

HR PRACTICES IN SELECT DOMESTIC AND FOREIGN COMPANIES IN INDIA - A COMPARATIVE STUDY

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Abstract Human resource is the most precious resource for every business in comparison to other resources like money, material, and technology as it cannot be replicated. Human capital is the only asset involved in all the operations of the enterprise right from the manufacture of goods to delivery to the consumer. Enterprises have realised the significance of this resource and have started investing huge amounts of their budget to develop this resource. These investments will be rewarding only if the human resources are properly managed and effectively utilised. This paper is an attempt to further such investigations. In this paper the researcher intends to investigate the HRM practices in the following three areas: 1. Change Management – developing an adaptable workforce, 2. Innovation and Learning, and 3. Global Integration, in select Indian and foreign companies and whether the nature of firm ownership has an influence on the HRM practice. This paper is aimed at a comparative study of the HR practices in foreign owned and domestic companies in India that address the HR preparedness of these companies in facing the challenges listed above. The outcome of the study would help the organisations to learn from each other's strengths and weaknesses and develop on them.

Keywords: HRM Practices, Firm Ownership, Competitive Advantage, FDI, Country of Origin

INTRODUCTION

Research studies in Business Management have been focusing on searching or determining the causes of companies' performance and success. Many factors like capital structure, competition, industry characteristics, export capability and intention, R&D etc. have been studied extensively. Literature shows that differences in performances are evident in spite of controlling for these variables. This difference in performance can be attributed to HRM, which is assuming significant position in carving the success story of businesses today. HRM has proven to have long ranging impact and is of varied interest to decision makers and stakeholders. Managers look to increase the efficiency and performance of their companies and can directly put into practice by encouraging HRM practices and structures. Policy makers can devise constraints and laws that favour HRM strategies aiming at stable long term results and employment. Investors too want to invest in firms, in which the HRM strategy leads to the most promising returns.

In the present VUCA (Volatile, Uncertain, Complex and Ambiguous) world HRM needs to gear up to meet the present

business challenges and be prepared to face the future. This study basically revolves around this line of thought.

The IBM Global CEO Study provides an exclusive insight into the thoughts and concerns of business leaders from 40 countries. Based on interviews with CEOs from a variety of industries, company sizes and geographies, the study offers important insights into the future of organisations and their keys to success. According to the study, the CEOs were broadly in agreement with their vision of the Enterprise of the Future. As they foresee, future organisations will be:

1. Hungry for change and disruptive by nature (Change Management – developing adaptable workforce)
2. Innovative beyond customer imagination (Innovation and Learning)
3. Globally integrated (Global Integration - cultural barriers, legal barriers, government policies, legal environment etc.)
4. Agile processes & systems (Rapid Acquisition and Release of Talent, Outsourcing Flexibility, Use of contingent labour)

OBJECTIVES OF THE STUDY

- a) To identify dimensions for comparison between Indian and foreign companies' HR practices
- b) To analyse the differences in the HR practices between Indian and foreign companies operating in India for the dimensions identified in the previous objective
- c) To determine the impact of ownership on HR practices in the selected companies.

REVIEW OF LITERATURE

Factors Impacting HR Practices

Environmental and context specific features that impact the HR strategy and practices can be attributed to external and internal variables. These factors change significantly across national boundaries.

External Environmental Influencers

The concept of strategically managing human resources and implementing it through well planned HR practices owns to the rapid environmental changes that businesses are going through in the last two decades (Baird & Meshoulam, 1988; Tichy *et al.*, 1982)

Factors over which firms have no control or on which they cannot influence in a favourable way in the immediate future are termed as external factors (Kane & Palmer 1995).

The salient external factors include the following:

Structure of Economy-National and International

The development of global economy has given rise to an international perspective of HR practices which has become increasingly significant. For instance shift between the balance of public and private sector, the tilt from manufacturing to service industries. The spotlight of HR practices has changed gears from conventional issues like internal selections and rewards to concepts such as international competition and globalization (Satow & Wang, 1994).

Political and Legal Changes

Changes in employment legislations, policies of government to run businesses have a major impact on the HR practices. Tsui and Milkovich (1987) have arrived at a conclusion that power and politics are critical determinants of HR practices.

Profound Changes in Technology

As stated by Milkovich, "Technological advances alter jobs, create new skills, make occupations obsolete, and revise what employees need to learn and be trained to do" (Milkovich & Boudreau, 1991; Watson & Green 1996; Wong, 1997). The role of IT in changing the nature of jobs and altering the way people work cannot be denied.

Demographics

The shape and education of the workforce remarkably has an impact on designing HR practices in organisations, mainly to attract and retain talent.

Culture

Yaganeh and Su (2008) have found that cultural factors span an array of issues and deviate considerably across the countries. Chandrakumara and Sparrow (2004) establish that culture is of vital significance in organisations' inclination to develop suitable structures and methods for their HR practices. They discussed the challenges of handling cross-cultural teams in multinational organisations where people from heterogeneous cultures work together influencing the HR practices followed in such organisations.

Industry/Sector Characteristics

The level of maturity of the industry, competitive pressure, segregation of organizations into different sectors such as service and manufacturing forms the basis of analysing HR practices. The thought behind this distinction is the primarily because different production processes calls for different HR practices.

Actions of Competitors

There are many ways in which companies can acquire a long-lasting and continued advantage over their competitors, among them being the development of human resource practices addressing all facets of talent management (Jackson, Schuler & Rivero, 1989; Kane & Palmer, 1995; Poole & Jenkins, 1996; Narsimha, 2000).

Organisation Specific/Internal Influencers

The external environmental changes are mediated through the organisational/internal environment of organizations which strongly affect their HR practices. Milkovich and Boudreau (1991) have compiled a list of characteristics associated with HR practices. The important ones are:

Organisation's Size

Garavan *et al.* (2008) revealed that the organisation's size is an important factor that explains the strength and nature of HR practices.

Organisational Structure

A firm's strategy and structure are important in determining HR practices flexibility and integration. There are important structural differences among firms that affect the ways in which HR practices are designed and implemented (Garwin, 1986; Tomer, 1995; Hudson *et al.*, 2001). The extent of formal definition, centralisation and formal communication, use of informal structures such as project teams and extent of horizontal processes (Gratton *et al.*, 1999) are some of the variables that influence HR practices.

Business Strategy

Organisations generally use different competitive strategies to gain a distinct lead in the market place. These strategies are more effective when they are methodically coordinated with human resources management practices. Companies can improve their environment by making proficient choices about human resource practices that constantly sustain their chosen approach (Milkovich & Boudreau, 1991; Schuler, 1992).

Human Resource Strategy

Garavan *et al.* (2008) also found that the HR Strategy is an important determinant of both intensity and diversity of HR practices.

Administrative Heritage, Management Style and Philosophy

History, convention and past practices of the organisation affect the HRM practices implemented in the organisation. Garavan *et al.* (2008) in their study found that management style, priorities, and practices within the organisation significantly influence HR practices.

Line management participation in designing and implementing HR activities is the key to organisational success. Since line managers are responsible for creating the value, they should integrate HR practices in their work (Okpara & Wynn, 2008; Alas *et al.*, 2008).

RESEARCH METHODOLOGY

The companies selected were mainly from knowledge intensive companies where the HR systems are more evolved

to handle the complexity of human capital and their needs. A total of five Indian and five foreign companies were selected for the study. These companies were participants at the 3rd NHRD-Titan HR Showcase 2014 - HR Best Practices held on 19th and 20th Sep 2014 at Brigade MLR Convention Center Bangalore.

The following companies were included for the study:

Foreign Companies:

- IBM
- GE John F Welch Technology Centre
- Schneider Electric India Pvt. Ltd
- Philips Innovation Campus
- Omega Healthcare Management Services Pvt Ltd

Indian Companies:

- TCS
- Tech Mahindra
- Wipro Technologies
- TVS Motor Company
- Exide Life Insurance (ING Vysya Life Insurance)

Nature of Ownership of the Selected Companies

On the basis of nature of ownership, the companies selected for the study can be classified into two types:

1. **Domestic Private:** The domestic private companies are those companies which are directly under the control of private sector but they are governed by the rules and regulations framed by the Government from time to time. Example: TCS, Wipro, etc.
2. **Subsidiaries of Foreign Companies:** A subsidiary company is partly or completely owned by the parent company which controls the activities and policies of the subsidiary company. For example, IBM, GE etc.

Sampling Plan

A total of 20 Senior HR Managers/ VP-HR, 2 from each of the above mentioned companies were chosen as respondents for the study. The companies were selected based on convenience of eliciting responses from the sampling units.

The selected companies are long standing companies with more than ten years in operation. This was to ensure they had well developed HR systems already in place and were apparently well equipped to face the upcoming HR challenges.

Primary data were collected by distributing a structured questionnaire to capture information about the emerging HR challenges and the readiness of the companies to face these challenges.

Interviews were also conducted with the respondents to strength the quantitative study findings with qualitative discussions. Secondary data were collected using articles from journals and other companies' research reports available on various electronic databases.

DIMENSIONS FOR COMPARISON

In building the enterprises of the future, the workforce dimensions based on the vision of the CEOs of the enterprises of the future can be considered as the baseline for comparison of HR practices between domestic and foreign companies.

The following three dimensions for comparison have been arrived at:

Change Management (Creating an Adaptable Workforce)

Among the top priorities for organisations today should be a workforce that can adapt to externally driven changes that will continue to buffet the organisation and the changes instigated by the organisation itself. The ability to anticipate change will help companies to take decisions on whether to develop the required talent within the organisation or buy them from outside (make or buy decisions) or enter into partnerships/collaborations to obtain much needed skills which are otherwise difficult to acquire. Locating specific expertise will enable organisations to amplify weak market signals and understand early trends and market shifts. This will further empower organisations to develop products and services to cater to the emerging needs of the customers. The following constructs have been formulated under the dimension of change management:

- HR's ability to predict future skills
- Workforce planning
- Employee profiling
- HRIS design
- Collaboration for knowledge sharing

Innovation and Learning

Organisations need not only have the ability to listen and identify customer issues, but also tools and approaches that enable employees to act on these insights. The constructs identified under this dimension are:

- Visibility of employee ideas

- Recognition to promote innovation and learning
- Inclusion and diversity to enhance creativity
- Partnering with stakeholders

Global Integration

The enterprise of the future is going to be globally integrated-leveraging the most appropriate talent and expertise regardless of its geographic location. Cultural barriers need to be overcome and organisations should function seamlessly across boundaries. To make the most of a global workforce, what capabilities organisations need to develop shall be explored during the course of this study. The following constructs have been included to cover this dimension:

- Infrastructure for global integration
- Existence of leadership competencies for global integration
- HR capability to cater to a global cross-cultural workforce

HYPOTHESIS

Based on the above constructs the following hypotheses have been formulated:

Null Hypothesis, H₀: There are no significant differences in the HR practices, between Indian and Foreign companies operating in India.

Alternative Hypothesis, H_a: There are significant differences in the HR practices, between Indian and Foreign companies operating in India.

DATA ANALYSIS AND FINDINGS

The respondents were asked to state the best HR practice in their respective organisations. This has been listed in Table 1.

From Table 1, it is evident that majority of the companies both Indian and Foreign are focusing on developing talent pipeline through campus connect initiatives and are in line with developing an adaptable workforce.

Table 2 shows the responses of the companies towards our three constructs, Change Management Capability, Innovation and Learning, and Global Integration/Cultural Barriers.

The respondents were asked to rate items under each of the three constructs on a scale of 1 to 5, 1 being 'Not at all' and 5 being 'to a Great Extent'. The responses were averaged and have been presented in Table 2.

It can be seen that 4 out of 5, 80% of the foreign companies have scores in the range of 4-5 with HR's involvement in

Table 1: Best HR Practices

Foreign Ownership	
1 IBM	Employee Engagement through Data Analytics
2 GE John F Welch Technology Centre	Management Development Curriculum, Diversity Focus
3 Schneider Electric India Pvt. Ltd	Campus Program Management-Building the Talent Pipeline and investing in younginnovative minds
4 PhilipsInnovation Campus	Parivarthan - Employee participation in Change Management
5 Omega Healthcare Management Services Pvt Ltd	Omega Team Health Study-Collaboration and participatory workplace
Indian Ownership	
6 TCS	Campus Commune-Engagement platform
7 Tech Mahindra	Young CEO - Leadership development
8 Wipro Technologies	Saving talent at risk-Talent Retention
9 TVS Motor Company	Competency Development
10 Exide Life Insurance (ING Vysya Life Insurance)	Stretch - Culture Survey & Change Management

Table 2: HR’s Preparedness for Facing Future Business Challenges

Sl No	Ownership	Respondent Company	Dimensions		
			Change Management	Innovation and Learning	Global Integration/Cultural Barriers
1	Foreign	IBM	4.2	4.5	4.8
2		GE John F Welch Technology Centre	4.5	4.3	4.8
3		Schneider Electric India Pvt. Ltd	3.8	4	4.2
4		PhilipsInnovation Campus	4	4.7	4.6
5		Omega Healthcare Management Services Pvt Ltd	4.2	4.2	4.8
6	Indian	TCS	3.5	3	3.4
7		Tech Mahindra	3.2	3.2	3
8		Wipro Technologies	3.6	3	3.2
9		TVS Motor Company	3	2.8	2.6
10		Exide Life Insurance (ING Vysya Life Insurance)	3.4	2.5	2.8

developing change management capability. However Indian companies are not far behind and all the 5 companies are in the range of 3 to 4 on this scale.

However on the Innovation and Learning aspect, foreign companies fare far better with all companies (scores between 4-5) creating a culture of innovation enabled by learning initiatives, while Indian companies have scores below 4.

On the last construct of Global Integration, we see again that foreign companies score better (all score above 4), while the

HR practices in Indian companies are lagging in their efforts to create platform for Global Integration.

Test of Hypotheses

T-test was conducted to test the Null Hypothesis, H₀:There are no significant differences in the HR practices, between Indian and foreign companies operating in India. The t-test was conducted for all the three dimensions.The test results

Table 3: T-Test Results

Dim 1:Change Management	Mean	Variance	df	t Stat	P(T<=t) on t	t Critical o	P(T<=t) tw	t Critical two-tail
Foreign Ownership	4.14	0.068	8	5.039526	0.000501	1.859548	0.001002	2.306004135
Indian Ownership	3.34	0.058						
Dim 2:Innovation and Learning	Mean	Variance	df	t Stat	P(T<=t) on t	t Critical o	P(T<=t) tw	t Critical two-tail
Foreign Ownership	4.34	0.073	8	8.514899	1.39E-05	1.859548	2.78E-05	2.306004135
Indian Ownership	2.9	0.07						
Dim 3:Global Integration	Mean	Variance	df	t Stat	P(T<=t) on t	t Critical o	P(T<=t) tw	t Critical two-tail
Foreign Ownership	4.64	0.068	8	8.946933	9.68E-06	1.859548	1.94E-05	2.306004135
Indian Ownership	3	0.1						

are shown in Table 3.

It can be seen that $p < 0.05$ for all the three dimensions of study. Hence we reject the Null Hypothesis and accept the alternate Hypothesis Ha1: There are significant differences in the HR practices, between Indian and foreign companies operating in India with respect to all the three dimensions considered for the study.

The differences in HR practices are due to the fact that foreign subsidiaries operating in India are more evolved with their high commitment HR strategies and the HR is involved in corporate business decision making. They are able to invest in their human capital development needs specifically in the areas of innovation, learning and leadership development to reap the benefits in the long run. The domestic firms are rather myopic in their HR strategy and look for short term investments in HR that can reflect in financial performance, on a quarterly or annual basis.

SUGGESTION & CONCLUSION

This is only a pilot study to understand if there exists differences in HR practices in Indian and foreign companies falling under the three dimensions chosen for the study. So the results are only indicative as only 5 companies have been considered. Future research needs to be carried on a larger sample and across industry segments. But the common factor among all the companies studied is that all of them concur on the urgency of developing HR competency to sustain business challenges looming over the enterprises today

Indian companies particularly fall short in the following areas:

They should look at high commitment HR strategies like

- 1). Investing in leadership development:** Companies still need to invest in their best employees to develop and sustain leadership qualities. Short term costs on human resources can induce profitability as productivity and innovation capacity can be increased through motivation and high expenditure on training can build long term competitive advantage.

- 2) Creating a culture of collaboration:** Leaders are at their best when the company culture demands collaboration. Rewarding individual success is necessary but not sufficient. Only in a culture of collaborators, organizations will have developing leaders working together to bring other employees up and into the circle of leadership.

Further studies need to be carried out to determine the relationship between ownership structure on HR practices as corporate performance and strategy are influenced by ownership and there is a direct linkage between ownership and the degree of risk aversion.

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