



DRIVERS OF INNOVATIVE SHRM PRACTICES IN INDIA: AN EMPIRICAL INVESTIGATION MANAGING TALENT INTELLIGENCE FOR BUSINESS SUCCESS

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Abstract

The topic of adoption of innovative practices has come into existence as an outcome of progressive developments in management science and practice. The crucial role of adoption of innovation in strategic human resource management is becoming increasingly prevalent in both business and academic literature. However, few such studies have been undertaken in a liberalising country scenario such as that of India. This article attempts to understand the adoption of innovative strategic human resource practices (SHRM) practices in the Indian context. It identifies analyses and tries to underline the drivers of adoption of innovative strategic human resource practices in Indian organisations. This study is of critical importance against the backdrop of the liberalisation of the Indian economy. Although the liberalisation process started in 1991, the effect of the process took a decade for Indian organisation to respond to such a structural adjustment. Drawing from SHRM literature, this research report discusses five main propositions of adoption of innovative SHRM practices in Indian organisations which include national environment, technical sophistication, organisational restructuring, ownership structure and role of HR department.

Keywords: India, Innovation, Liberalisation, Current Scenario, SHRM.

Introduction

Strategic human resource management is concerned with analysing the opportunities and threats existing in the external environment and formulating strategies that will match the organisation's (internal strengths and weaknesses with environmental (external) threats and opportunities. In other words, it should carry out a SWOT analysis of organisation, implement the strategies so formulated and evaluate and control activities to ensure that organisational objectives are duly achieved.

A wide array of SHRM practices such as recruitment, selection, training, appraisal and reward systems (Fornbrum et al. 1984) can be construed as an innovation, when practiced for the first time in an organisation. Gooderham et al. (1999) reported in their study of adoption of SHRM innovations in six European countries that it might be determined to a considerable extent by the imperative of maintaining external legitimacy through adherence to institutional structures, rules, and norms at the national level-and may vary as a result of dissimilar national contexts. Geary and Roche (2001) in their study of Irish SHRM practices argue that foreign owned firms are distinctive in their practices in comparison with indigenous firms. The compliance with local laws and regulations lead to differentiated and innovative practices. In other instances, foreign firms may seek to resemble local firms to compete more effectively in the local market to 'fit in' by imitating local practices.

Literature Review

SHRM literature individually have identified the linkage of adoption process and institutional environment (Wright and McMahan, 1992); however, detailed discussion regarding the adoption of innovative SHRM practices and the institutional variables has not been addressed adequately for liberalised economies. Gooderham et al. (1999) in their findings highlight the need to incorporate country-specific, institutional factors in studies of patterns of organisational practices in general and SHRM practices in particular. Their analysis indicates that the national institutional embeddedness of firms plays a far more important role in shaping SHRM practices than their industrial embeddedness. In this context, it is believed that a study of the adoption of innovative SHRM practices by Indian companies will add to the nascent body of knowledge in the context of liberalising economies.

The last 20 years have seen radical changes take place in the HRM function in India (Rao, 1999). Rao et al. (2001), in their in-depth HRD audit study of Indian organisations, reported that HRD function in India is not well structured, inadequately differentiated and poorly staffed. In the last 10 years, HRM specialists and departments were under severe pressure to bring about large-scale professionalised changes in organisations in order to cope with the challenges brought about by the challenges thrown by the new economic environment (Som, 2002, 2006b).

Indian organisations needed to cope with the need to develop a highly diverse workforce into well-trained, motivated and efficient employees with the subsequent de-skilling, re-retraining and multi-skilling problems, workforce reduction policies,



retention and career development issues (VenkataRatnam, 1995). A study of 54 organisations (Som, 2002) reported that more and more Indian organisations are creating a separate HRM/HRD department and adopting innovative SHRM practices. The HR department has been more open to changes, suggestions, more flexible, fair and focused on building employee–employer relationship while playing a definitive role in the success of the organisation. The HR department utilised modern technologies and HR personnel were well trained in those technologies. The HR departments were no longer being labelled as ‘a cost centre and a place for maintenance, administration, salary processing, paper pushing and sending personnel to training programmes’. Line managers were delegated HR functions and HR department is concerned about business needs and reduction of costs.

The study also noted a significant increase in recruiting specialists and professionally trained personnel. Recruitment strategies included fair, open systems with discussion, orientation and induction programmes built into the overall programme. Promotion policies were attuned with recruitment policies and favoured personnel with needed competencies. Promotions were no longer time bound and reflected emphasis on the capabilities. Competent people were promoted faster. Organisations were practicing job rotation, re-training and re-deployment to develop the necessary competencies and skills of their personnel.

Retraining was being provided to both managerial and non-managerial staff. Selection to special teams and training personnel for special teams were seen to be a motivator. Career paths involving retraining and redeployment options were seen as reward mechanisms. There were indications of a movement towards performance related pay and compensation policies. Organisations were designing innovative performance appraisal systems that were linked to compensation. HR departments were reported to be explaining and communicating to personnel about the new performance appraisal system. Roles were being clarified, which made workers more accountable.

Compensation policies and reward mechanisms were being linked directly to performance and contribution to work. Remuneration policies and its implementation were being clarified and acted as a motivator for enhanced organisational performance. Organisations were getting more and more cost conscious and tended to outsource non-essential functions. In another recent survey of the trends and emerging practices in SHRM, Belout et al. (2001) point to the importance of the adoption of SHRM practices. They point out that organisations are asking their HRM departments for innovative approaches and solutions to improve productivity and the quality of work life, while complying with the law in an environment of high uncertainty, energy conservation and intense international competition. The structural change from a regulated environment to a free market environment had direct implications for SHRM practices in India (Budhwar, 2001; Krishna and Monappa, 1994; Rao, 1999; Som, 2006). In the light of the above-mentioned discussion, the need for adoption of innovative SHRM practices in Indian organisations had become a necessity.

Hypotheses and Discussion

Differences in the adoption of innovative SHRM practices can be attributed to external environmental conditions that often distinguish organisations from one industry to another (Kossek, 1987). In the Indian post liberalisation era, these conditions are national environment, organisational restructuring, ownership structure and role of HR department.

National Environment in India for Innovative SHRM Adoption

‘National environment’ refers to the influence possessed by aspects such as the institutional framework, culture and incentive structures for innovative practices. Recent research has suggested that national factors can have an impact on the type of innovative SHRM practices adopted (Gooderham et al., 1999). In addition to SHRMs’ vulnerability to legislative changes, the function is also susceptible to changes in the socio-political landscape. Economic liberalisation on the one hand intensifies competition by lowering barriers to entry and on the other opens up many opportunities for growth through removal of regulations and artificial barriers on pricing and output decisions, investments, scale economies, M&As, technology imports, joint ventures, etc. (Khandwalla, 2002).

The multi-faceted competition from diverse sources (Khandwalla, 2002; Som, 2002) has to cope with the changes of developing a diverse work force with competitive skill sets. The development of competitive skill-set is challenging in the face of hyper-competition. This is so because the Indian work force has a very diverse socio-economic background and the antagonistic nature of trade unions makes it very difficult to make them work as a team (Budhwar and Sparrow, 1997; Venkat Raman, 1995). Kossek (1987) postulates that external environmental forces such as unions, technological change and labour market conditions distinguish HRM innovation across industries.

Extent of Unionisation and Sector Characteristics

In general, the literature examining the impact of trade union activity suggests a positive effect on the adoption of innovative SHRM practices (Ng and Maki, 1994). In fact, a considerable research contradicts the popular perception that trade unions



hinder or resist the implementation of innovative practices. Rather unionised workplaces tend to demonstrate greater degree SHRM practice sophistication and are more likely to possess a more formalised model of HRM (Jackson et al., 1989; Ng and Maki, 1994). On the other hand, Ramaswamy and Schiphorst (2000) suggest that the presence of an active labour union in companies restricts HR managers to innovate their processes.

Ho 1: There is no association between the extent of unionisation in an organisation and the adoption of innovative SHRM practices.

Table 1: Chi Square for association between extent of unionisation and level of adoption of innovative SHRM practices

Sector	Low	Average	High	Row Total	Chi square value	P value
IT Sector	0 [00.0]	18 [36.0]	32 [64.0]	50	83.436	<0.000**
FMCG	8 [16.0]	32 [64.0]	10 [20.0]	50		
Automobile	31 [62.0]	19 [38.0]	0 [00.0]	50		
Column Total	39	69	42	150		

Note: The Work Values within [] refers to row percentage

** - P value significant at 1% level

* - P value significant at 5% level

Since P value is less than 0.05, the Null Hypothesis is rejected. Hence there is association between extent of unionisation and level of adoption of innovative SHRM practices. Adoption of innovative SHRM practices in the software services sector in companies like Infosys, Wipro, Tata Consulting Services, Mindtree Consulting, etc., started right from their inception. Hence in the Indian context:

Ho 2: There is no association between type of sector and level of adoption of innovative SHRM Practices.

Table 2: Chi Square for association between type of sector and level of adoption of innovative SHRM Practices

Sector	Low	Average	High	Row Total	Chi square value	P value
IT Sector	0 [00.0]	16 [32.0]	34 [68.0]	50	90.338	<0.000**
FMCG	10 [20.0]	32 [64.0]	8 [16.0]	50		
Automobile	32 [64.0]	18 [36.0]	0 [00.0]	50		
Column Total	42	66	42	150		

Note: The Work Values within [] refers to row percentage

** - P value significant at 1% level

* - P value significant at 5% level

Since P value is less than 0.05, the Null Hypothesis is rejected. Hence there is association between type of sector and level of adoption of innovative SHRM practices.

Technological Sophistication

Like unionisation, technology affects SHRM innovation in a number of ways (Kossek, 1987). The impact of rapid structural changes in India saw evolution and development of technological sophistication. Som (2002), in his study of 54 Indian organisations, reported that there was a sharp rise in the establishing of comprehensive, computer-based information systems, technical vendor development and use of sophisticated technology for business.



Ho 3: There is no association between extent of technological sophistication and adoption of innovative SHRM practices.

Table 3: Chi Square for association between extent of technological sophistication and adoption of innovative SHRM practices

Sector	Low	Average	High	Row Total	Chi square value	P value
IT Sector	2 [04.0]	15 [30.0]	33 [66.0]	50	81.107	0.000
FMCG	9 [18.0]	31 [62.0]	10 [20.0]	50		
Automobile	32 [64.0]	18 [36.0]	0 [00.0]	50		
Column Total	43	64	43	150		

Since P value is less than 0.05, the Null Hypothesis is rejected. Hence there is association between extents of technological sophistication in organisations the higher the chance of adoption of innovative SHRM practices.

Organisational Restructuring and Ownership Structure as Drivers of Innovative SHRM Practices

In the post-liberalisation scenario, organisational structures seem to be changing to cope with greater competition and to avail of growth opportunities afforded by globalisation (Som, 2002, 2006b). Corporate restructuring – by involving the services of international management consultants – have become more frequent (Khandwalla, 2002).

The main reason for restructuring is usually unsatisfactory corporate structure and business processes. Intensive scanning of the national and the international environment for growth opportunities has been on the rise, and so has been comprehensive strategy making that is integrated with human resource management strategy (Som, 2002). These were some of the SHRM practices that were thought to be innovative within the Indian context, as they were never practiced before in business groups in a formal manner. Hence in the Indian context

Ho 4: There is no association between the size of the organisation and the likelihood of Adoption of innovative SHRM practices

The study included three company size groupings as follows:

- Small companies (100 – 1000 employees)
- Medium companies (1001 – 10,000 employees)
- Large companies (10,001 – 75,000 employees)

The statistical testing of this proposition has proved that greater the size of an organisation, greater is the likelihood of it adopting innovative SHRM practices. The study has also proved that the greater the need to professionalise and to be competitive, the greater the need for restructuring and greater the chances of adoption of innovative SHRM practices.

Ho 5: There is no association between the type of ownership of the organisation and the likelihood of adoption of innovative SHRM practices.

With respect to ownership the study has shown that family owned organisations will likely be late and slow adopters of innovative SHRM practices while organisations with foreign participation will have a higher likelihood of faster adoption of innovative SHRM practices.

Organisational Culture for Innovative SHRM Adoption

Organisations with a strong culture have an influential role of top management in HRM issues. Peters and Waterman (1982) in their Search for Excellence demonstrated how philosophies of leaders, especially the founders, regarding the way employees should be treated have become institutionalised.

Organisation leaders determine the role of the HR function of an organisation (Kane and Palmer, 1994). Organisational leadership had a significant impact on the development of 'innovation friendly' cultures, in order to provide a clear vision, sense of direction (Peters and Waterman, 1982) and a focus for innovative activity (Arad et al., 1997). Organisational cultures demonstrating high levels of internal communication, promoting interactive behaviours and an ability to deal with change encourages innovative behaviour (Hauser, 1998). Thus in India:



Ho 6: There is no association between the type of culture of the organisation and likelihood of adoption of ‘high performance’ innovative SHRM practices.

Table 4: Chi Square for association between type of culture of organisation and likelihood of adoption of innovative SHRM practices

Type of culture	Strong	Weak	Row Total	Chi square value	P value
IT Sector	38 [76.0]	12 [24.0]	50	23.898	0.000
FMCG	22 [44.0]	28 [56.0]	50		
Automobile	14 [28.0]	36 [72.0]	50		
Column Total	74	76	150		

Since P value is less than 0.05, the Null Hypothesis is rejected. Hence there is association between the influential roles of leadership; the stronger is the likelihood of creating an organisational culture of innovation and the more the likelihood of adoption of ‘high performance’ innovative SHRM practices.

Conclusion

This study which has been taken up with the objective of identifying the drivers of innovate SHRM practices provides valuable insights. Consistent with prior research, the study finds that institutional pressures have influenced the adoption of SHRM practices in the post liberalisation scenario in India. It demonstrated that organisations adopt SHRM practices for a variety of reasons. The antecedents of innovative SHRM practices include national environment (extent of unionisation and sector characteristics, technological sophistication), organisational restructuring and ownership structure, legitimising driver (use of international consultants), organisational culture and the role of HR department.

The theoretical contribution of this study is that it analyses drivers of adoption of innovative SHRM practices within Indian firms due to changes occurring in the macro environment through a contingency-based framework. Adoption of SHRM practices, represent a strategic choice. The adoptions are contingent upon the strategic and systemic organisational responses of Indian firms. Strategic responses related to the changes in business strategy of the organisation. It became evident that as the country liberalised the rules of the game changed as well. Systemic responses are those related to organisational structures, functions, cultures and processes.

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