	4.5	0.516398
Discretionary time	2.25	1.437591
Competence	4.25	0.68313
Type of reward		
Financial reward	4.5	0.730297
Non-financial reward	3.625	1.454877
Compensation policy		
Pay above market (lead)	2.625	1.258306
Pay with market (match)	2.875	1.310216
Pay below market (lag)	2	1.154701
Flexible policies (for different categories)	3.125	1.668333



Maintaining internal equity	2.75	1.437591
Compensation objectives		
Ability to attract employees	4.125	1.087811
Employee retention	3.625	1.024695
Labour cost minimization	2.875	1.408309
Productivity enhancement	4	0.894427
Focus of the benefit components		
Security and Health	3.75	1.238278
Payment for time not worked	2.375	0.718795
Employee services	4	0.894427
Cafeteria/flexible benefits	3.625	1.147461
Focus of incentive plan		
Individual	4.5	0.730297
Group	2.875	1.408309
Organizational	2.8571429	1.406422
Form of communication system		
Oral method	2.5	1.632993
Written documents	3.75	1.238278
Intranet/groupware	3.875	1.408309
Principles of administering discipline		
Corrective	3.25	1.238278
Preventive	3.375	1.258306
Progressive	3.875	1.087811
Hot-stove rule	2.125	1.310216
Principles of employee relations		
Strategic Partnership	3.75	1.341641
Cooperation	4.375	0.718795
Traditional	2.625	1.147461
Conflicting	1.25	0.447214