

# Comparative Study of HR Management Practices in Information Technology Industry

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## Abstract

Previous studies have shown that practices adopted by the organizations directly or indirectly lead to various organization and employee specific outcomes in terms of productivity, performance and competitiveness. The present study explores such HR practices adopted by India's major IT players and makes a comparative analysis. Using data from 375 professionals of selected Indian IT companies, the study found that selected companies makes effective use of contemporary human resource practices viz. work from home, flexible work hours and sabbatical leaves for employees. The results of the study further indicated that of all the selected companies, HCL ranks top when it comes to implementing contemporary HR practices. The study concluded that employee related organizational objectives can be achieved with a combination of traditional HR practices and contemporary methods. The high performing firms in industry uses the best of practices to find, attract, retain and engage the talent of the firm.

**Keywords:** Contemporary HR practices, employee productivity, employee performance, competitiveness, IT players

## Introduction

India's IT and ITes industry is the major reason behind the tremendous growth of services sector. The revenues of IT-BPM industry increased to US\$ 167 billion in 2018 from US\$ 154 billion in 2017, out of which, the domestic revenue is around US\$ 41 billion and revenue from exports is estimated to be US\$ 126 billion in 2018. Out of the total export revenue of IT and ITes industry in FY 2018, IT services alone accounted for 57% of the revenue. Besides trade, hotels and restaurants, communications and financial services, the information technology

industry is the fastest growing industry with a growth rate of 8% in FY 2018 generating revenues amounting to 7.7% of India's GDP (NASSCOM Strategic Review, 2018).

Indian IT sector is divided in four segments viz. IT services, business process management, software products and engineering services and hardware. Out of these four segments the IT services has the largest market size of US\$ 86 billion in financial year 2018 followed by business process management with market size US\$ 32 billion (IBEF, 2019). Of the total revenue generation in financial year 2018, export revenue accounted for 81% in IT services, 87% in business process management, 83.9% in software products and engineering services, however, the domestic market accounts for significant share in hardware services. Indian IT industry is dominated by large firms which constitute 47-50% of total export revenue in 2018 (IBEF, 2018). The top performers in IT industry are TCS, Infosys, Wipro and HCL as per the revenue generation as on Dec, 2018. These firms employ almost 38% of the total industry's workforce.

In the dynamic business environment, an organisation thrives to gain competitive edge over others in the industry by empowering its soft infrastructure. Human resources are considered as the greatest asset of the organisation. Experts in the field believe that the methods used by an organisation to manage its human resources have substantial impact on the organisational outcomes and performance by giving them edge over its competitors. Thus the need for suitable HR practices arises. These practices vary from organisation to organisation and their various combinations lead to better performance of both the employees and organisation.

Human resource management relates to the total set of knowledge, skills and attitudes that firms need to compete. It involves concern for and action in management of people including: selection, training and development, employee relations and compensation. Such actions may be bound together by the creation of an HRM philosophy. Due to changing socio-demographic scenario, HR centres have moved up the ladder from performing basic functions of HR to adapting to new and contemporary practices to attract and retain the talent. According to a survey by Glassdoor (2017), Facebook, BCG, Google, McKinsey and Company topped the list of best places to work. The reason behind this is the way these companies treat their employees. The contemporary HR practices of these companies include recreational facilities, ESOPs (Employee Stock Option Plans), organizing social events, flexi-hours, work from home and succession planning. According to review by Glassdoor of Amazon, the company offers a vibrant work place culture with work-life balance to its employees, senior management has good relations with the employees and flexible work hours. Besides these other practices such as performance consulting, involvement of generation Z in firm and wellness and health of employees also exists in the organisation.

The present study aims at finding the adoption of Human resource management practices with focus on contemporary HR practices viz. recreational facilities, sabbatical leaves, work from home, flexible work hours etc. in Indian IT sector

## Literature Review

**R. Schuler and I. MacMillan** (2006) investigated the use of human resource practices in gaining competitive advantage in the industry. The authors analysed case studies of organisations that seized the opportunity of gaining competitive advantage by making effective utilization of their human resources, thus identified different infrastructure requirements for effective management of human resources. The study proposed a thrust and target matrix where, four targets for competitive advantage were - the company itself, customers,

distributorship and suppliers. The thrust matrix listed two ways to beat competition i.e. cost efficiency and differentiation. The study concluded that by implementing HR functions the organisation can gain competitive advantage

**P. Budhwar** (2000) examined difference in HR practices of Indian and British organisations. The results of the study indicated that traditional Indian firms rely on internal sources of recruitment for managerial positions however, those established after 1965 depend more on external advertisements than internal sources. The compensation system of Indian public sector companies was based on work experience and seniority as compared to private sector which focuses on talent acquisition by using skill/competency based compensation. On the other hand, British organisations used a mixed approach regarding compensation of employees. Training and development at Indian organisations was based mainly on performance appraisal reports whereas British organisations emphasise less on frequent training of employees.

**Y. Debrah** (2021) critically examined research models proposed for the study of HRM in different contextual settings and their applicability across nations. The study reported factors influencing the formation of HRM practices as national factors: governing institutions and laws, business environment and industrial sector characteristics; contingent variables: life cycle stage, age and size of organisation and organisational strategies and policies: internal labour markets, prospects, integration and devolvement. The model further indicated that these factors influence the HR policies related to recruitment, training and communication

**S. W. Hays and G. K. Plagens** (2022) explored reforms in the global economy that led to identification of some of the best practices for business management. The authors further discussed the reasons for new public management in international context and its impact on HRM. The study implied that new challenges imposed on HR staff is a result of rise in private sector and outsourcing firms which makes it difficult to hold accountability. Privatisation also led to downsizing of civil staff which in turn decreased the employee morale and rapid turnover. On the other hand, globalization led to identification of some of the best HR practices which could cure the ongoing crisis in the public sector. These practices included improving human resources utilization, pay for performance, flexible career systems and integrated role of HR officer. Authors reported innovative recruitment practices as outreach programmes for a special group of skilled people, selective certification and online tests and increased use of resume database. The study concluded that innovative HR practices emphasise on retention strategies and improving quality of work life of employees.

**P. Budhwar and G. Boyne** (2020) investigated the difference in HR practices between India's public and private sector. The authors collected data from 137 respondents. The study revealed no significant difference in HR practices followed by public and private sector and reported that HR practices in both the sectors were structured and rationalised. The communication in the organisations is both formal and informal with high dependency on both types. The authors concluded that HR department plays a major role in managing change and HR specialists have a representation at the board level in selected Indian industries

**G. Shahnawaz and R. C. Juyal** (2020) identified the difference in HR practices in consultancy & research organisations and fashion houses and further examined the relationship between organisational commitment and HR practices. The authors measured HR practices in terms of attitude of organisation towards HR department, hiring practices, training

and development, performance appraisal, pay practices and overall assessment. The results of the study indicated that HR practices were perceived better in fashion house as compared to the consultancy and research organisations. Out of all the HR practices in the study, performance appraisal had a significant impact on organisational commitment. The study concluded that two organisations differ significantly in terms of their HR practices

**P. Budhwar** (2021) examined the dynamics of HRM systems in Indian BPOs and identified the nature and structure of work and organisations. The results of the study indicated that BPOs operating in India have a structured HR department with stringent policies of recruitment and selection, training and development and performance appraisal. The employee involvement in the industry is limited to team work and decision taken for the teams. The study concluded that Indian BPO industry is considered as the “cyber sweatshops” because of the policies and practices of the organisations.

**S. Kundu and D. Malhan** (2021) investigated the human resource practices of shipping companies by assessing their development, performance appraisal, compensation and contemporary HR practices. The outcomes of the study indicated that the practices of human resources management includes job analysis and HR planning, training and performance appraisal, compensation system and hiring practices, workforce diversity and career development. The authors revealed that contemporary HR practices of shipping companies covered flexi-work system, equality for minority and majority groups of employees and HR information system. The study concluded that from all the selected practices, workforce diversity and flexi work system was found to be practiced very less whereas rest of the practices made their presence very strong as part of their human resource practices.

## Methodology

### Objectives

1. To investigate various contemporary HR practices adopted by selected IT companies.
2. To make a comparative analysis of contemporary HR practices of selected IT companies.

For the study, four CMM Level 5 certified companies were selected which are Tata Consultancy Services, Infosys, Wipro and HCL Technologies. CMM Level (Capability Maturity Model) is a methodology developed by Software Engineering Institute (U.S.) to assess the processes adopted by firm and to check their reliability. The respondents of the study were managers and supervisors from the selected companies. The data was collected by sending questionnaires through mail (using Google forms) and on social networking sites; and the number of responses was 375. The questionnaire was divided into two sections: first section consisted of statements related to demographic profile of respondents which includes age, gender, organization affiliation and position in organization; the second section contained 41 statements covering HR practices of the firms. A self-structured questionnaire was used to measure the HR practices of IT companies.

The questionnaire was developed on a 5-point Likert scale with responses ranging from strongly disagree to strongly agree.

## Data Analysis

**Demographic profile:** Table-I presents the demographic profile of the respondents. As is clear from the table that 42.7 percent of employee in IT sector are in age of 30-40 and 20.3 percent are in age 20-30 indicating that 63 percent employees are from generation Z which is also known as i-generation. The higher percentage of male (57.3 percent) indicates that IT sector is male dominated. However this percentage is less as compared to private education sector where male constitutes 53.3 percent of population. Further descriptive statistics reveals that 46.7 percent employees are working at managerial positions, 41.9 percent are in supervisory roles and 11.5 percent are serving at junior level positions. The survey results reveal that highest percentage of employees i.e. 27.5 percent are from Infosys, 25.9 percent each from TCS and Wipro and 20.8 percent employees are from HCL in the sample.

**Table-I Demographic Profile of Respondents**

Respondents Characteristics	Categories	Frequency	Percentage
<b>Age</b>	20-30	76	20.3
	30-40	160	<b>42.7</b>
	40-50	94	25.1
	50 & above	45	12
<b>Gender</b>	Male	215	<b>57.3</b>
	Female	160	42.7
<b>Organisation Affiliation</b>	TCS	97	25.9
	Infosys	103	<b>27.5</b>
	Wipro	97	25.9
	HCL	78	20.8
<b>Current Position</b>	Managerial	175	<b>46.7</b>
	Supervisory	157	41.9
	Junior Level Employee	43	11.5

(Source: own calculation)

To achieve the primary objective of study i.e. to assess the level of various contemporary HRM practices adopted by the selected IT companies, descriptive statistics has been used. The results of the same are exhibited in table-II and III.

**Table-II Descriptive Statistics of HR Practices of Indian IT Industry**

S. No.	HR Practice	Standard Mean	Observed Mean	Standard Error of Mean	t-value	Sig.(2-tailed) p-value
1.	Human Resource Planning	24	27.34	0.50	6.62	<b>0.00</b>
2.	Recruitment and Selection	21	23.76	0.46	5.90	<b>0.00</b>
3.	Training and Development	15	17.03	0.34	5.88	<b>0.00</b>
4.	Performance Appraisal	18	20.25	0.41	5.47	<b>0.00</b>
5.	Compensation System	21	23.84	0.48	5.88	<b>0.00</b>
6.	Contemporary HR Practices	24	<b>27.69</b>	0.53	6.93	<b>0.00</b>
	<b>Total</b>	<b>123</b>	<b>139.91</b>			

(Source: own calculation)

**Table-III Descriptive Statistics of Contemporary HR Practices in Selected Indian IT Companies**

S. No.	Practices	Organisation Affiliation	Standard Mean	Observed Mean	Standard Error of Mean	t-value	Sig.(2-tailed) p-value
1.	Contemporary HR Practices	TCS	24	29.23	0.98	5.31	<b>0.00</b>
		Infosys	24	25.52	1.04	1.45	0.14
		Wipro	24	27.14	1.10	2.85	<b>0.00</b>
		HCL	24	<b>29.30</b>	1.07	4.96	<b>0.00</b>

(Source: own calculation)

The selected HR practices for investigation are human resource planning, recruitment and selection, training and development, performance appraisal, compensation system and contemporary HR practices. The observed mean score of each HR practice has been calculated along with standard error of mean which explains the extent of prevalence of HR practices in IT industry. Further one sample t-test has been applied to investigate whether observed mean and standard mean differ significantly.

An inspection of table-II reveals that contemporary HR practice with observed mean of 27.69 has been found highly practiced in IT companies. Contemporary HR practices include providing the option of work from home and flexible work hours to its employees so as

to alter the work schedule according to their needs. The tech companies offer recreational facilities such as sports complex, gym and relaxation lounge along with yoga centres at work place to help employees regain the energy and peace of mind. The analysis also reveals that IT sector take interest in arranging the gatherings of families of employees outside the workplace by arranging social events and family get together as it promotes work lifebalance. Along with these, the sector offers Employee Stock Option Plans to its employees as a part of compensation which also makes them feel as the owners of the organisation. The companies have well managed succession planning programmes in place to identify and train personnel beforehand for filling the key positions. There is also use of effective and efficient ERP software to manage and automate back office functions related to human resources, technology and services.

The results of t-test reveal that the difference between standard mean and observed mean for contemporary HR function is statistically significant with  $t=6.93$ ,  $p<0.05$ .

This indicates that HCL with mean score 29.30 is best among the four IT giants. HCL emerged to be very open and adaptive to new policies and practices. The organisation emphasises on social bonding and family get-together of employees along with helping them in maintaining work-life balance. HCL promotes free flow of internal knowledge and information by implementing ERP software and also using internal talent to fill the key vacant positions by way of succession planning. In promoting a healthy work-life balance and freedom to take their own decisions the organisation gives its employees the option to work from home and select their working hours. The organisation also encourages its employees to take a healthy lifestyle with arrangements of gym, sports complex and relaxation lounge.

TCS with mean score of 29.23 follows HCL in terms of contemporary HR practices although the statistical difference between the two is very less. Wipro and Infosys follows TCS with mean score of 27.14 and 25.52 respectively. It can be interpreted that TCS places importance on the mental health and well being of its employees thus it has provision of recreational facilities like sports complex, gymnasium, hobby classes and relaxation lounge. Also to promote healthy relationships among the employees the company arranges family events and social gatherings. The organisation also focuses on having the key positions being filled by the internal talent thus it has active succession plans in action. TCS also provides helping hand to its employees in maintaining work life balance by giving them option to work from home.

On the other hand, Wipro also gives its employees the flexibility with regard to work from home and working hours. The organisation is also keen to adapt new practices and policies which help in bringing efficiency and effectiveness in its processes. Wipro also takes it a priority to maintain the mental health and well being of its employees. Although Infosys has been ranked lowest in this function, even then the organisation is very adaptive and flexible in changing the traditional ways of doing things. The organisation emphasises on making effective use of internal information and resources to its advantage therefore it has implemented ERP system and has active succession plans.

The results of t-test reveal significant difference between observed mean and standard mean of TCS, Infosys, Wipro and HCL with  $t=5.31$ ,  $p<0.05$ ;  $t=2.85$ ,  $p<0.05$ ;  $t=4.96$ ,  $p<0.05$  respectively indicating that these organisations makes effective use of contemporary HR practices. On the other hand the t-test shows insignificant difference in case of Infosys with  $t=1.45$ ,  $p>0.05$  meaning thereby that Infosys needs to adopt and devise contemporary HR practices.

## Conclusion

The present research work was conducted in Indian IT industry to identify the level of contemporary human resource practices and their comparison in selected IT companies. The demographic profile of employees working in Indian IT industry has been assessed using descriptive statistics which reveals that 42.7% respondents are in the age bracket of 30-40 years and 20.3% in bracket of 20-30 indicating that IT industry is a youth oriented industry. Similar results have been reported by (S. Kundu and D. Malhan) where the IT industry has been reported to be youth oriented. While comparing the contemporary HR practices of TCS, Infosys, HCL and Wipro, the study finds that no significant difference exists in the implementation of contemporary human resource practices of selected IT organisations. This finding is distinctive to this field as no previous research across IT firms has been done to compare the human resource practices. It can be concluded that in Indian IT industry, the adoption of employee oriented and innovative human resource practices where performance is rewarded and specific needs of the employees are taken care of, lead to proactive employees who also encourage others to improve the effectiveness of their work

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