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STRATEGIC ROLE OF HR IN IT INDUSTRY

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Abstract – Human Resource Management (HRM) is a relatively new approach to managing people in any organisation. People are considered the key resource in this approach. it is concerned with the people dimension in management of an organisation. Since an organisation is a body of people, their acquisition, development of skills, motivation for higher levels of attainments, as well as ensuring maintenance of their level of commitment are all significant activities. These activities fall in the domain of HRM. Human Resource Management is a process, which consists of four main activities, namely, acquisition, development, motivation, as well as maintenance of human resources. Scott, Clothier and Spriegel have defined Human Resource Management as that branch of management which is responsible on a staff basis for concentrating on those aspects of operations which are primarily concerned with the relationship of management to employees and employees to employees and with the development of the individual and the group.

INTRODUCTION

Human Resource Management is responsible for maintaining good human relations in the organization. It is also concerned with development of individuals and achieving integration of goals of the organization and those of the individuals. Northcott considers human resource management as an extension of general management, that of prompting and stimulating every employee to make his fullest contribution to the purpose of a business. Human resource management is not something that could be separated from the basic managerial function. It is a major component of the broader managerial function.

French Wendell, defines —Human resource management as the recruitment, selection, development, utilization, compensation and motivation of human resources by the organization. The Human Resource function has evolved over the years from the labour officer, to the personnel officer, personnel manager and the human resource manager of today. The change in terminology also suggests a change in the objectives and boundaries of the function. The dynamic and competitive business environment resulting from globalization has led a new focus on how human resource should be organized and managed. This has led to the emergence and increase in the use of the term strategic human resource management (SHRM). There has now been a visible convergence between HRM and strategy.

The role of human resource management in gaining competitive advantage has been discussed in the western literature since the early eighties. Many studies have been conducted regarding how companies can gain a sustainable competitive

advantage through their human resources and human resource management practices.

These studies have empirically proved the relationship between strategic human resource management and firm performance. There has been a positive relationship between HRM practices and firm financial performance.

Researchers have been addressing the link between HRM practices and competitive advantage. They have argued that human resource management practices can contribute to competitive advantage in so far as they elicit and reinforce the set of role behavior that results in lowering costs, enhancing product differentiation or both. This perspective has contributed enormously to the theory, research and practice in the field of strategic HRM. Since 1990's there has been an increased focus on the strategic role of HRM. The strategic approach to human resource management refers to the human resource practices and strategic objectives of the firm. This view has become more significant in today's knowledge economy that depends upon the skill and knowledge of the workforce. From being a routine and reactive function the HR function has evolved to being proactive and strategic.

The Indian business environment has been continuously changing. The globalization of the Indian economy has opened the doors of Indian market to multinational corporations. Organizations which were operating in a highly protected environment were suddenly exposed to domestic and international competition. With the emergence of WTO, the country could no longer protect the domestic industry by imposing high tariffs, duties etc. This has increased the pressure on the personnel function of

the Indian companies to prepare and develop their employees so as to compete with the MNC's in terms of skills, efficiency and effectiveness.

The Indian economy has been witnessing a growth in the contribution of the service sector to the GDP. The service sector now contributes more than fifty percent to the GDP of the country. Due to its very nature the service sector is highly dependent on its human resources. Among the service sector the information technology (IT) sector has become one of the fastest growing industries in India.

The key segments that have contributed significantly to the industry's export include software and services (IT services) and IT enabled (ITES) i.e. business services. Over a period of time India has established itself as a preferred global sourcing base in these segments and is expected to grow in the future.

Many studies has found a positive relation between relation between strategic HRM practices and firm performance. However very few studies were carried out in the Indian context to find the quality of service provided by the HR department and the role of HR in the IT sector. A few were conducted to study the HR systems in BPO's located in the NCR region and the role of HR in a few organizations. No sector specific study on the role of HR were conducted. The current study aims to fulfill this research gap.

OBJECTIVE OF THE STUDY

- 1) To assess the quality of human resource function in IT organizations.
- 2) To find out the extent to which the strategic role is performed by the human resource function in these organizations.
- 3) To find out if there is any variation between the operational and strategic role of human resource function across these organizations.
- 4) To compare the perception of the human resource function's role by employees and human resource department staff.
- 5) To suggest measures for improving the strategic role of human resource in these organizations and
- 6) To suggest measures for improving the overall quality of human resource function in these organizations.

HYPOTHESES :

- 1) The quality of current services provided by the HR function in IT Organization.
- 2) The HR function performs more of Administrative role than the strategic role.

- 3) There is a significant difference of perception between the employees and the HR staff about the role of HR function in IT organizations.

RESEARCH METHODOLOGY

The current study was based on both primary and secondary sources of data. The primary data was collected with the help of a survey questionnaire. The population consisted of all the IT/ITES organization and Multi-National Companies. The final sample consisted of 30 organizations selected randomly from the population of about 600 IT / ITES organizations and Multi-National Companies. The research instrument used for the survey was the human resource role assessment survey questionnaire developed by Ulrich and Conner. The instrument was tested for its reliability using Cronbach's alpha, which was found to be 0.86. The data was checked for normality and was analysed using SPSS including appropriate statistical tests.

The major findings of the study based on the analysis and interpretation of the data are as below -

1. The quality of services provided by the HR department in the IT Organization and Multi-National Companies was found to be in the range of 101 to 163.
2. The lowest value of 101 was found to be more than 90 which denote a moderate level of service delivery by the HR department.
3. The highest value of 163 was found to be greater than 160 which denote a high level of service delivery by the HR department.
4. The mean value of the score was 125 which denote a moderate level of service delivery by the HR department.
5. Among the four roles the strategic partner role was found to be dominant in 13 (43%) organizations, administrative expert in 8(27%) organizations, employee champion in 6 (20%) organisations and change agent in 3(10%) organizations.
6. The highest values for the Strategic partner role was found to be 44 (out of 50), Administrative expert 40, Employee champion 45 and that of Change agent was found to be 40.
7. The lowest values for Strategic partner role was found to be 30, Administrative expert 24, Employee champion 26 and that of Change agent was found to be 23.
8. Organization scoring highest (163) in the Business partner role (summation of all the four roles) also scored highest in Administrative expert

(40), Employee champion (45) and Change agent (40).

9. The organizations scoring lowest in one of the four roles (i.e. Change agent, 23) score also scored lowest (101) in the Business partner role.

10. Organizations scoring high in Administrative expert role scored low in Strategic partner role. However organizations scoring high in strategic partner role did not score low in the Administrative expert role.

11. The mean values for the Strategic partner was found to be 30.83, Administrative expert 31.80, Employee champion 31.63 and that of Change agent was found to be 30.06.

12. The mean value was highest (31.80) for Administrative expert role, where as the lowest value (30.06) was for the role of Change agent.

13. The mean values for the four roles varied between 30.06 to 31.80 which show that all the four roles are equally performed in the organizations.

14. The analysis of variance among the organizations regarding the strategic and operational role showed that there is a significant difference in these roles across organizations.

15. There was a significant difference in the perception about the four roles among the employee and the HR staff.

16. The highest ranking (5) by majority of the employees (23%) was given to Question 1 i.e. HR helps the organization accomplish business goals where as majority of HR staff (23.1%) gave it to question 26, i.e. HR spends time on listening and responding to employee.

17. The lowest percent (6.7%) rank 5 rating by employees was for question 31 i.e. HR helps the organization adapt to change; whereas it was question 14 i.e. HR is seen as an administrative expert by the HR staff (2.9%).

18. The lowest ranking (1) by majority of employees (20.5%) was given for question 6 i.e. HR seen as business partner, whereas question 15 i.e. HR seen as an administrative expert was given lowest (1) ranking by majority of HR staff (16.3).

19. The HR staff overall rated highly on the all the questions as compared to the ratings by the employees. i.e. the HR staff perceived the service provided by the HR department to be of high quality as compared to that of the employees.

20. There is a difference of perception about HR as seen as a business partner by the employees and the HR staff. The HR staff rates HR the business partner or a relatively high level, where as the employees rate it at a moderate level.

21. The HR staff rated highly on the HR's role in developing processes and programs to take care of the employee's personal needs where as it was rated moderate by the employees.

22. Both the HR staff and employees rated moderately on the role of HR in helping the organization adapt to change.

23. Another interest finding of the study was that the employees rate HR as seen as a change agent highly where as the HR staff rate it at a moderate level.

SUGGESTIONS

Human resources are one of the most important assets in the organizations. Human resources provide an organization a source of sustainable competitive advantage in a highly competitive environment, facing a shortage of talents. The management of these vital resources is critical for the effective utilization of these talent and success in the market place. In order to create value and deliver results, the HR department must begin not by focusing on the activities or work of HR but by defining the deliverables of that work.

SUGGESTION TO IMPROVE THE OVERALL QUALITY OF SERVICES

The analysis of the data shows that the score for the level of quality of services provided by the HR departments ranged from 101 to 163. The mean value of the score was found to be 125 which denote a moderate level of quality of services.

The IT / ITES organizations being in the service sector where human resources are critical to their success the level of quality of services provided by the HR department should be of a high quality so as to attract and retain qualified and competent.

The mean values of the four roles of HR was found to be in the range of 30.06 to 31.80 with the mean value for strategic partner of 30.83, administrative expert 31.80, employee champion 31.63 and that of change agent as 30.06.

This implies that the administrative role is dominant than the strategic role.

In order to improve the overall quality of services, increase in the efficiency and effectiveness of all the four roles is required. This can be done by;

1) The administrative efficiency of the HR function can be improved by the use of information technology. The routine administrative tasks can be computerized using information technology. Also different information required to be maintained can be stored into a database, which can be assessed whenever required. The operational functions like recruitment, selection, training, wage and salary, time office etc. can be effectively performed with the help of information technology. Personnel records etc. can also be efficiently maintained and managed using information technology. Organization can also benefit by implementing a Human resource information system (HRIS). Large organization can implement a Enterprise resource planning (ERP) system for getting real time HR information and increase the efficiency and effectiveness of the HR function.

2) The organization can also outsource their routine administrative tasks to third party vendors and consultants. Many organizations have started outsourcing their HR tasks to cut cost and improve the quality of their HR services. Many administrative functions such as recruitment and selection, reference checking, payroll processing, training, legal compliance, transport, canteen etc. can be outsourced, thereby relieving the HR department and HR professionals from the day to day administrative burden and helping them to focus on long term strategic activities.

3) The overall efficiency of the HR function can also be improved if the line managers are involved and trained in the discharge of routine HR functions like recruitment, training, performance appraisals grievances etc. The involvement of the line manager in these functions will create a better understanding and co-operation of the line managers in the delivery of HR functions. However care should be taken to provide adequate training to ensure that line managers have the necessary skills needed to perform these duties and that they are not overburdened by these tasks.

SUGGESTION TO MAKE HR MORE STRATEGIC

Today when the very existence of the HR department / function is being challenged the HR function has to have a strategic focus, enabling the firm in the accomplishment of business goals and objectives.

The analysis of the data and the findings show that the mean score for the four roles does not differ significantly that means all the four roles are given equal emphasis and importance. However if the HR function is to become a partner in formulation and implementation of business strategy it has to have a strategic focus.

In order to focus more on the strategic role the organizations should free the HR department from the burden of routine day to day administrative and clerical work; this will free them from these routine tasks and allow them to focus on how HR can contribute to the attainment of business goals. This can be done by the use of information technology i.e. automation and computerization of the operations or by outsourcing these activities to third party vendors or consultants. The line managers can also be trained to perform many of these tasks.

It has been found that the change agent role was found to be the least dominant (10%) in the organizations surveyed. The lowest percentage (6.7) of rank 5 rating given by the employees was for the question related to HR helping the organization adapt to change. This means the employees perceive that the HR function does not help the organization in adapting to the changes taking place within and outside the organization.

The environment in which today's organizations are operating is dynamic and turbulent. There are continuous changes taking place in the business environment all of which have an impact on the organizations. The organizations have to continuously monitor the environment and adapt themselves to the changing environment. This requires fundamental cultural change within the firm. The HR professionals / department has an important role to play in this transformation and change process. They should help organizations to identify and implement processes for change. They should help employees let go of old and adapt to a new culture and should help identify process for managing change. Many a times the HR departments have been distant from the change process. The HR work was viewed as antithetical to change, with HR systems and procedures providing obstacles to not impetus for change.

Hence the HR professionals should be trained in the change management and acquire competencies related to managing and implementing change.

SUGGESTIONS FOR THE GOVERNMENT

The Government also plays an important role in the development of the IT / ITES industry. The IT / ITES industry has great potential for earning foreign exchange as well as creating direct as well as indirect employment. Moreover it is a non polluting industry. Hence the Government should take appropriate measures for promotion and development of the industry. The following measure should be addressed by the Government.

1) The industry is facing a shortage of trained and skilled manpower, hence the Government should set up national and State level institutions on the lines of IIM's and IIT's for human resource

development in the sector, so as to meet the demand of the industry.

2) The Government should extend the Software Technology Parks of India (STPI), Scheme (STPI) as it has helped the small and medium IT/ITES organizations. It may be extended for another 5 years, so as to face the turbulent environment and prepare them to for the competition confidently.

3) The IT / ITES policy of the Government of Maharashtra is set to end by June 2008, it is suggested that the policy and concessions provided by the Government be extended for another five years, taking into consideration the pressures on the IT / ITES organization in wake of the appreciation of the dollar and the recession in the U.S. economy.

4) The power scenario in the state should be improved by planning and setting up more installed capacity for uninterrupted power supply which is very much necessary for the growth of the industry.

5) There have been instances of theft of data and other sensitive information by the employees of the ITES/BPO organizations. The Government should set up a institute for data security to provide training in data security as well as strict implementation of the information technology act.

CONCLUSION

The concept of strategic human resource is fast becoming a reality and the role of human resources in management gaining sustained competitive advantage has been proved empirically by numerous studies.

The service sector's contribution to the country's GDP has been steadily increasing and has reached more the fifty percent. The service sector and more so the information technology sector is heavily people driven and hence requires proper management of its human resources. The present study in this regard attempts to understand the dynamics of human resource management and the role of human resource function in the IT / ITES organizations and Multi National Companies.

The results of the study show that the current levels of services provided by the HR department were found to be of a moderate level. Only one organization out of the total organizations showed a high level of service quality. Although many Indian organizations have been certified at the highest level i.e. SEI CMM level 5, the quality of services provided by these organizations is of moderate quality. However in absence of comparative data regarding the quality of services in other service sectors or in the manufacturing sector, it is difficult to comment about the relative quality of services in these organizations. A comparative study

of the relationship between HRM practice and strategy in the service (Banking and financial services) and manufacturing (electronics / electrical, textile, food and plastics) in Malaysia was conducted by Othman and Ismail (1996). The study did not find that service firms exhibited stronger fit between HRM practice and strategy.

A comparative study of quality of HR service between and across different sectors could be an area for further research.

The comparison of the mean values for the four roles of strategic partner, administrative expert, employee champion and change agent shows that it varies from a high of 31.80 in case of administrative expert to a low of 30.06 in case of change agent. There is no significant difference in the mean values of these roles which means that the HR departments in the IT organizations gives equal importance to all the roles and follow a merged approach.

Although there is no significant difference in the mean values of all the four roles, there are significant differences in the mean values across organizations. These organisational differences may be due to a number of factors such as the organization philosophy, organization culture, organization commitment, values, beliefs etc. which can be further researched.

The analysis of the perception of quality of services by the employees and HR staff shows significant differences in their perception about the four roles. It has been found that the HR staff rated highly on almost all the parameters as compared to that of the employees. This means that there is a mismatch between the services provided by the HR department and the expectations of the employees. The HR staff perceived their work to be of high quality, while the client i.e. the employees did not rate it as of high quality. This may lead to self deception where the HR department believes their services to be meeting the expectations of the employees and adding values while the employees do not. It becomes necessary to have a common understanding among the HR department and the employees regarding their needs and wants, so that the HR department can devise programs and processes best suited to fulfill the expectations of the employees. This will go a long way in attracting and retaining competent employees, which is one of the most important challenge faced by the IT / ITES sector.

The current study thus helps us in understanding the role of HR in the IT/ITES organizations, the extent to which the different roles are performed the variation of these roles across organizations. The study also helps in understanding the difference in the perception of the quality of services provided by the

HR department and the perception of these roles by the employees as well as the HR staff.

Organizations and HR department can thus formulate appropriate plans, policies, programmes and strategies to make the HR function more strategic and improve the quality of services provided by the HR department. It will also be of great help for organization to align and involve the HR function in the process of strategy formulation and implementation.

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