Chapter 1

Human Resource Management in Software Companies: An Introduction

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Chapter 1

An Overview of Human Resource Management

In Software Companies

1.0 Introduction

Modern business and service organizations are social systems with economic pursuits. In social systems, the human capital is considered as the vital resource among all resources employed. All the activities of an organization are initiated and carried out by human resource that makes up the organization. Plants, offices, sophisticated equipments, fully automated machines and all else in an organization are dependent on human resource and remain un-productive except for personnel effort and direction. Even poorly devised machinery may be made to work if it is manned with well trained, intelligent, competent and devoted human resource. On the other hand, the best planned organization may produce undesirable results if it is operated by mediocre or disgruntled personnel. To put it simply, the success of any organization depends very much on the quality of its human resource.

Human resource constitutes the most complex aspect of administration in any organization. The human beings are sensitive and they are different from other resources. They influence and are subjected to many and varied influences. Human resource, therefore, cannot be handled like machines. It is through the combined efforts of human resource that money and materials are utilized for achieving organizational objectives. The organizations cannot achieve their objectives without human efforts. Thus, human resource, as a resource, occupies a significant place in any organization. Managing human resource is a challenging task before the organization. The software companies are, by nature, human resource dominant organizations where knowledge and skills are the major inputs (Nicholson, B. and Sahay, S., 2008). These
organizations are working in a diversified geo-physical, economic, political and soeio-ciilitural environment, which force these organizations to have well-established human resource policies and management practices. This chapter presents the concept, history, functions, organizational structure, HR models, significance and challenges of human resource management, functional similarities and differences between software and non-sofware companies and concludes with human resource challenges in the software companies.

1.1 Human Resources Management: A Historical Perspective

The human resource function in India had its origin in the early twentieth century particularly 1920’s as a welfare measure of labours in factories. Though trade unionism had been prevalent even before the 19th century, the Trade Union Act passed in 1926 gave de facto recognition to workers’ unions. The term personnel management became popular in the 1930s. Personnel Management was also used as the label for the discipline describing the functions and tasks of the specialized professionals who work on labour welfare activities in organizations (Kandula, S.R., 2005; DeCenzo, D.A. and Robbins, S.P., 2008).


In the 60s, terms like manpower, staff and personnel came to be used. It became more and more acceptable to manage personnel instead of controlling them as studies revealed that productivity of the workers could be improved if they were recognized. The personnel function began to expand beyond the welfare aspect with three areas, namely labour welfare, industrial relations and personnel administration, developing as the constituent roles for the emerging profession (Venkata Ratnam and Shrivastava, 1991).
In the seventies, the thrust of the Indian personnel function shifted towards greater organizational efficiency. And in the late 1970s, people realized that beyond a point, productivity depended on people. Also, workers started demanding whatever they expected from the employers over and above their salary. ‘Personnel’ came to be called ‘human resource’. Sharing the global thinking, Indian managers and behavioral scientists accepted and started practicing such theories, models and concepts related to human resource management, namely Kaizen philosophy, $XY/Z$ theory, two-factor theory of motivation, contingency model, social comparison processes, Porter-Lawler model, socio-technical system, job enrichment, managerial grid, participative management, employee empowerment, quality of work life and Total Quality Management (TQM).

By the eighties, the use of human resource concepts such as HRM and HRD became popular and nomenclature was changed from personnel management to Human Resource Management. The concept of HRM emerged particularly in the mid eighties against the background of the works of famous writers on management like Pascale and Athos (1981) and Peters and Waterman (1982), who propounded the lists of attributes that they claimed characterized successful companies. In recent times, HRM and HRD are the preferred terms used in India to denote personnel function (Balasubramanian 1995; Sparrow and Budhwar, 1997). In the 1990’s, the introduction of economic Liberalization, Privatization and Globalization (LPG) enabled borderless presence of business which resulted in substantial changes in the organizational environment making the human resource functions more complex. The presence of Multinational Companies (MNC) increased the level of competition that put a lot of pressure on the human resource function in domestic companies to prepare and develop their employees so that these companies are able to compete with overseas firms in skills, efficiency and effectiveness (Budhwar, P.S. and Khatri, N., 2001). The organizations, in the post liberalization era, are required to adopt International Labour Acts, labour
welfare measures, and adapt to differences in time zones, cultural practices, and various spoken languages. This further complicates the functions of HRM demanding focused attention to each of the functional areas.

The last three decades have experienced a rapid growth in the wholesale or retail trade, service industries and software companies. This resulted in rapid growth of employment opportunities, particularly white-collar and professional jobs that accommodate comparatively more female workers. Labour unions have not focused their organizing efforts in these sectors. White-collar workers, primarily career-minded women generally tended to identify with management goals rather than union goals. The rapid movement and entry of women into the job market has hurt the union movement.

1.2 The concept of Human Resource Management

Though the concept of human resource management is a modern one, it had been prevalent in different names almost from the days of Industrial Revolution. The modern concept is the consolidation of past experiences with regard to management of people and their welfare in the organization with the ultimate objective of improving the productivity of the employees and the organization as a whole. Over the years, the discipline has grown into higher levels, incorporating new ideas, as a result of demands from employees, government initiatives on the legal front, influence of technology and impact of LPG. A number of HRM theories and models were developed by management experts on the human side of the organization. All these uniformly came up with a set of functions as HRM activities. However, the experts differed in grouping of HRM activities into major functions.

These theories and models defined HRM in terms of its functions. The simple definition of Human Resource Management is that it involves all management decisions and practices that directly affect or influence the people or human resources who work for the organization (Fisher, C.D., Schoenfeldt, L.F. and Shaw, J.B., 2006). It may also be defined as the art of procuring,
developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner. It is also treated as a process and accordingly defined as a process consisting of four functions namely acquisition, development, motivation, and maintenance of human resources (Sternberg, M.I., 1984). Human Resource Management is concerned with the most effective use of people to achieve organizational and individual goals. It is a way of managing people at work, so that they give their best to the organization (DeCenzo, D.A. and Robbins, S.P., 2008).

1.3 Organizational Structure for Human Resource Management

HRM as a functional area of management is given significant place in the overall organizational structure. Depending on the size of the organization, the person in-charge of HRM function is normally designated as President or Vice President or Director or any other title in the first level, directly reporting to CEO or Chairman of the organization. In the second level, specific HRM functions are assigned to HRM personnel like Vice President or Director or Deputy Director. Under second level, the organization may have managers, deputy managers and executives for each of the tasks. (Figure 1.1)

1.4 HRM Functions

The major functional areas in human resource management are: (1) acquisition of employees or planning and staffing; (2) employee development; (3) employee motivation; and (4) employee maintenance (DeCenzo, D.A., and Robbins, S.P., 2008). These four areas and their related functions are performed to achieve the common objectives of the organization. Although each human resource function can be categorized under one of the four areas mentioned above, some functions can not be contained strictly in one particular category. For example, the compensation function facilitates retention of employees and also serves to attract potential employees to the organization. The performance appraisal process serves to stimulate and guide
employee development as well as payroll administration purposes. A brief description of usual human resource functions is given below.

1.4.1 Workforce Planning: Recognition of manpower requirements becomes crucial in software industry that thrives on projects. Planning becomes difficult in the face of uncertainty in projects which may require specific skill sets. Human Resource Planning helps determine the number and type of employees needed by an organization; effectiveness of such planning can play
a major role in determining the resources that must be expended on other human resource activities and their ultimate success (Ghosh, P. and Geetika, 2007). The human resource planning function determines the number, skills required and characteristics of employees needed to accomplish organizational goals. The planning process involves collection and analysis of information to forecast the future needs of human resource. The basic human resource planning strategy is to acquire the right people for the right job and enhance employee performance. The planning strategy in software companies mainly involves job analysis, work hours, skills required, technology involved, experience, educational qualification and location.

1.4.2 Recruitment and Selection: The quality of human resource is to be ensured at the time of recruitment. The most important way, a company can ensure that it has the right type of people, is, to hire the right type of people in the first place (Collins, C., Ericksen, J. and Allen, M., 2005). Recruitment strategies refer to the process of creating a strategic plan for the organization, having specific requirements for each job and aligning them with the corporate and business strategies of organization. The knowledge, skill and abilities that contribute to a firm’s unique capabilities should be developed within the firm, otherwise it should be acquired on demand from the external labour markets. Recruiting software professionals is contingent upon skill sets commensurate with the demand of the projects at hand. The software industry survives on projects rather than on products. (Ghosh, P. and Geetika, 2007). The companies requiring higher levels of employee education and experience can use extensive recruiting and selective staffing practices as a means for improving their human capital (Koch, M.J, and McGrath, R.G., 1996; Snell, S.A and Dean, J.W., 1992). A rigorous, valid, and sophisticated selection system helps in identifying a right candidate with potential to perform (Holzer1987). Further, a rigorous selection system generates a sense of elitism, creates high expectations for performance, and signals a message of the importance of the people to the organization (Pfeffer, 1994).
Indian private-sector organizations were more likely to adopt a word-of-mouth method to recruit their lower-level employees. Previous research (Sharma, 1984; Shenoy, 1981; Sparrow and Budhwar, 1997) has shown the importance of social relationships, caste and religion in the management of human resources in India. Further, this is supplemented by the strong influence of trade unions and political parties (Sodhi, 1994; Venkata Ratnam, 1995).

There is a strong reliance in the Indian private sector on recruiting top-level employees based on social contacts and in an informal way, that is, these positions are never advertised, but are generally created to accommodate family members, relatives or friends (Kanungo and Mendonca, 1994; Sparrow and Budhwar, 1997).

**Hiring best Talents:** Software companies face stiff competition in attracting the best talents, in order to attain competitive advantage in the market (Ghosh, P. and Geetika, 2007). Ensuing healthy team of committed and productive employees necessitates organizations to look for suitable employees in-house, rather than opting for external sources. There were lots of changes in the higher education system based on today’s requirement. The organizations have opportunities to recruit a variety of skills directly from the market. This is possible only when the organizations have professionalized human resource management setup and relationship with recruiting agencies and higher education institutions (Franklin, J.M., Sivaprakasam, P. and Manivel, S., 2010)

**1.4.3 Orientation and Socialization:** Orientation and Socialization help the new employees adjust to the new job, employer and the organization as a whole. Orientation helps new employees to acquaint with particular aspects of their new job, including pay and benefit programmes, working hours, company policies, practices, rules and expectations. The employees’ orientation towards organization emphasizes personal relationships with other employees and management (Budhwar, P.S. et.al, 2006). Since Indian managers, like all other managers, are socialized by their own national culture,
socialization impacts on their human resource practices and managerial work values (Hofstede, 1997; Saha, 1992, 1993).

**Congruence of Goals:** It is important that new employees know the organization’s vision, mission, business model, processes involved, customer base and what is expected from each individual. This helps employees prepare themselves for meeting the expectations. The individual and organization goals should be integrated to increase the overall performance (Pattanayak, B., 2006). The organizational objectives are to be aligned to the functional, departmental and individual goals (Srinivasa Rao, A, 2007).

1.4.4 Training and Development: The training and development function facilitates the employees to acquire necessary knowledge and skills to perform their jobs effectively. The training programmes are designed and conducted for new or inexperienced employees and also experienced employees whose jobs undergo change process. Large organizations often conduct development programmes to prepare the employees for higher level responsibilities within the organization (Budhwar, P.S. and Khatri, N., 2001).

Training and development programmes help employees to become capable of performing their jobs at accepted levels. Firms can develop and enhance the quality of the current employees by providing comprehensive training and development (Singh, K., 2004).

The most favored employers will make a significant investment in training the employee. Although some might contend that training might simply make the employee more saleable, it is equally likely to breed employee loyalty. This is especially true in the IT sector, where skills quickly become outdated and employees need constant retraining in order to remain current (Gross, A. and Weintraub, R., 2005).

**Competency Development:** Expanding economy and internationalization of marketing make the jobs more demanding, sophisticated and complicated to some extent. Therefore jobs require varying competence levels. The managements too try to fit in the employees depending on their competency
level to different jobs, following the management dictum, ‘right man for right job’ so that the employees do not feel stress or drudgery and fatigue. In the organizational context, it may not be always feasible to allocate individuals to tasks in which he or she excels. HRM practices such as recognition, empowerment and competence development had a significant positive effect on organizational commitment among employees and ultimately organizational effectiveness (Bhatnagar, J., 2007). The organization has the responsibility of enhancing the competency of individuals for specific tasks through well-designed training and development programmes.

1.4.5 Career Development and Succession Planning: Appropriate and well designed career development opportunities may prove to be a vital tool to enhance the level of workforce motivation. Succession Planning is an internal motivator helping organizations to attract and retain quality workforce (Ghosh, P. and Geetika, 2007). The career planning and development programmes are useful to employees to advance in their jobs and career. The career planning and development programmes are designed based on the skills and desires of the employees. These programmes assess the individual employee’s potential for growth and help him/her in achieving career advancement. The adoption of formal career plans, annual career development interviews, assessment centers, succession plans and planned job rotation depict the existence of a structured training and development system (Budhwar, P.S. and Khatri, N., 2001). The succession planning identifies and develops individuals in the organization for future positions and responsibilities in the organization through systematic training and development programmes.

A well planned career development system, along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm’s performance (Osterman, 1987). Career development strengthens the psychological contract and motivates employees to have continued commitment to the firm (Harel and Tzafrir, 1999).
1.4.6 Employee Motivation: Another aspect of human behavior is the employee’s willingness to work and the desire to constantly improve the performance. It is necessary to create an environment in which all members can contribute constantly at higher levels. Subordinates must be encouraged to participate in the process of decision making, continually broadening their self-direction and self-control as this would not only lead to direct improvement in operational efficiency but would also ensure their grooming for higher responsibilities.

Complaints of a ‘culture of job hopping’ and ‘labour poaching’ are very common in software companies. The shortage of skilled, employable software professionals is being mooted in industry circles as employers struggle with ways to attract, promote and retain the labour force. Despite high demand for quality professionals due to globalization, there exist shortage of employable talent pool and high level of attrition (Russell, B. and Thite, M., 2008).

India is a 'collectivist' nation (Holstede, 1980) and managers are likely to motivate their subordinates through social and interpersonal interventions (Budhwar and Khatri, 2001); (Varma, A., Pichler, S. and Srinivas, E.S., 2005).

Patrick and Rebecca (2008) suggested that performance was likely to be maximized with several reinforcing practices such as rigorous selection mechanisms, ample training opportunities, incentives, peer pressure to perform, monetary and non-monetary rewards that increase employee motivation.

1.4.7 Job Analysis and Design: Job analysis describes the nature of the job and specifies the human requirements, such as knowledge, skills, abilities and experience needed to perform the job. The Job analysis includes job description and job specification. The job description details the work, duties and activities of employees providing useful information to both employees and managers. The job specification outlines specific knowledge, skills, abilities and other physical characteristics expected of an employee in performing the task. More recently, studies have focused on the interconnection
between job satisfaction and organizational commitment; values and performance management; job satisfaction and organizational commitment (Rayton, 2006).

Organizational responses to specific human resource interventions place new demands on strategies of recruitment as a component of HR strategies, which now focus on fitting the job to the person (Collins et al, 2005), rather than the person to the job; fitting the person to the organization rather than the job; and recruiting against core competencies or skills (Thornhill et al., 2000).

Waldman (1994) refers to certain system factors as 'person enhancers' which affect performance indirectly by first influencing aspects of the individual. Person enhancers are proposed to involve aspects of HR systems, leadership processes and job design that may develop and motivate individuals. In other words, person enhancers may have multiple effects - they simultaneously affect several human factors (Waldman, D.A., 1994). Maintaining job satisfaction through variation of duties is important to ensure that employees do not simply leave out of boredom (Gross, A. and Weintraub, R., 2005). Employees often identify more with their occupation than with the organization they work in (Johnson et al, 2006).

1.4.8 Performance Management: Performance management is an ongoing process of identifying, measuring and developing human performance in organizations. This function monitors employee performance to ensure that it is at the acceptable levels. It is the responsibility of Human resource managers to develop and administer performance appraisal systems in coordination with line managers. It provides basic norms for pay, promotion, and disciplinary action. The feedback from the performance appraisal is essential for employee development through guidance and motivation. Besides, the appraisal based information could be used for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes (Singh, K., 2004). This requires benchmarking of practices, standards of performance and efficiency in line with the global competition. It
is no longer a one-off exercise. The companies have to monitor their performance and environmental factors affecting them on a proactive and hands-on basis. Also in view of globalization and higher expectations from customers, organizations’ performance has been witnessing unparalleled pressures. The organizations will have to constantly innovate and create value for their customers to stay in the market. Therefore, the focus is on understanding the elements of performance that are more valuable than others and the steps organizations can take to motivate and reward their employees for success (Srinivasa Rao, A., 2007). Yet another emerging field associated with performance appraisal is performance audit.

1.4.9 **Compensation:** Compensation is what employees are paid in exchange for their contribution to the organization. The compensation management helps the organization to recruit, maintain and retain the employees. Human Resource managers use a rational method for determining how much the employees should be paid for performing the jobs. The compensation has been the major cost to organizations and hence human resource planning is an important activity in an organization. A substantial body of work has provided evidence that incentive based compensation has an impact on firm performance (Gerhart and Milkovich, 1992; Gomez-Mejia, Balkin and Cardy 1998; Milkovich and Bourdreau 1998). The major objectives of compensation management are internal and external equity of wages, rewards, cost control, payroll processing and complying with legal regulations. Some of the methods used to fix compensation are job analysis, job evaluation, job ranking, job grading, point method, factor comparison and wage and salary surveys.

To many employees, pay can represent the most critical facet (compared with work itself, co-workers, supervision) of job satisfaction (Heneman, 1985). Deckop (1992) noted that pay satisfaction could lead to various employee behavioral consequences, including extra-role behavior (Scholl et al., 1987), union activity (Heneman and Sandver, 1983) and turnover (Weiner, 1980).
1.4.10 Benefits: The benefits are another form of compensation to employees other than direct pay. The purpose is to maintain and retain the employees. The organizations need to follow legal norms in the provision of some benefits. As the cost on the provision of employee benefits is considerably high in any organization, it needs due attention from human resource planning stage itself. The following are some of the major employee benefits: incentive, performance related rewards, bonus, merit pay, skill based pay, commission, allowances, gratuity, provident fund, employee stock option plan and commutation.

India’s laws are ahead of social realities in this respect. The Equal Remuneration Act of 1976 mandates equal payment for equal work, regardless of gender, and prohibits gender discrimination in hiring practices. A separate Act also provides for maternity benefits. Despite these laws, the “glass ceiling” is still very much prevalent within companies operating in India. Foreign investment and economic growth have had some effect in this respect. IBM India, for example, won the Friends of Women 2000 Award for its women-friendly HR policies, which include flexible scheduling and location, post-maternity benefits (including leave), child-care facilities and transport facilities for women employees working late. In addition, IBM India has committed itself to increasing the intake of women employees and increasing their training and development in order to help them rise higher within the organization (Gross, A. and Weintraub, R., 2005).

1.4.11 Employee Welfare: Increasingly, a number of welfare initiatives are introduced by the government. The economy is open and the cross-cultural business environments demand careful consideration of several legal and statutory measures on employee welfare. The organizations in the global environment need to specialize to handle the issues pertaining to employee welfare and the demands of the employees towards increasing the level of employee satisfaction and ultimately the performance of the organization.
1.4.12 Labour Relations: ‘Labour relations’ refers to interaction between employer and employees who are represented by a trade union. The trade union is an organization of employees who join together to represent their views and demands related to decisions affecting wage, benefits, working conditions, and other aspects of employment. India is a country with a strong unionism, but of course the unions are political party based and several in numbers. There is little prospect of promoting HRM in a strongly unionized environment without regard for industrial relations. HRM cannot be treated simply as a stand-alone process in such a situation, but must be considered the subordinate partner which cannot grow, perhaps not even be born, except under the gaze of industrial relations (Ramaswamy, E.A. and Schiphorst, F.B., 2000).

The labour relations process includes formation of unions, collective bargaining, dispute resolution and settlement. It is the responsibility of human resource managers to negotiate with the unions with regard to wages, service conditions, and resolving disputes and grievances.

The influences of trade unions on HRM practices are still significant. With liberalization, Indian unions are now playing a more co-operative and less militant role (Venkata Ratnam, 1995). They still greatly influence HR policies and practices in Indian companies, for example, in the recruitment of new employees, payment of bonuses and internal transfers. The unions are strong due to the political support they enjoy and the existence of pro-labour laws in India (Budhwar, 2001; Frenkel and Kuruvilla, 2002; Venkata Ratnam, 1995).

1.4.13 Organizational Communication: Communication plays an important role in keeping the organization intact. It also helps keeping the organization linked with external environment. Communication is the vehicle by which group members interact with each other, create goals, plan strategies, and critique ideas, it plays a critical role in both group productivity and overall group effectiveness. Poor communication is the major cause of interpersonal conflict and lack of group productivity (Thomas, K.W. and Schmidt, W. H., 1976).
1.4.14 Record-Keeping: The organizations are required, by law, to maintain specific employment records and reports. Record-keeping is the basic function of human resource department that involves detailed and comprehensive recording, maintaining, and retrieving employee-related information. The type of records may include application forms, health and medical records, employment history, personal contact details, hours of work, earnings, absences, turnover, accidents and other employee data.

1.4.15 Personnel Research: HR managers and executives engage in some form of research on HR functions and issues. However, their research confines to mould the employees, behavioral aspects of employees, enriching job, performance enhancement, solving the problems related to employees and organization. A personnel programme needs pre-planning and post-reviewing. These in turn need a kind of survey or an interview with the stakeholders. This is nothing but a research. Moreover each and every function of human resource, namely recruitment, employee turnover, terminations and training has a wide scope for research. Through a well-designed attitude survey, employee opinion can be gathered on wages, promotions, working conditions, job security, leadership, industrial relation and welfare programmes. In practice, in most organizations, the human resource research is not a formal activity, but the human resource managers in coordination with line managers, by virtue of their experience, adapt scientific approach to collect information for making decisions.

In addition to these functions, in modern times, the human resource managers are expected to deal with change management in the areas of policy, administration, technology, cultural diversity, strategy integration, conflict management, organization culture and behavior. Though issue of occupational stress has been present for a long time, it has become a prominent issue in recent years, especially among employees in the knowledge industry. It is no longer confined to the culture or ethos of any single organization, but a cross-
fertilization of ideas from different organizations. Periodic social audits of HR functions are considered essential.

### 1.5 Human Resources Management Models: Theoretical Background

Understanding the human resource management models is essential for any human resource practitioner for three reasons. Firstly, it provides a macro perspective of human resource management practices in overall organizational set up. Secondly, the unity and diversity of these models serve as vital inputs in drafting tailor made HRM model for organizations. Thirdly, these models offer answers to quite a few dilemmas that practitioners confront in their mission to pursue an organizationally dovetailed and business aligned human resource function (Kandula, S.R., 2005).

Many models and perspectives are in existence that explain the nature, purpose and underlying assumptions of HRM. These models include: Baldrige Model, Harvard Model, Michigan Model, Ten C Model, Triarchic Model, Toyota Model, 5-P Model, Strategic Fit Model, Strategic Integration Model, European Model, Contextual Model, Business Process Model, Competitive Advantage Model, E-Business Model, HRM Model for Dynamic Organizations, Model for Business - HRM Alignment, Model for Matching HRM Practices with Life Cycle of Organization, World Class HRM Systems Model, Effective HRM Practices Model, Model for Capability Driven HRM Practice, Model for Customer Focused HRM, Model for HRM Scoreboard, Model for Reengineering HRM, Ten Step HRM Model for Strategic Alliances, Seven Step HRM Model for Takeovers, People Capability Maturity Model (P-CMM), HRM as Shareholder Value, Human Potential Model, People Side of Business Process Outsourcing, People Side of Kaizen and Thirteen Best Practices in TQM Based People Management. All these models are applicable to modern business organizations including the IT and ITeS companies. In the subsequent pages, some of the most popular models on HRM are briefly presented.
1.5.1 ASTD Model

The American Society for Training and Development (ASTD) has developed a Human Resource wheel in 1983 highlighting different functions of HRM leading to quality of work life, productivity and readiness for change (Figure 1.2).

![Human Resource Wheels](image)

Source: *American Society for Training and Development, 1983*

According to ASTD, the HR functions are Training and Development, Organization Development, Organization/Job Design, Human Resource Planning, Selection and Staffing, Personnel Research and Information Systems, Compensation and Benefits, Employee Assistance and Union or Labour Relations. (Figure 1.2)
1.5.2 Michigan School Model

Michigan School (Fombum et al., 1984) is one of the earliest contributors to HRM concept and they explained the HRM concept in the form of human resource cycle (Figure 1.3) consisting of four generic processes or functions, namely Selection, Appraisal, Rewards and Development. Fombum et al.’s model highlights the resource aspect of HRM and emphasizes the efficient utilization of human resources (like other resources) to meet organizational objectives. This means that, in the same way as other resources of an organization, human resources have to be obtained cheaply, used sparingly and developed and exploited as fully as possible (Sparrow, P.R. and Hiltrop, J.M, 1994).

They suggest that the HR function should be linked to the line organization by providing the business with good databases, by ensuring that senior managers give HR issues as much importance as they give to other functions.

![Figure 1.3 Human Resource Cycle](image)

Source: The Human Resource Cycle. Fomburn et al., 1984

1.5.3 The Harvard Framework

The Harvard Framework of HRM was developed by Beer et al. (1984) (Figure 1.4). This framework is based on the belief that problems of historical personnel management can only be solved when general managers develop a viewpoint of how they wish to see employees involved in and developed by
the enterprise and of what HRM policies and practices may achieve those goals. Without either a central philosophy or a strategic vision - which can be provided by the general managers- HRM is likely to remain a set of independent activities, each guided by its own practices and traditions. This framework suggests that HRM has two characteristic features: (a) line managers accept more responsibility for ensuring the alignment of competitive strategy and personnel policies; (b) the personnel function has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually re-enforcing.

![Figure 1.4 Harvard Analytical Framework for HRM](image)

Source: The Harvard Framework for HRM, Beer et al., 1984

This model emphasizes that HRM is a general management function. The actual content of HRM, according to this model, is described in relation to four policy areas, namely human resource flows, reward systems, employee influence and work systems. Each of the four policy areas is characterized by a series of tasks to which managers must attend. The figure 1.4 explains that the HRM policy should be evolved taking into consideration stakeholder interest and situational factors, which will lead to HRM outcomes like competence,
commitment, congruence and cost effectiveness (Budhwar, P.S. and Khatri, N., 2001). This ultimately will lead to long-term consequences like individual well-being, organizational effectiveness and societal well-being which in turn will impact the stakeholder interest and situational factors and also the HRM policy choices more in a cyclical form.

1.5.4 People CMM (P-CMM)

A Capability Maturity Model (CMM) (Curtis et. al., 2001) is an evolutionary roadmap for implementing the vital practices from one or more domains of organizational process. It aims at implementing workforce practices that continuously improve the capability of an organization's workforce. Since an organization cannot implement all of the best workforce practices in an afternoon, the People CMM introduces them in stages. Each progressive level of the People CMM produces a unique transformation in the organization's culture by equipping it with more powerful practices for attracting, developing, organizing, motivating, and retaining its workforce. Thus, the People CMM establishes an integrated system of workforce practices that matures through increasing alignment with the organization's business objectives, performance, and changing needs.

The philosophy implicit in the People CMM can be summarized in ten principles as stated below.

1. In mature organizations, workforce capability is directly related to business performance;
2. Workforce capability is a competitive issue and a source of strategic advantage;
3. Workforce capability must be defined in relation to the organization's strategic business objectives;
4. Knowledge-intense work shifts the focus from job elements to workforce competencies;
5. Capability can be measured and improved at multiple levels, including individuals, workgroups, workforce competencies, and the organization;

6. An organization should invest in improving the capability of those workforce competencies that are critical to its core competency as a business;

7. Operational management is responsible for the capability of the workforce;

8. The improvement of workforce capability can be pursued as a process composed from proven practices and procedures;

9. The organization is responsible for providing improvement opportunities, while individuals are responsible for taking advantage of them; and

10. Since technologies and organizational forms evolve rapidly, organizations must continually evolve their workforce practices and develop new workforce competencies.

The People CMM (PCMM) has proven popular, because, it allows organizations to characterize the maturity of their workforce practices against a benchmark being used by other organizations. Many workforce benchmarks focus on employee attitudes and satisfaction rather than workforce practices. Although attitudes and satisfaction are important predictors of outcomes such as turnover, they do not always provide the guidance necessary for identifying which practices should be improved next. In contrast, the staged framework of the PCMM helps organizations prioritize for their improvement actions. In addition, since the PCMM treats workforce development as an organizational process, improved workforce practices are easier to integrate with other process improvement activities. (Curtis et. al, 2001) It is evident from the work done by Som. A., (2007) that adoption of PCMM by Wipro Ltd., not only helped in implementing change management effectively throughout the organization, but it also achieved its organizational goal of integrating its HR with its business development and strategic objectives. It also helped Wipro achieve increased skill sets and productivity.
## Process Areas of the People CMM

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>Focus</th>
<th>Process Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Optimizing</td>
<td>Continuously improve and align personal, workgroup and organizational capability</td>
<td>Continuous Workforce Innovation, Organizational Performance Alignment, Continuous Capability Improvement</td>
</tr>
<tr>
<td>4 Predictable</td>
<td>Empower and integrate workforce competencies and manage performance quantitatively</td>
<td>Mentoring, Organizational Capability Management, Quantitative Performance Management, Competency Based Assets, Empowered Workgroups, Competence Integration</td>
</tr>
<tr>
<td>3 Defined</td>
<td>Develop workforce competencies and workgroups and align with business strategy and objectives</td>
<td>Participatory Culture, Workgroup Development, Competency Based Practices, Career Development, Competency Development, Workforce Planning, Competency Analysis</td>
</tr>
<tr>
<td>2 Managed</td>
<td>Managers take responsibility for managing and developing their people</td>
<td>Compensation, Training and Development, Performance Management, Work Environment, Communication and Coordination, Staffing</td>
</tr>
<tr>
<td>1 Initial</td>
<td>Workforce practices applied inconsistently</td>
<td>–</td>
</tr>
</tbody>
</table>

Source: *People Capability Maturity Model (P-CMM), Carnegie Mellon - Software Engineering Institute, PA, USA, 2001*

A maturity level represents a new level of organizational capability created by the transformation of one or more domains of an organization's processes. A cluster of related practices that, when performed collectively, satisfies a set of goals that contribute to the capability gained by achieving a maturity level. (Figure 1.5)
1.5.5 Sternberg Organizational Model for Human Resource Management

This model reflects the major activities existing within the functions of acquisition (Human Resource Planning, Recruiting (Internal and External), Employee Socialization), development (Employee Training, Management Development, Career Development), motivation (Job Design, Performance Evaluation, Job Evaluation, Compensation/Benefits, Discipline), and maintenance (Safety and Health, Employee/Labour Relations).

![Figure 1.6 Organization Model for HR Planning](image)


At the hub of this model are the external influences - government regulations, labour unions, and management practice (hiring strategies, HR information process, methods of evaluating jobs, employee performance, equipments (hardware and software), methods of fixing compensation and
benefits - that have an impact on HRM. The human resource activities in any of the four functions are constrained or guided by these external influences. The outer circles represent the flow of major activities included in HRM. (Figure 1.6)

1.5.6 HRM Model for Software Companies

As small, medium and some large sized companies are not matured enough to implement and practice PCMM which is the model developed exclusively for software companies, they have specialized HR functions due to their nature and functions, along with the contemporary practices that exist in other business organizations. Accordingly an attempt is made to develop a model merging the features of conventional HRM models and PCMM, that best explains the HR functions in the IT and ITeS companies. (Figure 1.7)

![HRM Model for Software Companies](image)

**Figure 1.7**
HRM Model for Software Companies

**Note:** Adapted and Improved from Meg Isaac Sternberg, “Organizational Model for Human Resource Planning” (Unpublished paper, Baltimore, 1984)
1.6 HRM functional Similarities and Differences between software and other companies

The HR practices are by and large sector specific and one can notice the differences prevailing among different sectors. For example, in the booming information technology sector, the patterns of HR practices are significantly different from the traditional sectors. The academic achievements and background needed to get a job in IT sector are much higher and more specific in comparison to other sectors. Due to the tight labour market and rapid growth of the sector, the compensation and benefits are very high. Still the turnover rate in the information technology sector is very high. Different mechanisms such as profit-sharing schemes, share-option schemes, overseas holidays, company house, company cars, etc., are being offered to retain employees by the companies (Guha, 1999).

Figure 1.8

Similarities and Differences between software and other companies

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Dimensions</th>
<th>Non-Software Companies</th>
<th>Software Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beliefs and Assumptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Contract</td>
<td>Present</td>
<td>Very Elaborate</td>
</tr>
<tr>
<td>2</td>
<td>Rules</td>
<td>Rigid</td>
<td>Selectively Flexible</td>
</tr>
<tr>
<td>3</td>
<td>Guide to manage action</td>
<td>Business need</td>
<td>Client needs and technological advancement</td>
</tr>
<tr>
<td>4</td>
<td>Behavioral Referent</td>
<td>Values and mission of the organization</td>
<td>Vision and Mission of Organization, Organizational culture; values, customs and culture of clients</td>
</tr>
<tr>
<td>5</td>
<td>Managerial Task</td>
<td>Team and mass based</td>
<td>Individual and team based</td>
</tr>
<tr>
<td>7</td>
<td>Conflict</td>
<td>Inter individual and inter group conflicts. De-emphasized</td>
<td>Intra and Inter Individual and Inter group. Between organization and client</td>
</tr>
<tr>
<td>Strategic Aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Key Relations</td>
<td>Customer</td>
<td>Customer</td>
</tr>
<tr>
<td>9</td>
<td>Initiatives</td>
<td>Integrated</td>
<td>Individual, Team and integrated</td>
</tr>
<tr>
<td>10</td>
<td>Corporate Plan</td>
<td>Central</td>
<td>Central</td>
</tr>
<tr>
<td>11</td>
<td>Speed of Decision</td>
<td>Fast</td>
<td>Very fast</td>
</tr>
<tr>
<td>Line Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Management Role</td>
<td>Transformational leadership</td>
<td>Transformational leadership</td>
</tr>
<tr>
<td>13</td>
<td>Key Managers</td>
<td>General, business and line managers</td>
<td>Technical and non-Technical Team Managers</td>
</tr>
<tr>
<td>Sl. No.</td>
<td>Dimensions</td>
<td>Non-Software Companies</td>
<td>Software Companies</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>14</td>
<td>Prized Management skills</td>
<td>Moderate skills and Facilitation</td>
<td>High level of Individual Skills and Contribution to Group Task, Facilitating Team Task at higher level</td>
</tr>
<tr>
<td>15</td>
<td>Communication</td>
<td>Single Source Direct</td>
<td>Multi-sources Direct (Administration, Technical and Client)</td>
</tr>
<tr>
<td>16</td>
<td>Standardization</td>
<td>Rigid</td>
<td>Varied</td>
</tr>
</tbody>
</table>

**Key Levers**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Selection</th>
<th>Domain, Client, and Technology Oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Term of Employment</td>
<td>Long</td>
</tr>
<tr>
<td>18</td>
<td>Nature of Employment</td>
<td>Moderately Permanent</td>
</tr>
<tr>
<td>20</td>
<td>Training and Development</td>
<td>Less Frequent, controlled access to training. Mostly On-the-job</td>
</tr>
<tr>
<td>21</td>
<td>Job Design</td>
<td>Division of Labour and Teamwork</td>
</tr>
<tr>
<td>22</td>
<td>Job categories and grades</td>
<td>Limited and Fixed</td>
</tr>
<tr>
<td>23</td>
<td>Job Security</td>
<td>Moderately Secured</td>
</tr>
<tr>
<td>24</td>
<td>Pay</td>
<td>Qualification, Experience, Fixed Grades and Performance Related</td>
</tr>
<tr>
<td>25</td>
<td>Labour Management</td>
<td>Collective and Individualized</td>
</tr>
<tr>
<td>26</td>
<td>Labour Laws Enforcement</td>
<td>Fully Enforced</td>
</tr>
<tr>
<td>27</td>
<td>Formation of Trade Unions</td>
<td>Encouraged</td>
</tr>
<tr>
<td>28</td>
<td>Thrust of relations with superiors</td>
<td>Marginalized</td>
</tr>
<tr>
<td>29</td>
<td>Focus of attention for interventions</td>
<td>Wide ranging cultural, structural and personnel strategies</td>
</tr>
<tr>
<td>30</td>
<td>Communication</td>
<td>Moderate Flow</td>
</tr>
<tr>
<td>31</td>
<td>Conflict Handling</td>
<td>Manage Climate and Culture within company conforming to legal framework, Scope for Third party Intervention</td>
</tr>
</tbody>
</table>

*Note: Adapted and Improved from a table from Human Resource Management Practice by Kandula, S.R.,2005.*
A comparison of HRM functions between software and other companies would bring out functional similarities and differences in HRM practices. Understanding these differences and similarities is important to recognize the complexity of HRM function in software companies (Kandula, S.R., 2005).

(Figure 1.8)

1.7 HRM Challenges in Software companies

Changes in socio-economic and political conditions are bound to bring changes in the environment within the organizations. The human resource managers of today may find themselves quickly becoming obsolete unless and otherwise they equip themselves consistently, because of the rapidly changing business environment, and therefore they should constantly update their knowledge and skills. The challenges confronting the HR managers are many (DeCenzo, D.A. and Robbins, S.P., 2008).

In the global environment, software companies face stiff competition in every aspect of business. The business is increasingly becoming complex due to the following factors: 1. Different geophysical conditions, 2. Different time zones and 3. Multi-cultural work environment. Under these circumstances, HR managers are expected to have international exposure and better understanding of global business trends to be effective in their work. The following are the brief notes on the challenges confronting the software companies.

1.7.1 Employability: High rates of emigration among graduates of the top schools decrease local supplies of suitable talent. Despite the large number of students graduating, it is reported that, companies do not find suitable candidates. Every year India produces over 5,00,000 engineering graduates and over 3 million non-engineering graduates. But it is understood from NASSCOM (www.nasscom.in) report that only 15 - 25 per cent of the fresh graduates are employable. The remaining 75 per cent are unsuitable because of lack of business skills and soft skills, particularly communication skills, which
are essential in software companies. Gradually, the international demand for Indian software professionals shifted from coding and testing to undertaking more complex and higher value added work. There was an increased demand for higher spectrum skills, for example the knowledge of foreign languages and project management (Nicholson, B. and Sahay, S., 2008).

1.7.2 Lack of Talent Pool: McKinsey Global Instituted study in 2007 reported that the demand for India’s young employable IT workforce was likely to exceed supply if current rates of growth in demand (especially from US and UK) persisted. There is also the problem of availability of quality people. Although India has a large pool of well-educated people (Asian Business Review, 1995), since the economic liberalization of the early 1990s, it has become very difficult for multinational companies to find high-quality local employees. This is because of the unprecedented increase in demand for skilled people following a rapid rise in the level of foreign and local investment in India (As-Saber, S.N., Dowling, P.J. and Liesh, P.W., 1998).

1.7.3 Education Quality: Despite the fact that India has historically capitalized on large number of qualified software professionals at relatively low cost to satisfy the skills shortages of clients primarily in the USA and increasingly in Europe, it has still a long way to go in regard to meeting of international standards (Brian Nicholson and Sundeep Sahay, 2008, p. 164). The employability of fresh graduates is only in the range of 15 to 25 per cent (NASSCOM report). This indicates that the quality of education should be improved to a higher level. Further, the pace of change has not prevented the exodus of skilled professionals. For example, the government has been reducing funding to institutions of higher learning since 1993, and many graduates are disappointed with the economic and technological opportunities that a hierarchically paternalistic and collectivist-oriented India can offer. A large number of graduates from reputable educational institutions have left the country for better opportunities abroad (Kripalani et al, 1998).
It is acknowledged that the Ministry of Human Resource Development (MHRD) is increasing the number of IITs (Indian Institutes of Technology) and IIMs (Indian Institutes of Management) and also creating more Universities for Innovation (UI). These steps will bring more quality to the education system in India. The universities should continuously modify the curriculum with quality faculty, adequate pedagogic methods, tools and enough infrastructures, based on the industry needs. The universities have now started including mandatory subjects to improve soft skills and communication skills (written and verbal). The young generation workforce may learn foreign languages as many as possible.

During the 1990s, IT skills shortages meant that the strategy for human resources could be based on quantity at low cost. The 2008 scenario was characterized by a demand for greater levels of sophistication, requiring skills of product development, project management and cross-cultural sensitivity (Nicholson, B. and Sahay, S., 2008).

1.7.4 Lack of Middle Level Managers: Although India has more of middle managers than other countries do, the country also has higher demand for middle managers as the off-shoring sector has grown so fast; over the past decade, the demand for middle managers increased by more than 20 per cent a year, and even more in some cities. New companies often lure qualified managers from existing business instead of training their own. Sometimes they poach across borders as well. Rapidly rising remuneration is evidence of their scarcity when compared to the compensation before 5 years. Annual wages for project managers in India has increased by 23 per cent annually over the past 5 years, while salaries of programmers have risen by 13 per cent. Of course, the organizations did not raise the salary in 2009 and 2010 due to the financial meltdown and recession. The Global Outsourcing Summit organized by Indo-American Chamber of Commerce (2005) pointed out that there was an emerging shortage of middle managers. Project management skills are also in short supply creating anomalous situations (Radhakrishnan, K.G. 2005).
1.7.5 **Employee Retention:** New career horizons within the industry have multiplied the prospects of mobility of software professionals across organizations; a growing number of such employees no longer want to spend their career with the same employer or occupation. Professional loyalty has replaced the age old concept of organizational loyalty. (Das H., 1996), Multiple opportunities in software industry created a penchant among software professionals to switch jobs frequently. This is supplemented by an increasing tendency among software companies to ‘buy in’ otherwise called ‘poaching of professionals from competing firms (Ghosh, P. and Geetika, 2007 and Russel, B. and Thite, M., 2008).

Frequent job changes are no longer a stigma, but they are becoming the norm (Amitabh, K. and Senthil Kumar, S., 2004). Job switching is endemic to the software industry, and brain drain is its bane. The employee turnover in software companies varies from 6 to 50 per cent with an average turnover of 20.7 per cent (Radhakrishnan, K.G., 2005).

The IT industry has, during the last decade, been probably the most attractive sector to work in. It has, therefore, been able to get the best talent. The challenge now is to safeguard and build on this prime position. Attractive compensation, challenging assignments, good working conditions and growth opportunities are amongst the main determinants of where talent gravitates. The employee retention is a challenge to human resource departments and organization as a whole amidst economic slow down. At the same time, software companies, during recession, prefer to retrench less productive employees and retain high productive employees.

Many HR leaders are looking for ways to attract and retain older workers. Benefits and workplace programmes, such as reward initiatives and flexible work arrangements (e.g., part-time work, phased retirement), are key tools that offer attractive options to older workers. To retain talent, Infosys issued stock option as early as 1997. By 2001, Infosys had about 2000 rupee millionaires and more than 213 dollar millionaires in 2005-06 (Som, A., 2007).
Human Resource professionals should re-evaluate their organization regarding talent, mentoring, career development and succession planning. Strategic initiatives, such as mentoring, on-boarding and “listening” forums, are additional tactics to address minority retention. The Global Outsourcing Summit organized by Indo-American Chamber of Commerce (2005) pointed out that turnover rate was from 20 - 80 per cent in ITeS sector and an imbalance in the demand and supply of skilled and talented workforce. There is a need for the development of some kind of ‘code of conduct’ regarding poaching employees from other companies (Budhwar, P.S., Varma, A., Singh, V. and Dhar, R., 2006).

Some of basic measures to retain employees are salary surveys to stay abreast of the market, culture building exercises for employees, exit surveys, counseling, employee development programmes, rewards and recognition, as well as lucrative pay and attractive benefits (Budhwar, P.S., Luthar, H.K., and Bhatnagar, J., 2006).

Convincing talented IT staff to remain with the company and to remain in India requires a special effort. As IT professionals are generally well aware of their market value, adequate compensation, perquisites and allowances are vital (Gross, A. and Weintraub, R., 2005).

In the past several years, organizations had been attempting to attract and retain highly qualified workers in advance of a projected labour shortage and amid increasing global competition. More recently, the economic downturn that began in 2007-2008 has been causing tremendous turmoil in employment. Yet new young professionals are still expressing a preference to work for socially responsible, ethically driven organizations that allow the “whole self to be brought to work” (Chalofsky, N. and Vijay Krishna, 2009).

An emergent workforce is driven by opportunity as against a traditional work force that believes that tenure dictates growth (Campbell, 2002). Hence, organizations will need to develop novel approaches to motivation to retain an emergent workforce.

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1.7.6 Managing Diversity: India is considered to be one of the few countries with a heterogeneous cultural setting and a relatively a large degree of dissimilarity and diversity among different groups or subcultures (Fatehi, K., 1996). It is a country with a complex cultural array, having a massive population base, which is predominantly agrarian, with fourteen recognized languages, seven major religions and numerous castes. Diversity, therefore, is the root of a complex cultural disposition in India that has a significant impact on the Indian management style (Sharma, I.J., 1984; Hussain, S.A., 1994). With the changing marketplace and an increasingly diverse labour pool, HR leaders are dealing with a myriad of factors regarding diversity management (Som, A., 2002).

Indian organizations are required to cope with the need for developing 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 (Venkata Ratnam, 1998). Broadly speaking, workplace diversity challenges can be considered within three interrelated categories: attracting and retaining talent, greater diversity among employees and training.

Individuals in diverse workplaces have to negotiate the stereotypes associated with their embodied identities (like gender, race) within organizations (Das, D., Dharwadkar, R. and Brandes, P., 2008).

1.7.7 Maintaining Group Cohesiveness: The industry, by nature, involves work in groups. The challenge before HR managers is to keep the groups performing effectively. Managers and employees, especially those working in knowledge industries require a variety of tools in order to motivate, resolve conflicts with, and inspire their fellow co-workers and group members. These groups are a source of knowledge, innovation, and synergy that is hard to replicate. Therefore, finding ways to keep groups intact is of value to management (Romero, E. and Pescosolido, A., 2008).
1.7.8 **Employee Commitment:** Employee commitment is employee’s positive behavior that promotes employee performance and retention. According to Porter (1968), commitment involves the willingness of employees to exert higher efforts on behalf of the organization, a strong desire to stay in the organization, and accept major goals and values of the organization. Studies also suggest that organizational commitment supports organizational citizenship behaviors that are central to flatter organizations, effective teams, and empowerment (Dessler, 1999). Employee commitment is one of the key factors to adapt to change that is essential for organizational survival and growth.

Organizations in order to be high performance workplaces must provide in their organizational climate, a strong psychological empowerment and an emphasis on learning capability enacted through strategic HR roles, and thereby enhancing organizational commitment, thus leading to talent retention, in this era of talent raids and talent wars (Bhatnagar, J. 2004a).

1.7.9 **Employee Engagement:** Employee engagement is related to workforce efficiency and productivity. Maslow wrote ‘employee is engaged when one seems to transcend self-actualization’. He labeled this phenomenon "Theory Z" after McGregor's (1960) "Theories X and Y." By engagement, employee is devoted to a task, vocation, or calling that transcends the dichotomies of work and play. Maslow (1971) viewed this as a dynamic process of expanding the capabilities of the self to virtually unlimited potential (Chalofsky, N. and Vijay Krishna, 2009).

Employee engagement has emerged as the most recent "business driver" of organizational success (Lockwood, 2007). A number of consulting companies have found a concern that the majority of employees are not engaged in their work and their organizations (Chalofsky, N. and Vijay Krishna, 2009).
Engaged employees work harder, are more committed, and are more likely to go "above and beyond" the requirements and expectations of their work (Lockwood, 2007). Engaged employees tend to feel that their work actually positively affects their physical health and their psychological well-being (Crabtree, S. 2005). Engaged employees are proud to work in their organizations and trust their organization, leading to higher levels of commitment based on developmental, financial, or professional (Crabtree, S. 2005).

1.7.10 Work Life Balance: Different groups have different needs, and they want their needs to be recognized and met. Acknowledgment of different needs yields greater employee satisfaction, employer loyalty and, in turn, lowers turnover and greater productivity. As a result, more organizations offer programmes to address issues such as work life balance and demands for more flexibility with telecommuting, adoption support, flexible health and dependent care spending accounts, elder care and domestic partner benefits.

The work life balance plays an important role in employee’s productivity. In today’s fast-paced society, human resource professionals seek options to improve employee morale, retain employees with valuable company knowledge, and keep pace with workplace trends. The global competition, family values and aging workforce are the challenges before work life balance. The organizations need to create a supportive corporate culture where employees can focus on their jobs while at work. Some organizations have already initiated policies and procedures with the goal to enable employees to get their jobs done and at the same time provide flexibility to handle personal or family concerns.

The conflict between work and family has real consequences and significantly affects quality of family life and career growth of employees. The consequences for women employees may include serious constraints on career choices, limited opportunity for career advancement and success in their work role. The women employees need to choose between an active career and
family life. The male workforce has to trade off personal and career values, taking care of both career and family life. Poor work life balance is an important contributor to high attrition level (Budhwar, P.S., Luthar, H.K., and Bhatnagar, J., 2006).

1.7.11 Rising Labour Cost: Wages for India’s graduate software engineers have already risen sharply in the most popular offshore destinations such as Mumbai, Bangalore, Chennai, Hyderabad, Noida, Gurgaon and Pune. Annual wages for project managers in India has increased by 23 per cent annually over the past 5 years, while salaries of programmers have risen to 13 per cent. Because of wage inflation, many offshore companies worry that the Indian wage rates will soon reach US or Europe levels. As a result, the offshore companies may lose the customer base, because of the price that is the selling point as of now. With the increasing scarcity of software manpower and the consequential increase in their salaries, the cost advantage is certainly taking a beating. Even in 1995, the comparable Indian salaries had reached 20-42 per cent of US levels and between 38-53 per cent of Irish levels (Radhakrishnan, K.G., 2005).

1.7.12 Effect of Exchange Rates: The exchange rate between US Dollar ($) and Indian Rupee (INR) is decreasing by which the profit for the offshore companies in India is comparatively reduced, affecting the affordability of the companies which provide lucrative employee compensation. This would have consequences and implications in recruiting as well as retaining the best talents.

1.7.13 Enforcement of Labour Laws: The rapid growth of software industry in India was likely to alter most of the HRM patterns (Bordia and Blau, 1998). The private sector is already attracting a greater proportion of new employment. However, the adherence to the provision of labour legislation in the Indian private sector is questionable (Venkata Ratnam, 1995).
The Industrial Disputes Act of 1947 restricts the ability of employers to fire, lay-off or retrench employees. As per this law, lay-offs are costly, the employer must pay 50 per cent of wages for the first 90 days and lay-offs are permitted only for a maximum of 180 days. However, due to the lack of strict enforcement of the legislation, such provisions are hardly followed seriously (Kuruvilla, 1996).

1.7.14 Inadequate Infrastructure: The infrastructure is an important area that needs to be improved to the international standard. The poor roads, pollution and rudimentary traffic management make local commuting a hassle, for both employees and customers. The infrastructure includes roads, airports, communication networks, data and internet security and buildings on par with international standards. Of course the government is taking initiatives to meet these needs. ‘The fast-paced growth of the Indian economy and particularly its cities has produced an urban crisis, one that is marked by the lack of adequate infrastructure and growth management as well as by sharp social divisions that are starkly etched in a landscape of bourgeois enclaves and vigorous type of planning that can ‘future-proof Indian cities (Ananya Roy, 2008). As a result, the number of off-shoring industry clients reduced from 79 per cent to 62 percent caused by poor infrastructure (Budhwar, P.S., Luthar, H.K., and Bhatnagar, J., 2006). Inadequacy of infrastructure support remains the curse on India’s software endeavors (Radhakrishnan, K.G., 2005).

1.8 Plights of Software Professionals

To the society, the employment in the IT sector looks very lucrative as the compensation being competitive and attractive. But in reality, the software professionals are facing many issues. Some of the issues are as follow.

1.8.1 Change in Life Style: In knowledge industry, the young workforce is attracted by western culture and they are more of “spend centric”. The salary expectation is driven by the day-to-day expenses to meet out higher
standard of living, that is, the consumerist culture drives the young workforce towards higher salary expectations. The software companies have led to increasing levels of disposable income in the hands of the young workforce. The software professionals are forced to have a high status of living, in order to maintain the status among colleagues.

1.8.2 Work Stress: Today’s workers expect the work to be enjoyable. Younger workers (18-25 years), in particular, want to have fun at work and are more likely to leave firms when work is boring (Levine, M. 2005). With the rapid diversification of human activity, especially in knowledge industry, there exist huge stress and symptoms of anxiety and depression. Professional stress or job stress poses a threat to physical health. Work related stress in the life of organized workers, consequently, affects the health of organizations. A recent study conducted by Jeyakumar. P. et al. (2006) among IT professionals revealed that the personal variables namely sex, age, educational qualification, and monthly income do not have any relationship while martial status and personality type are found to have influenced the level of job stress (Jeyakumar. P, Muralidharan, K. and Ashok Kumar, M., 2006).

Common health problems due to stress are chronic fatigue, anger at those making demands, self criticism, negativism, indigestion, headaches, migraine, insomnia, depression, constipation, diarrhea, irregular heartbeats, frequent urination, increase in cholesterol levels, high blood pressure and peptic ulcer.

Scientists agree that in moderate amounts stress can be benign, even beneficial, and most people are equipped to deal with it. However, increasing levels of stress can rapidly lead to low employee morale, poor productivity, and decreasing job satisfaction. Some of the specific symptoms that relate directly to productivity in the work environment are abuse of sick time, cheating, chronic absenteeism, distrust, embezzlement, organizational sabotage, tardiness, task avoidance, and violence in the workplace. Other serious
repercussions are depression, alcohol and drug abuse, marital and financial problems, compulsive eating disorders, and employee burnout. Rising workloads, pace of new technology and office politics are the greatest sources of stress, (www.recruitmgtrends.com).

1.8.3 Job Insecurity: Most of the jobs are project and technology based in software companies. The job description and job specification change rapidly due to fast changing technologies and client needs, in the global environment. So the employee does not have hundred per cent job security after each project is completed.

1.8.4 Dual Identity of employees in MNCs: The employees at the subsidiary level of a MNC exhibit dual identification; they draw a distinction between their local company and the global organization as manifest in separate group identifications. The patterns of organizational identification appear to vary according to MNC subsidiary type (Carol Reade, 2001).

1.8.5 Frequent Relocation: Due to global environment, especially as the clients are spread across the world, mostly from Europe and USA, an employee has to move to a different location instantly with no or short notice, to work in the same project or in a different project. This makes the family life difficult for an employee and it consequently leads to stress.

1.8.6 Constant and Continuous Learning: In the knowledge industry, as the technology rapidly changes everyday, the professionals have to learn the new technology at a faster rate and it is difficult for them when they get older. This causes the employees to quit the industry, either to retire and become an entrepreneur or do something else basically to get rid of stress. Under such circumstances, human resource managers have to motivate the employees to stay behind.
1.9 Conclusion

In the foregoing pages, a detailed discussion is made on different aspects of HRM in general and HRM issues in particular, in software companies, with a view to provide background understanding of the subject. This chapter discussed the HRM in historical perspective; concepts, functions and models of HRM and organizational structure for HR functions. After reviewing the existing HR models, a model comprising of all HR functions of software companies has been developed and presented. It also covered, in an elaborate way, HR challenges and plights of software professionals.
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