# Human resource challenges and practices in it industry

Business, Industries

## Abstract

The need of organizations for people and people for organizations will be more difficult to satisfy in the today's competitive businessenvironment. Organization's competitive advantage could be generated from human resources (HR) and organization performance is influenced by a set of effective HRM practices. Software is a wealth and job creating industry, which has in just a few years, grown to US $ 1 trillion, employing millions of professionals worldwide. The Indian software industry has burgeoned, showing a nearly 50% compounded annual growth rate over the recent years.

Being a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm. With a global explosion in market-opportunities in the IT sector, the shortage of manpower both in numbers and skills is a prime challenge for HR professionals. The related issues are varied indeed: recruitment of world-class workforce and their retention, compensation andcareerplanning, technological obsolescence and employee turnover. This paper explains the HR challenges and practices in software Industries.

Keywords: HRM, IT, HR Strategy, Services

## Introduction

The economy has transitioned to what some call „ The Age of Information? an economy in which gross domestic product is increasingly dominated by services. Services permeate every aspect of our lives. We use transportation

services; restaurant services; hotels; electricity and telephones; postal, courier and maintenance services; services of hairdressers; services of public relations and advertising firms; lawyers; physicians; dentists; stockbrokers and insurance agents; movie theatres; andswimmingpools . When we do buy goods, such as new car or a washing machine, we often still rely on services to keep them running and repair them when they break down.

Services allow us to budget our time as well as ourmoney. " The twentieth century was the age of machine; the twenty-first century will be the age of people" Buzzwords likeglobalization, empowerment, cross functional teams, downsizing, learning organizations and knowledge workers are changing the way of life of managers and the way they manage people.

## Strategies & Policies Of Software Industries

### Motivation & Retention of Employees

Retention andmotivationof personnel are major HR concerns today.

People a Gartner group company specializing in management of human capital in IT organizations has observed that the average tenure for an IT professional is less than three years. Further, the use of new technologies, the support of learning and training, and a challenging environment ranked higher than competitive pay structures as effective retention practices. Our own recent survey of 1028 software professionals from 14 Indian software companies, showed that while the professional gave importance to personal and cultural job-fit, HR managers believed that the key to retention was salary and career satisfaction.

Money was a prime motivator for 'starters', but for those into their third or fourth jobs, their value-addition to the organization was more important. Monetarily, offering 'the best salaries in industry' is the minimum every company is doing, apart from performancebased bonuses, long-service awards, and stock options. Many organizations frequently conduct employee satisfaction and organization climate surveys, and are setting up Manpower Allocation Cells (MAC) to assign 'the right project to the right person'.

In fact, some are even helping employees with their personal and domestic responsibilities to satisfy & motivate their workforce!

## Best Talent Attraction

In a tight job market, many organizations often experience precipitous and simultaneous demands for the same kinds of professionals. In their quest for manpower, they are cajoling talent around the world. In such a seller's market, software companies are striving to understand which organizational, job, and reward factors contribute to attracting the best talent one having the right blend of technical and person-bound skills.

This would mean a knowledge of 'the tools of the trade' combined with conceptualization andcommunicationskills, capacity for analytical and logical thinking, leadershipand team building, creativity and innovation. The Indian software industry suffers from a shortage of experienced people such as systems analysts and project managers, and attracting them is a key HR challenge.

**Compensation and Reward**

Increasing demands oftechnologycoupled with a short supply of professionals (with the requisite expertise) has increased the costs of delivering the technology.

This makes incentive compensation a significant feature, with the result that software companies have moved from conventional pay-for-time methods to a combination of pay-for-knowledge and pay-forperformance plans. With the determinants of pay being profit, performance and value-addition, emphasis is now on profit sharing (employee stock option plans) or performance-based pay, keeping in view the long-term organizational objectives rather than short-term production-based bonuses.

Skills, competencies, and commitment supercedeloyalty, hard workand length of service. This pressurizes HR teams to devise optimized compensation packages, although compensation is not the motivator in this industry.

**Increasing loyalty and commitment**

As with any other professional, what really matters to software professionals is selecting 'the best place to work with', which is what every company is striving to be. The global nature of this industry, and the 'project-environment' has added new cultural dimensions to these firms.

In a value-drivenculture, values are determined and shared throughout the organization. Typically, areas in which values are expressed are: performance, competence, competitiveness, innovation, teamwork, quality, customer service, and care and consideration for people. Flat structure, open

and informal culture, authority based on expertise and ability rather than position, and flexi-timings are some of the norms software firms follow. The idea is to make the work place a 'fun place' with the hope of increasing loyalty and commitment.

## The Demand Supply

Gap Shortage of IT professionals is global in nature and not peculiar to the Indian software industry alone. W. Strigel, founder of Software Productivity Centre Inc. (1999) has projected the shortage of software professionals to be one million by 2006. In fact, a survey reports that 75 per cent of US companies planned to reengineer their applications using newer technologies, but found that 72 per cent of their existing staff lacked the skills needed in these technologies, and 14 per cent were not even retrainable. Graph No. 1.

Annual demand for IT Professionals For India, it is predicted that in the year 2004 itself, the IT sector will need 1, 95, 000 professionals. This trend will continue, and in the year 2010 almost 3, 70, 000 IT professionals will be required (Strategic Review Reports, NASSCOM 19962001). Consequently, recruitment managers are exploring new sources of IT manpower from non-IT professional sectors, as well fresh, trainablesciencegraduates. 6. Integrating HR strategy with Business Strategy The strategic HR role 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 depend on HR policies pertaining to recruitment, retention, motivation, and reward. The other major

areas of concern for HR personnel in this context are, management of change, matching resources to future business requirements, organizational effectiveness, and employee development.

**Encouraging Quality and Customer focus**
Today's corporate culture needs to actively support quality and customer orientation.

With globalization and rapid technological change, quality is of utmost importance for the Indian companies, which earn most of their revenues through exports. Hence, the HR professional as a strategic partner needs to encourage a culture of superior quality to ensure customer satisfaction, the only real measure of quality of a product or service. To be competitive today, an organization needs to be customer responsive. Responsiveness includes innovation, quick decision-making, leading an industry in price or value, and effectively linking with suppliers and vendors to build a value chain for customers.

Employee attitudes correlate highly with customer attitude. The shift to a customer focus redirects attention from the firm to the value chain in which it is embedded. HR practices within a firm should consequently be extended to suppliers and customers outside the firm.

**Value Addition training for up-gradation of Skills**
Rapid and unpredictable technological changes, and the increased emphasis on quality of services are compelling software businesses to recruit adaptable and competent employees.

Software professionals themselves expect their employers provide them with all the training they may need in order to perform not only in their current projects, but also in related ones that they may subsequently hold within the organization. As observed by Watts Humphrey, Fellow of the Carnegie Mellon University, " as software professionals gain competence, they do not necessarily gain motivation. This is because a creative engineer or scientist who has learned how to accomplish something has little interest in doing it again.

Once they have satisfied their curiosity, they may abruptly lose interest and seek an immediate change". And when the rate of technological change is high may be higher than the time required to acquire competence in one area professionals could undergo psychological turbulence owing to the need to work in a new technology throughout their career. They want to gain new knowledge, which will be utilized by their organization. On the basis of the new learning they want to work in higher segments of software value chain. Therefore, constant up-gradation of employee skills poses yet another challenge for HR personnel.

## Challenges For IT Industry
The main challenges to the IT Industry are

- Recruitment planning

- Performance management

- Training and development

- Compensation management

- HRM as whole 1

### Recruitment Planning

Recruitment planning is most important component in new people management with special reference to IT industry.

We have to deal with human assets so it becomes important and have good quality of people in the organization. We have to take the recruitment planning in very serious manner to ensure that we can get best talent in the organization.

### Performance management

Now the challenges how to manage the performance of your employees. You have to get right person in a organization to manage your business. The challenge should be to create a performance culture where you can provide opportunities for enhance performance, where optimum performance becomes a way life.

### Training and development

This is another challenging area in IT industry. We have to chalk out a suitable strategy for training & development so that employees are well equipped to handle the challenges in advance.

### Compensation management

The IT industry is one of the high paying industries. This is very competitive industry, we have to attract best talent, offer best possible compensation package to the employees. Now IT companies are having ESOP with the compensation package. But the really challenge should be how we are able to incorporate all the subsystems in HR.

Ultimately this would help the organization for achieving exceptional performance. People have to be groomed to get in with the performance culture. We have to create an environment that stimulates the creation of knowledge, its sustenance will be the challenge for IT companies in the future. HR department cannot function with traditional systems. Now the role will shift to HR facilitator, to facilitate change process. HR facilitator will have to involve the whole organization in this process and act as a guide, coach, counselor and facilitator.

Any organization in the IT industry will have to face these challenges like Infosys, Satyam, Pentafour, DSQ Software, Micro soft India, Intel India. These IT companies are leaders in their own stride. They have excellent recruitment policies, huge data bank, and placement agencies. They are also having rigorous tests to ensure that they can get high profile talent that will fit in their culture. They have best performance system that evaluates the organization as whole. They have been able to tackle the quantum of performance with fairly efficient manner.

The prime tasks for these IT companies are to build corporate culture. They are diverting all the efforts to build performance driven culture. The major issue for these companies to get right man for right job. We have to find person with the required skills, experiences, mindsets, and also he must be suitable for these organizations.

**Attrition and Retention**

IT companies are having high degree of attrition. The challenges for these companies are to keep this attrition rate as low as possible. Various

companies adopt different techniques to retain their employees like high pay packets, ESOP, other benefits.

So we have to keep this attrition rate as low as possible to retain super achievers.

## Conclusion

With the advent of a work situation where more and more companies are having to concede that their valued employees are leaving them, a new concept of career and human resource management is bound to emerge. The focus of this new paradigm should not only be to attract, motivate and retain key 'knowledge workers', but also on how to reinvent careers when the loyalty of the employees is to their 'brain ware' rather than to the organization.

With lifetime employment in one company not on the agenda of most employees, jobs will become short term. Today's hightech employees desire a continuous up-gradation of skills, and want work to be exciting and entertaining a trend that requires designing work systems that fulfill such expectations. As employees gain greater expertise and control over their careers, they would reinvest their gain back into their work. HR practitioners must also play a proactive role in software industry. As business partners, they need to be aware of business strategies, and the opportunities and threats facing the organization.

As strategists, HR professionals require to achieve integration and fit to an organization's business strategy. As interventionists, they need to adopt an allembracing approach to understanding organizational issues, and their

effect on people. Finally, as innovators, they should introduce new processes and procedures, which they believe will increase organizational effectiveness

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