

EMPLOYMENT STRATEGIES IN INDIAN IT INDUSTRY

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ABSTRACT:

Indian I.T. industry is characterized by shortage in skilled manpower resources. The technocrats of the I.T. species need delicate handling by HR personnel as the above-mentioned situation have bred highly demanding and egoistic workforce. If their expectations are not met, they tend to leave the organization one by one, resulting in instability within the organization. The organizations normally overcome this situation by developing attractive and innovative strategies unique by itself, to attract and retain outstanding talents. This gives them competitive advantage. The study on the above topic aims at giving an insight of employment strategies adopted by IT organizations and its impact on employees.

Introduction:

The software industry, particularly in India is one of the fastest growing industries and was predicted to grow at a rate of 50% for the next 50 years. In response,

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the Human Resource Management function has emerged as a complex activity in the IT industry as there exist shortage of high skilled programmers in India. The current situation is such that, only those companies that provide a congenial work environment, frequent training programmes and challenging projects, and which have enlightened human resource policies by way of attractive compensation packages will be able to attract and retain the best talent. This will promote better work culture, higher employee productivity, lower employee turnover and higher product quality, all of which will enhance the reputation of the firm, boost its growth and raise its profitability. The Organizations are therefore competing among themselves to provide novel, attractive and innovative benefit schemes to its employees in order to retain them and also to lure prospects easily. In this context, an attempt to study the employment strategies adopted in different IT organizations was considered important to understand the potentialities in-depth.

Employment strategies are the strategies aimed at attracting, selecting, managing, developing and retaining aspect of knowledge workers mainly focusing on developing "people" aspect of the Organization. The potential manpower resources are vital for efficient functioning of any organization. As far as IT professionals are concerned there is shortage in the market, which makes them highly demanding and they pose threat to the organization if their expectations are not met, by Job-hopping. Attracting, managing, developing and retaining these resources is therefore not an easy task. It is one of the difficult challenges faced by HR managers as each individual is of diverse nature and his needs and expectations differ. Moreover the attitude of Indian Software professionals can be best described as highly egoistic, privileged lot, high profile, 'get whatever they want-threat', quit the job at any provocation, 'their' market- further makes it more complicated for HR managers to handle. All these above mentioned factors dictate that the HR department of the software companies must have policies and process in place to manage their human resources more effectively. To face the HR challenges in IT industry successfully, the HR managers should not only adopt attractive strategies by benchmarking the HR policies that is believed to have borne fruitful results in their rival organizations having similar culture, in areas of recruiting, selecting, competency building and helping the software professionals in managing multiple expectation but also devise and implement innovative employment strategies which will give them a competitive edge over their competitors.

The study on employment strategies in Indian IT industry therefore covers all the different aspects from hiring manpower resources to retaining them by maintaining and developing them very well and making use of their potential to the maximum possible extent as continuous contribution of

the employees are very important for any organizations growth and development. To achieve this, the organizations have realized that it should provide quality of work life to employees to keep them satisfied as the attrition can be minimized to a large extent, which in turn results in cost efficiency for the organization.

Some organizations have gone a step ahead of their rivals by listing their companies for the position of top ten companies, as they are confident that by being one among the top ten companies they can retain as well as attract competent workforce. This means that utmost importance is given to employer branding, as it is easier for them to get good business and also serves to attract and retain talented and capable workforce.

The primary objective of the study is to discover the various factors affecting the recruitment of IT prospects and its impact on the strategies affecting the employment conditions by different types of IT organizations. The above objective can be realized by identifying factors affecting the strategies of recruitment and retention. An attempt is made to understand whether the strategy differs with respect to the business fluctuations and develop model based on that.

The survey was conducted in nine IT organizations classified into small (up to 300), medium (>300 & up to 1500) and large (>1500) based on the employee strength (considering three each) to understand the employment strategies adopted in these organizations. The study is analytical in nature.

Convenience sampling method was used to collect the data relevant for the study. Both Primary and Secondary data collection was adopted. Primary data collection is done using questionnaire and interview method. Secondary data is obtained from magazines, journals, research report etc.

Below are the findings of the survey on significant areas relating to the topic employment strategies in IT industry:

Procurement function is initiated in so me small IT organization in the negotiation stage of the project itself, but in medium and large sized organization it is based on the business plan from technical team or business development team. The personnel involved in the entire process of IT recruitment include HR personnel, functional experts and functional head. In case of skilled workforce (experienced) the steps involved in the recruitment process include Technical test, Interview by functional experts,

interview by HR representative and Functional head. In case of semiskilled workforce (fresher) the steps include shortlisting based on academics, aptitude and technical test, interview by functional experts and HR representative.

The nature of business differs from organization to organization like Software development, Telecom, Networking, Embedded Systems, and Hardware Design. Depending on the nature of business and the projects, is the domain area, primary skills, secondary skills and soft skill desired of a candidate in addition to expectations of a particular position. The different levels of skilled personnel generally in ascending order of the designation is Team member (1 year-5 years experience), Technical or Module Leader (5 years to 7 years experience), Project Leader (7 years to 10 years experience), Project Manager (10 years to 15 years experience), Project Director (15+ years of experience). The educational qualification desired for Project Manager level and Project Director level is B.Tech/ B.E./ M.Tech/ M.E/ M.C.A. For the level of Team Member, Technical or Module leader and Project leader in some organizations B.Sc. graduates are also considered.

The responsibilities of Team member, Technical/ Module leaders, Project Leader, Project Manager and Project director are being part of the team development, analysis and design; Leading teams working on modules in a project; Leading teams of small sizes in single or multiple projects; Handling single or multiple projects of medium size; Handling multiple projects and large teams respectively. The soft skills desired for Team members is Communication skills; for Technical Leader is Communication skills, Leadership & Team Management; and for Project Leader, Project Manager & Project Director is Project Management, Communication Skills and Leadership qualities.

From the HR perspective generating potential applicants is done through various sources like Direct approach, Press advertisement, Referrals, E-recruiting, Placement consultancy, Head hunting etc., Depending on the situations and the position different sources should be used. Out of this, referral is the source, which is cheaper, reliable, generates quality candidates compared to other sources. Head hunting also helps in generating good candidates and is cost effective. Press advertisement boosts the corporate image and coverage is large. It helps generate large number of candidates out of which half will be junk and it is a very costly affair. In case of

immediate need of more personnel, recruitment sources commonly used are advertisement, job fairs, referrals etc. The minimum criterion for short-listing a candidate is educational qualification, experience and salary. The organizations are concerned about the cost effective means of communication in intimating each and every candidate in terms of progress if any, in each successive test or interview. Normally they use e-mail first and wait for the candidate's response, if not, intimate them over the telephone. The Offer letter may be sent by courier or fax (in some organizations for higher level of personnel). Post and Personal delivery mode of communication is seldom used. The Criteria for scheduling test/ interview for each level of cadre are prepared based on their experience and position. Generally Team member below 3 years experience may have to appear for aptitude and technical test in addition to 2-3 rounds of technical interview followed by HR round in case of successfully completing all the hurdles. In Team member above 3 years and also for the higher levels aptitude and technical test is not required. However with respect to this, the policy differs from organization to organization. The qualifying marks are 50% and above in case of those who appeared for aptitude and technical test. However in some cases border line cases may be considered for technical interview. The HR department prepares a list of technical panel on quarterly basis to conduct interviews. For outstation candidates in India a telephonic interview is conducted and if they were selected they would be called for personal interview. In other cases interviews could be direct or telephonic depending on the candidate availability. The rating is on a standard scale of 1-5 where '1' is least and '5' is the highest. It can differ from organization to organization. In case of team member in most of the organizations both tests and interviews are conducted. Problem involved is some candidates are not willing to take up tests. However from the designation of technical leaders upwards interview will be conducted. Interview makes the evaluation of the candidate easy. If a person is qualified, reference checks are done from the reference names given by the candidate. Also if required a direct reference check is done, where the employee is currently working. But still there are some fake cases. Medical test or Physical test is to be conducted in some hospitals recognized by medium or large organization before the qualified candidates joins the organization to ensure that the qualified persons are free from all types of health problems and also and may be utilized to the maximum potential. For insuring the candidate also it becomes easier.

Salary of the selected candidate is decided based on the rating in interview and the skill of the employee. Salary matrix is used by some organization to fix the salary of the candidate taking various aspects into consideration. The basis for making demands by a selected candidate to join the organization is educational qualification, experience, exposure in IT field, salary, time and other factors. In case of team member, however experience cannot be considered. In case selected candidates are required to join the organization at a short notice, some organizations reimburse them 50% of the notice period paid in the last employment. Employment conditions differs with respect to pay, accommodation, leave, medical, Travel allowance and other benefits for on-site and offshore employees. In some organizations, in case of on-site employees an Indian salary is given along with the allowance of that country.

In others, compensation is in par with the respective countries, no Indian salary as long as they are on-site. The items generally included in a salary package are Basic, HRA, Conveyance allowance, Special allowance, Super Annual allowance, executive allowance, executive benefit plan. Executive benefit plan is only for team leader and above. Candidates expect career growth or prospects from small IT organizations than attractive salary package, work environment/culture, flexible policies, projects, desire to work with technologies using latest platforms or opportunities abroad at the time of joining. Candidates expect to work with technologies using latest platforms from medium sized organization more than anything else. From a large organization candidates expect attractive salary package, career growth/prospects, projects, desire to work with technologies using latest platforms and opportunities abroad. Entry pattern is structured for employees based on business requirements and project-based requirement. Exit patterns for employees are structured based on performance, career growth, projects and work environment. Out of which performance is very important.

Criteria for promotion of Team member and team leader level of employees are performance and experience. In case of project manager and project director, in addition to above, good project management skills and ability to lead teams is also taken into consideration. Transfer is based on project requirement and Geo location.

In IT organizations, if an employee has been a good performer and leaves the organization; he will be reconsidered if he has a good track record,

based on exit interview reports and appraisal ratings. From the study conducted, it is understood that there is change in the number of projects received earlier and recent periods because of the strong quality policies and procedures. They are also very strict in terms of timely delivery and quality work. The problems faced by the recruiter before recruitment is identifying the right people and the time required to hire is too short. During recruitment the commonly faced problems are too much pressure and in negotiating salary. After recruitment they have to follow it up with the candidates and make sure they don't decline the offer. Also ensure they join in the stipulated time. The organization uses various strategies to retain the employees like promising abroad opportunities, ESOP's, attractive compensation with maximum possible nontaxable component, growth prospects etc., understanding their requirements and it varies from organization to organization.

In IT organization for all levels of employees no differentiation as far as imparting technical skills are concerned. For people moving from Project Leader to Project Manager level in addition to technical skills, Project management skills are also offered. Training with respect to Communication skills are also given importance to all levels as sometimes they have to face client interviews. Training needs are identified through appraisals and recommended by Project Manager for project requirement. Training programs or schedules are prepared based on the training needs identified. It does vary for various levels. Both external as well as internal training facility is offered.

On the job and off the job training facilities are provided. The number of employees in each batch varies between 5-25 in different organization and in different situations. It is a continuous activity. As and when new skills come into the market, it has to be imparted to the employees. It helps the employees learn or acquire new skills, in career growth etc., The training programme could cost Rs. 1 lakh to few crores of rupees per annum, depending on the size and importance given by the organizations. It is an investment. New skills acquired helps the organization to show its strengths and capabilities. It in turn helps in getting new projects.

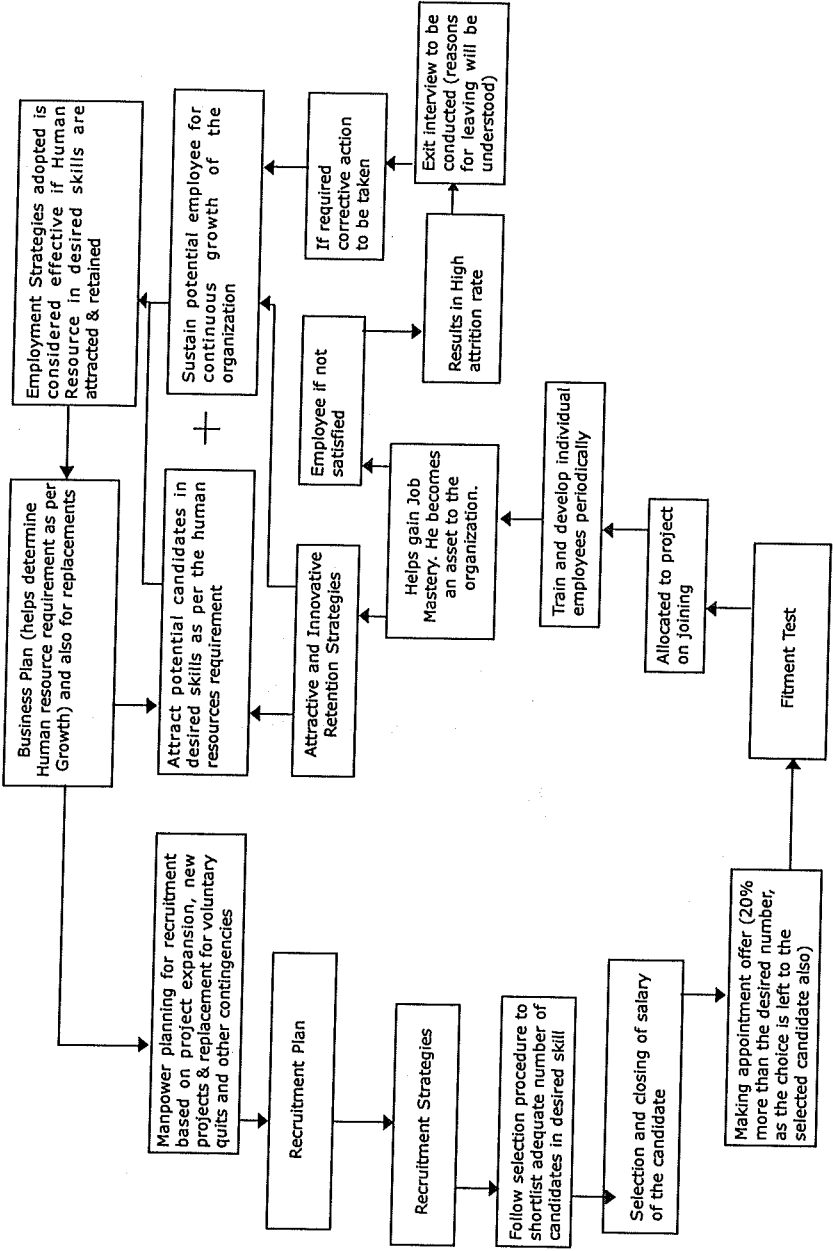
As far as the career plan is concerned, there is an associate career plan, which is decided in consultation with the associate in some organizations. The organizations offers gratuity and super annuation benefits as retirement benefits which serves as social security to the employees. Most of the

employees really do not accrue of this benefit as the organization might be either too young or there is plenty of job-hopping. Pre and Post economic slow down of 2000 when compared, gave a clear picture of business situation and the Organizations way of functioning. Organizations, which used to hire excess employees and keep them on bench expecting more projects, have realized their folly at the time of slow down. There was a situation when they had to retrench some of the employees.

Most of the organizations claimed that the retrenchment was based on poor performance of employees, which was not true. This was mainly to avoid tarnishing the image of the organization and also for maintaining stability within the organization. Even the candidates who were offered offer letter through campus interview were sent letter of regret. In the Post economic slowdown the employers are very careful in hiring and preferred employees with not less than 3 years of experience or went in for augmentation of staff if required from the staffing organization on lease basis. When there is boom in business situation, it is understood that Organizations hire candidates through campus interview with the intention of placing them for low-end job and thereby experienced personnel are allowed to concentrate on higher end jobs. The organizations should tackle the fluctuation in the business situation in a more practical and human way. Thus they should not only be concerned about hiring potential candidates but also adopt attractive and innovative strategies to develop and maintain employees, which in turn enable them to retain potential employees.

Based on the study conducted, a model on employment strategy in IT Organizations is represented as follows:

EMPLOYMENT STRATEGIES IN IT ORGANIZATIONS



In general, the employment strategies adopted in any IT Organization can be explained by the above model, which is as follows:

After hiring the candidates, the employees should be trained and developed continuously so as to enable them gain job mastery in their area of expertise, which in turn helps the organization in competency building resulting in getting more projects. This gives them confidence to perform well which also is a threat to the organization as there is a tendency for job hopping, searching for greener pastures. If such employees are dissatisfied in any respect, it results in attrition, which causes sizable damage to the organization. So the IT organizations should strive hard to keep their employees satisfied by maintaining well by way of designing and implementing attractive and innovative employment strategies. The employment strategies implemented by IT organizations proves to be successful, only if it results in attracting and retaining potential work force. Thus the employment strategies are of great importance in determining the continuous supply of human resource requirements in all organizations, which ensures smooth business.

A matrix was also designed to explain the employment strategies that the IT Organizations can adopt based on the market fluctuations and size of the Organization, which is as follows:

MATRIX INDICATING THE STRATEGIES USED BY DIFFERENT ORGANIZATIONS BASED ON THE BUSINESS SITUATIONS

		BUSINESS DEMAND (Firms Strategies aimed at employees)			
		MATRIX	HIGH	MEDIUM	LOW
SIZE OF THE ORGANIZATION ON EMPLOYEE STRENGTH	LARGE	Large Size & High Demand (COMPETENCY BASED STRATEGIES)	Large Size & Medium Demand (COST MINIMIZATION ON STRATEGIES)	Large Size & Low Demand (DIVERSIFYING STRATEGIES)	
	MEDIUM	Medium Size & High Demand (IMPRESSIVE STRATEGIES)	Medium Size & Medium Demand (SUSTAINING STRATEGIES)	Medium Size & Low Demand (RIGHT SIZING STRATEGIES)	
	SMALL	Small Size & High Demand (ATTRACTIVE STRATEGIES)	Small Size & Medium Demand (SURVIVAL STRATEGIES)	Small Size & Low Demand (CLOSE DOWN STRATEGIES)	

↑ ↑ ↑
BOOM PERIOD ↔ **STABLE PERIOD** ↔ **RECESSION PERIOD**

BOOM PERIOD: Shortage of skilled workforce (more compromise from the employer)

STABLE PERIOD: Availability of skilled workforce (employer very choosy)

RECESSION PERIOD: Supply of skilled workforce much more than demand (more compromise from the candidates/employees) Based on the study conducted, the following employment strategies can be adopted by IT organizations depending on the size of the organization taking into consideration the employee strength of an organization and the market fluctuations which is mainly determined by demand for certain specific skills and financial backing of an Organization. The employment strategies that can be adopted by IT organizations can be shown in the form of a matrix by taking into consideration the size of the organization and the business demand. The market fluctuation is taken as a key factor to devise strategies and explained clearly by classifying into three different periods like boom period, stable period and recession period.

Boom Period:

Boom period is characterized by high demand for skilled workforce and limited supply of manpower with desired skills. This is a marketing situation where in there might be more of job-hopping by software professionals who are technically competent. The candidates or employees will get things done to their advantage at this stage, by bargaining and threatening the employer, as retaining the employees is the foremost importance to the employer. The loss of even a single employee will cost them a lot at this juncture.

Large Sized Organization & High Demand (COMPETENCY BASED STRATEGIES): Large IT organizations with sound financial backing should adopt innovative and attractive strategies, highly competent than their rival organizations to attract competent workforce from the rival organization itself in addition to other means and also enables them in retaining the current employees from job hopping, as they will be committed as they are highly satisfied lot, so that they can project themselves as leaders in the market by utilizing them to the fullest possible extent.

Medium Sized Organization & High Demand (IMPRESSIVE STRATEGIES): The medium sized IT organization should adopt strategies which will impress the prospects to join the organization or enable current employees to continue to work there. The organization's policy should be such that it is

flexible to the maximum possible extent so that the organization can give assurance to meet the expectations of the candidates and stand by that if the candidate is found to be suitable or worthy.

Small Sized Organization & High Demand (ATTRACTIVE STRATEGIES):

In case of small sized IT organizations, certain strategies should be such that it is highly attractive for prospects so that they can lure them to join or continue to work in the organization due to limited financial resource/size of the organization which acts as constraint.

Stable Period

The stable period is characterized by medium level of demand and adequate availability of skilled workforce. In this type of market situation, software professional will hesitate to make a haste decision of moving to other organizations unless and until they consider all possible repercussions.

Large Sized Organization & Medium Demand (COST MINIMIZATION STRATEGIES):

In case of large sized IT organizations, when there is medium level of business demand, they should adopt cost minimization strategies so as to avoid future disasters like retrenchment and lay offs which in turn creates unrest and offsets instability as during this stage of the business cycle, we can expect few employees at least to remain on bench and if the organization has to sustain them for a longer period they have to do so.

Medium Sized Organization & Medium Demand (SUSTAINING STRATEGIES):

In case of medium sized IT organization, when there is medium level of demand, the organization should adopt strategies which will help it sustain in the same stable state for long or if possible try for better positioning with the help of the employees available. The organization should take steps to ensure that the employees working currently are retained to avoid overhead costs.

Small Sized Organization & Medium Demand (SURVIVAL STRATEGIES):

In case of small sized IT organizations with medium level of demand, they should use strategies so that to some extent they will be in a position to capture potential candidates as there might be a situation in some organizations wherein they have to take a decision regarding right sizing excess workforce. Capturing this potential workforce, they can utilize effectively establish themselves in a better way. In this model the organization cannot afford to have employees on bench.

Recession Period:

The recession period is characterized by low business demand, excess of skilled work force is available in the employment market and this is a stage wherein the movement of the workforce from one organization to the other is almost at a standstill fearing job security.

Large Size & Low Demand (DIVERSIFYING STRATEGIES): When there is low business demand, the large sized IT organization, should plough in their funds productively in different related lines of business wherein there is high demand so that they can utilize the existing workforce optimally and efficiently which in turn would help them sustain their image in the market as they can see to it there is no unrest in the organization which could have otherwise existed if they could have gone in for layoff or retrenchment.

Medium Size & Low Demand (RIGHT SIZING STRATEGIES): Medium sized IT organization with limited funds will not be in a position to take risk by venturing into other lines of business like large sized IT organization when there is low demand. The strategy they should adopt at this juncture is right sizing strategy but they should do it tactfully such that the image of the organization is unaffected like creating an impression that only poor performers are retrenched or laid off so that future transactions are not affected.

Small Size & Low Demand (CLOSE DOWN STRATEGIES): The best strategy to adopt by small sized organization when there is a low demand is to close down before further deterioration takes place and things go out of control. Since there is no much expectation from such organization, the employees will slowly accept this reality. In the recession period all the organizations would make maximum utilization of existing resources by reskilling and redeploying them into different projects, due to cut in recruitment budgets and freeze on recruitment.

Conclusion:

From the study conducted it is understood that the IT industry, which is characterized by shortage of skilled work force, is competing with each other in terms of hiring competent workforce available in the employment market. To attract prospects and also to hold back potential employees in the organization, attractive and innovative strategies are chalked out by

HR personnel of different IT Organizations covering various aspects like hiring competent workforce, providing attractive salary package, developing the competency level of employees, providing congenial work environment, providing career growth opportunities, taking care of personal problems of employees to some extent through Company's help desk facility, making the job more interesting and challenging, flexible work time, creating opportunities for individual growth and development etc.,. Various research activities are carried out in IT organizations to develop employment strategies that are effective in holding back and attracting potentials.

Research have proved that employer branding exercise helps the organizations to a large extent to have committed workforce with a strong binding as the employees or prospects, generally feel proud about being associated with such organizations.