



HR PRACTICES IN IT SECTOR – AN OVERVIEW

Dr. (Mrs) K. Malar Mathi*

Mrs. G. Malathi**

INTRODUCTION

Human Resource Management (HRM) is a planned approach to managing people effectively for performance. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can give of their best to support departments missions. Good HRM practices are instrumental in helping achieve departmental objectives and enhance productivity.

HR PRACTICES

The success of any business depends as much on appropriate effective, well communicated, HR and business practices as it's depends upon meeting the requirement of mandated laws and regulations. In fact good planning and the development of effective practices make regulatory compliance much easier.

*Associate Professor, BSMED Department, Bharathiar University, Coimbatore

**Research scholar, BSMED Department, Bharathiar University, Coimbatore



HR practices help in increasing productivity and quality and to gain the competitive advantage of a workforce strategically aligned with the organization's goals and objectives. Over the years, some of the traditional HR practices have been revisited and analyzed to evaluate their suitability in today's world. One such major practice is the concept of Human Resource Accounting (HRA). Initially, one might hesitate to accept a concept which tries to put a monetary value on human beings. How does one attach a number to a person's capabilities? However, HRA represents a way to gauge how strong and profitable an organization's workforce is. Organizations have been claiming that their employees are their most valuable assets. The spate of downsizings and increasing job insecurity notwithstanding, the resurgence of interest in the area of HRA is perhaps testimony to this approach, where investments in human resources are now included as assets in a company's balance sheet, rather than expense heads in their profit and loss statements. The signals are clear — the employee is an asset who can be groomed to bring in future profitability — an asset which can define the company's image in the market today. HRA also involves accounting for investment in people and their replacement costs, as also the economic value of people in an organization. A trend yet to catch up in the Indian industry, with a few exceptions such as BHEL, Infosys, SBI and Reliance Industries, it has been extensively embraced in the West.

PATNI, a leading global IT and BPO services provider, today announced that it has received the award for "Innovative Retention Strategies" at the World HRD Congress 2010. The prestigious global HRD event, which honors organizational transformation and development, saw a congregation of 189 companies from over 25 countries.

The present-day economy has been titled as "Knowledge economy". In such an economy, it is people who make all the difference. In political economy, capital or market was important. Talent occupies centre stage in the Indian workplace. In view of this, managing and retaining manpower is becoming crucial to an organization's success. To achieve this, companies across sectors are focusing on some of the more critical HR practices. Some of the trends that have been noticed are:

1. Cash Bonuses – According to a recent Accountemps survey, 46 percent of (1,400) CFOs cite cash bonuses as the most effective way to acknowledge a job well done by the accounting team after a major project. Be it an IT firm, or a non-IT firm, cash bonuses based



on performance has always been a favourite among employees and employers alike. The satisfaction that comes from being recognized as an important and valued associate is an extremely powerful motivator for employees.

2. Employee Stock Option Plans (Esops) – ESOPs enable workers to earn a retirement nest egg, which will grow as the company's business prospers. This also allowed employees to help the company succeed. An ESOP can also be a great deal for the owner of a business. The owner can sell some of his stock in the company to the ESOP, reinvest the proceeds in publicly-held securities, and not pay any tax on the gain until the stock is sold. Hence, it is a win-win situation.

3. Project completion lunch – This is another popular incentive that employees look forward to. Today project completion lunches have become the norm in most mid tier and top IT firms. According to Prashant Honnavar, HR Manager at Next Bit Computing, "These days project teams, work hard to meet the deadlines to release a particular product without any delays. During this phase, the team members put all their efforts for which they need some kind of relaxation. Having a lunch together with the team will enhance the team rapport, refresh them, and will get the team to be more cohesive and will reduce the personal clashes within them."

4. Joining bonus – This is a great incentive that works well in employing the right candidate in a short amount of time. It allows an employer in attracting and retaining a talent that is critical for niche areas of technology, and hence not losing out to rival firms. Many candidates are lured by this incentive in a bid to make some extra bucks. The bonus depends on the size of the firm, and can range from Rs.30, 000 to Rs.50, 000 in India. However, a lot of big IT firms also practice awarding bonuses on special occasions. For instance, on the occasion of the silver jubilee of Infosys, the IT giant offered a princely sum of Rs. 126 crore to be distributed among its 58,000 employees.

5. Tax Saving Incentives – Tax saving incentives that include food coupons, HRA (Health Reimbursement Account), transportation allowance, are some of the most popular and sought after incentives. Additionally, companies allow employees to reimburse their children's education bill and telephone bills, which are non taxable and hence allows maximum savings. This becomes a big boost for an employee to join a company.



6. Corporate discounts – Company products and services offered at a discount to staff or negotiated corporate discounts with certain retailers, recreational facilities or hotels/airlines. Today employees around the world can benefit from substantial discounts at nearly all the top retailers, when purchasing holidays, household appliances or everyday items like CDs or magazines, whether it is online, over the phone or in-store.

7. Rewards and Recognition – One of the most valued of all employee incentives includes the peer programs, or in other words awarding performance through recognition. In 2008, one of India's top IT firms, Infosys doled out iPods and Xbox players to its top performers as an incentive.

8. Holiday Sponsorship – “But it is the ‘Employee of the Year Award’ that is the most sought after incentive – A two nights and three days package tour to Dubai,” adds Honnavar. This serves not only as a reward for the good performers, but also becomes a motivation for others to perform well and get rewarded. One can also offer staff members flexible scheduling for the holidays, if feasible. If work coverage is critical, companies can post a calendar so that people can balance their time off with that of their coworkers.

9. Point System – This is especially for hourly employees, who can be offered a point system that is tied to prizes. This re-energizes the first-tier employees, and creates a more competitive working environment. For workers on salary, several companies offer large prizes based on a ‘points lottery’ or simply allow for extra days off or an extra 15-minute break or two.

10. Insurance – Whether it is health insurance or life insurance, this is an incentive that most employees look for when joining an organization. According to a survey by Hewitt Associates, a human resources consulting and outsourcing company, of nearly 600 large U.S. companies representing more than 10 million employees, almost two-thirds (65 percent) say that they currently invest in long-term solutions to improve the overall health and productivity of their workforce.

11. Motivational employee recognition – “Informal recognition, like saying thank you or please, can make a huge difference,” says Abhay Kumar Dubey, a software engineer working with a startup in Delhi. Supervisors, have enough opportunity to praise and encourage best efforts daily. These help in providing recognition that is valued by the employee and also a motivational factor. With time, incentives have gained importance, and are now the prime



motivational weapon used by employers around the world. According to most experts, incentives can push performance and productivity far beyond what you expect. Do let us know, what are the most popular incentives that your firm offers, or you would like your firm to offer?

12. Leadership development – Creating a pipeline of leadership talent is key to a business' future growth. It is imperative for the top level of an organization to make leadership talent management a priority, and put its money into long-term plans, as opposed to short-term ones. If companies are worried about their talent pipeline, they have to develop their people.

13. Work-life balance – No company or employee has found the Holy Grail of balancing work and life, but that is a work in progress. However, multinationals, information technology (IT) and IT enabled services (ITeS) companies have been able to promote the balance between career, family and leisure-time better. Other sectors have also been increasingly promoting a work-life balance. Interestingly, most companies in India use benefits such as flexible timings, telecommuting, crèche facilities and concierge services as an attraction and retention strategy. Experts say companies should see the work-life balance as a business proposition since progressive companies carry business forward with employees and families.

14. Inclusion and diversity – With higher numbers of Gen Yers joining the workforce in India at a time when companies across the world have an ageing workforce on their rolls, conflicts are to be expected. Therefore, companies are investing both time and resources in ensuring that all age groups are comfortable working together. Organizations in India have also been focusing on making workplaces more representative. For companies such as ICICI Bank Ltd, Hindustan Unilever Ltd, Vedanta Resources, PepsiCo India, Shell Companies in India and Bharti Airtel Ltd, gender diversity has become a critical area of focus.

15. Health and wellness – The work culture at globalized workplaces involves long working hours, frequent travel, multitasking and tight deadlines - and all this often leaves employees mentally and physically stressed. Companies have begun to realize that healthy employees contribute to higher efficiency and productivity. Apart from medical benefits, companies are also offering yoga classes and health camps and have doctors on campus. HCL Technologies Ltd, for instance, like many other IT companies, has 24/7 medical facilities in all its centres.



DuPont has an Intranet-based tool, which assesses an employee's health through a questionnaire and makes recommendations based on the scores.

16. Right skilling – Right skilling, or matching jobs with a particular level of training rather than hiring over skilled workers, is gaining currency. Companies use this strategy to tide over a manpower supply crunch and to broaden their talent base. Apart from IT and ITeS firms, organizations in the banking and financial services sector, too, have been increasingly hiring graduates and training them. The upside? Lower attrition rates and wage costs. Pai explains that when you have an over-qualified employee, it is very difficult to meet her aspiration levels and, therefore, the chances of the employee moving on to something more challenging are higher.

17. Managing 'solid citizens – Organizations which neglect their solid citizens are doing this at their own peril, say experts. Unlike star performers who are potential leaders, and therefore more likely to move out of an organization faster, this group provides stability and bench strength to an organization. Experts say companies need to take a fresh look at solid citizens and invest time and resources in managing and developing this group.

18. Managing aspirations – As aspirations of organizations grow, so do those of employees. And, with the changing lifestyles and profiles of the workforce, personal and professional aspirations of employees are not just varied, but are increasingly on the rise. Experts say people as well as organizations have aspirations, and when the two get aligned, achieving business goals becomes easier. Companies should be clear about goals of individuals as well as of the organization, and the role each needs to play. The firm should also communicate the goals, and have robust and reliable processes to execute them.

19. 360 degrees feedback – Finally, recognizing the need to make performance appraisal systems more effective, an increasing number of companies are using the 360 degrees or multi-rater feedback process. Unlike the traditional appraisal system, which gives one-dimensional feedback, this one allows an employee to give feedback to her reporting manager, peers, direct reports and others. While most companies started using this system as a means for performance appraisal, most of them now use the 360 degrees feedback system to identify the learning and development needs of employees.



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