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Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) was aimed at making India the fastest growing economy and globally competitive. A series of reforms were undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. With the onset of globalization in the early 1990s and reforms to liberalize the Indian economy in July 1991, a new chapter had dawned for India. This period of economic transition had a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade could hardly be overlooked. Globalization is a complex phenomenon and has several features namely, economic, political, social, cultural, and environmental. It has irrevocably changed the world system and current trends suggest that its pace will continue and even accelerate in the future.

The term Globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. In context to India, this implied opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNC’s in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization had been identified with the policy reforms of 1991 in India. This era of reforms had also ushered in a
remarkable change in the Indian mindset, as it deviated from the traditional values held since Independence in 1947, such as self-reliance and socialistic policies of economic development, which were attributed mainly due to the inward looking restrictive form of governance, resulting in isolation, overall backwardness and inefficiency of the economy, amongst a host of other problems.

Today, India is regarded as an economy dominated country rather than politics driven, as it was earlier. Adoption of globalization in India and liberalization principles has widened the horizon of country’s consumers worldwide and have led the industrial sector to grow at a faster pace, especially accelerating the growth of specific sectors like the IT and the ITeS. The profile of the Indian IT Services went through a sea change in the last few years, partly as it moved up the value chain and partly because the industry responded to the market dynamics most positively then never before. Ten years ago, most US companies would not even consider outsourcing their IT projects to vendors outside of US. Now, ten years later, a vast majority of US companies highly use the professional services of Indian software engineers through large, medium or small companies or through individuals recruited directly. Today, the Indian software industry which is considered as one of the leading engines of economic growth truly symbolizes India’s strength in the knowledge based economy. Highly skilled human resources coupled with low wage structure and world class quality services, have transformed India into a global powerhouse in the Information Technology (IT) and has assumed a critical position in the overall economy. In addition to this, the software industry has also created high value jobs, enhancing business efficiency and earning export revenues further pushing up the economy in the global scenario.
This pivotal role of software industry has led many developing countries to embark on initiatives for rapid development and promotion of this industry. As this industry also offers the potential of very attractive margins and high rates of growth, it has attracted the attention of investors and entrepreneurs. Though, there are some very unique factors that differentiate the IT industries from the rest which must be considered while setting up a business.

**Features distinguishing the IT industry are as follows:**

1) **Human Capital is the key asset**
   
   Unlike manufacturing and some service industries, software does not require very large investment in equipment and/or real estate. The capacity of a software company to generate revenues is primarily determined by the quantity and quality of its technical staff. In the words of one entrepreneur, ‘In this business all of our assets (the people) leave the physical company premises at the end of every day and then return the next day. You have no concrete immovable assets to hold on to’. Since people are the primary asset, it is essential to not only invest in them, but also to ensure that the supporting elements for this asset are such that it can provide the maximum value on a sustainable basis.

2) **Complex setup and Gestation period**
   
   Unlike other businesses, in case of software companies the evolution path is more tedious and usually takes years before a company attains significant revenue levels. There is a need for design and development of processes that fits the firm’s specific business and technology focus.

3) **Rapid technological changes & Market dynamics**
   
   The target markets and their needs for various software based solutions may not change very rapidly, but the technology options keep changing at fast
pace. For example, the growth of Internet and the associated developments in various E-commerce technologies has transformed the ways in which a company has to develop and provide software solutions.

4) **Significance of Quality deliveries & Customer trust**

Most businesses rely very heavily on computer based systems for managing their operations and any software related problems could have serious adverse effects. Hence, the client organizations need to be assured of the quality and reliability. The degree of trust between the software company and its clients is a significant determinant of the success of software projects.

With these given set of features, and the existing structure of a developing country like India, the industry faces a host of challenges. It’s essential to focus and tackle these concerns right at the ground level, therefore making it necessary to understand the exact nature of concerns and challenges its facing.

**Concern Areas**

India is an important player on the Information Technology (IT) map of the world. With a global explosion in market-opportunities in the IT sector, the IT boom has brought with it, its own set of challenges to organizations. The unique characteristic of this industry pose many human resource challenges for this industry. The IT industry is a service industry. How well the organization is able to offer quality service to clients will determine the success of the overall industry. This leads us to the fact that creativity, innovativeness, knowledge and skill of the employees are the most important assets to any organization. “People are our most valuable asset” is a cliché which no member of any senior management team would disagree with. Yet, the reality for many organizations is that their people remain under-valued, under-trained, under-utilized, poorly motivated, and consequently perform
well below their true capability. In fact, if you dig very deeply into any organizational problem, you will get down to people.

Considering the current scenario, how well the organization is able to manage this asset—PEOPLE—is the biggest challenge that the IT industry is facing. It is not capital or finance or marketing management that gives the competitive edge but rather the human resources that get along with them, the intellectual capacities that determine the success of the organization. Now, the question is how to put in place the processes that are in tune with the IT revolution? How to strategize and compete with globalization? Perhaps this is the prime challenge for HR in the IT industry as the best practices today may not be the same after a particular period, so it is imperative that it constantly improves its own business aligned HR processes to be at a leading edge.

The HR is required to play a strategic role that focuses on aligning HR practices with business strategy. The HR professional is expected to be a strategic partner contributing to the success of business plans, which to a great extent depends on HR policies pertaining to recruitment, motivation and retention. The other significant areas of concern for HR personnel in IT sector are change management, manpower planning, organizational effectiveness, employee development, employee attrition, motivation to adopt new technology changes, training, performance management, development and compensation management. Managing HR in the knowledge-based industry is not easy for HR managers as it a multi-task responsibility.

In the present scenario, three major concerns that are foremost on the minds of HR managers are:

1) Recruitment

The Indian Software Industry suffers from a shortage of experienced personnel for key positions such as systems analysts, project managers and many more; and attracting them is a key challenge. Software companies are
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striving to understand which organizational, job, and reward factors contribute to attracting the best talent.

Recruitment is a function that requires business perspective, expertise, ability to find and match the best potential candidate for the organization, and to align the recruitment processes to the overall organizational growth chart. HR managers play a vital role in creating assets for the organization in the form of quality manpower. The HR professionals handling the recruitment function of the organization are constantly facing new challenges like putting in place systems that assembles a talent pool with the right blend of technical and person-bound skills that fit the specified job. Therefore, in a pressure to recruit a large number of people that the organization requires, the HR department may land up making ‘false promises’ that leads later into employee dissatisfaction. In order to avoid such a situation, HR managers can and must manage expectations right from the recruitment stage itself. Problems often result from mismatched expectations created at this early point in an individual’s relationship with the company. They can induct ‘right’ people in the company whose career aspirations are in tune with the companies’ work and reward systems. They can identify people whose need for utilization of knowledge, skills, and abilities are in tune with the kind of job assignments they are being recruited for. Moreover, they can identify the income, advancement and growth needs of prospective candidates and attempt to select those with high fit with the compensation and reward system of the company.

2) Attrition

Attrition has always been a sensitive topic for IT firms. Despite offering high salaries across all business segments, the industry has been plagued with attrition across the board, particularly in the past few years. In fact, this has brought about a reality check among a number of Indian companies with the discovery that it is increasingly harder for them to hire and retain the employees they need, to meet the booming demand in business.
Organizations, the world over have now acknowledged the fact that talent is their most strategic and critical resource. And no other industry has felt the heat on this count more than IT and ITeS industry, which are almost fully comprised of knowledge workers.

With a growing demand for IT professionals overseas and with multinational IT companies establishing their offices in India, Indian talent retention becomes very difficult. Previously the drain was because the talent was hired to go abroad and now it is due to the outsourcing industry within India. A large percentage of Indians go abroad after using India’s highly subsidized education system and 90% don’t return. Consequently they are only working to give advantage to the US, Europe and Japan.

Apart from causing the company a monetary loss and breaks in their day-to-day operations, attrition contributes to knowledge transfer, which is a loss that is horrific and adversely affects business. In the war for talent, the company suffers and requires focused strategy to keep workers on the job. The average costs of replacing today’s defecting work force is eating away at the profitability of even the healthiest organizations. Even when the bottom line remains intact, the loss of just a handful of key employees who have a special expertise or who maintain valued customer relationships can shake an organization to its roots. High attrition will push the operation cost to high levels, productivity will take a beating and company will lose its competitiveness in the market.

**a) Why are employees job hopping?**

Most organizations do not have a handle on the actual reasons why employees stay, as well as the actual reasons why they depart. Many organizations attempt to capture the causes of attrition through standard exit interviews. Unfortunately, traditional exit interviews just scratch the surface of the causes for attrition. They inevitably fail to differentiate between factors that make the new job attractive to the departing employee, versus the reasons
why the employee was prompted to consider leaving his current job in the first place. There are several indications that these problems are evident enough to be of concern to employers. For one thing, the problem of attrition is widely acknowledged by industry analysts. In IT, the attrition is primarily in a lateral direction as employees seek better prospects in other companies. In the case of call centers, however, employees frequently leave in order to return to earlier plans for higher education or professional training.

According to Bikramjit Maitra- Infosys Technologies- “A big reason for high attrition in the initial years is thanks to the way we hire. When we talk of hiring its not about recruiting forces etc but more so on about the brand promise that we are making and if we can and are living up to that brand promise”.

In this age of high stakes and unpredictable market and organizational changes, organizations must educate their managers and create an environment where today’s top talent can thrive. The management needs to identify underlying issues contributing to attrition and tackle them effectively.

The challenge does not stop with recruiting the right person but with how one will manage the performance of the employees. The challenge would be to create a performance culture wherein opportunities are provided for enhanced performance and where giving out optimum performance becomes a way of life. Therefore the post-hiring process of induction, quality building, competency building and motivation prove to be very useful in managing the knowledge pool.

3) **Motivation**

The motivation function is one of the most important, yet probably the least understood, aspects of the HRM process. Why? Because human behaviour is complex and difficult to understand.

From Maslow’s theory of motivation to our days, pages and pages about human motivation have been written. Behavioural scientists, psychologists,
and business people, have searched to understand what makes people do what they do. Organizations are constantly looking at different ways by which they can “motivate” employees, improve workforce morale and create better work environments.

Motivation is an indispensable function of management. When man is at work, he cannot be forced to work like a machine. He is a human being who has his dignity, self-respect, values, sentiments, aspirations apart from the economic status. Under such circumstances the efficiency of enterprise is related not merely to the efficiency of sophisticated machines installed but more importantly upon the satisfaction and the incessant and spontaneous desire of man to put his mind and heart into the work. This spontaneous urge to involve in work is not merely related to monetary awards and assignment of position or the direction to perform the duty or even the fear of punishment but to the mechanics and system of motivation. What makes people work? Why do some people perform better than others? How do we motivate employees to achieve the goals of an organization and at the same time satisfy the needs of employees? How to tap the latent human capability in organization endeavors? Perhaps one of the biggest questions confronting organizations today is ‘people’. How do we get people to perform at a higher than ‘normal’ percent of their physical and mental capacities and also maintain satisfaction? How do we identify people who are demotivated?

It’s essential for managers to identify resources who are motivated and who are not motivated for further action. It is only after the correct identification, can the manager choose from a range of strategies based on the level of motivation present in each employee. For identifying demotivated employees one has to look for concrete signals in the employee’s behaviour, the ways in which individuals perform their tasks. This is likely to give the clearest indication of their motivation. Recognizing demotivation is pointless unless you intend to eradicate its causes.
The causes for demotivation could be personal or professional.

**Given below are strong indicators or symptoms of demotivation with associated feelings and solutions:**

a) **Symptom** – Withdrawing - Thinks they have been pushed aside or “passed over”.
   
   **Their feelings**- Alienated, neglected or rejected.
   
   **What to do**- Make every effort to show interest in that individual. Pull them into activities which require them to work closely with others, to develop a sense of belonging.

b) **Symptom** - Work avoidance - Finds their work boring, preferring extra-curricular activities.
   
   **Their feelings**- Bored, indifferent or uncommitted.
   
   **What to do**- Involve them in some of your decision-making and problem-solving. Give them complete responsibility for performing measurable tasks, to encourage them to develop self control.

c) **Symptom** – Whining - Thinks they are getting a “rough deal”.
   
   **Their feelings**- Hurt, unappreciated or envious.
   
   **What to do**- Make a point of praising them for good performance, acknowledging their contribution. Show you value their contribution by being considerate, appreciative and respectful.

d) **Symptom**- Aggressiveness - Thinks they have been mistreated.
   
   **Their feelings**- Hostile, vindictive or cheated.
   
   **What to do**- Talk regularly and openly to them, to try and get their specific grievance into the open. Help them to develop a more realistic view of options open to him. Always act positively towards them.
e) **Symptom**- Worrying - Thinks they can’t cope.

**Their feelings**- Out of date, unimportant or intimidated.

**What to do**- Show interest and belief in their capacity to perform well, and to grow. Develop a supporting, coaching relationship with them.

The consequences of demotivation are varied and can have a very negative impact on the organization and industry at large. “Frustration” among employees with unrewarding jobs can lead to “aggressive”, “regressive” (childish), “fixated” (pointless) or “withdrawn” behaviour (Mullins 1996), all of which may harm a firm’s productivity.

A lack of motivation increases the rate of absenteeism - which is generally highest among workers doing mundane and repetitive jobs (Cully et al 1999) and the rate of employee turnover. Continual replacement of staff is bad for business, since it results in high training and recruitment costs and an inexperienced workforce, so the desire to retain employees (often in the face of competition from other employers) may be a major reason why firms seek to motivate their staff. The longer the de-motivated but competent employee stays and is tolerated, the more likely that they end up in a stage where the only choice of the manager is to fire or rehabilitate. Few “motivation problems” can be solved quickly, some are totally beyond control and can only be contained; but you do have influence over many factors which affect your people and so it is your responsibility to ensure that your influence is a positive one.

To be effective in today’s dynamic business environment, managers must be able to stimulate an employee’s desire to participate and produce; i.e., they must have the ability to influence and motivate their workforce, to action, to accomplish the desired goals; he must fuse the varied individual human capacities and powers of the many people employed into a smoothly working team with high productivity. Unfortunately, motivation is not so simple a
process. It involves a complex combination of individual needs, drivers, tensions, discomforts and expectations. The motivation of any organism, even the simplest one, is at present only ‘partly understood’. Moreover, needs vary significantly with the individual and lead to differential behaviour patterns. To confound the matter even further, an individual’s needs vary over time. His value system evolves continually, and an integral part of that evolution is the motivational process. As some needs are satisfied, they become less important in the scheme of things. Others develop through experience.

Thus, understanding Individual Motivation requires continual updating in order to reflect the most current mix of goals. As people become better educated and economically blessed, the traditional carrot and stick policies only scratch the surface. The ever increasing constraints, internal as well as external, imposed on organizations further erode the power of managers to motivate employees. In spite of these frustrating limitations, it is highly important to the manager of the group of people to understand, in what way he may be able to generate enthusiasm and goal directed behaviour on the part of his subordinates. An understanding of the nature of motivation and its various theories will help provide a great deal of insight into various motivation related concerns and the reasons why different individuals exhibit different behavioural patterns in an organization. It is useful in explaining why the same individual exhibits different reactions to the same stimulus at different times.