

# **Bracing Competition through Innovative HRM in Indian Firms: Lessons for MNEs**

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**Abstract.** HRM plays a critical role and constructive role. How important is the involvement of HRM in strategy development and implementation under hyper-competitive environment. HRM occurs at all levels of organizations and increasingly, outside organizations as organizations manage relationships with external stakeholders. This article shows how innovative HRM practices are being adopted by Indian firms to brace competition in the post liberalization scenario. The article discusses the need for new skills, new policies and innovative HRM practices.

## **Introduction**

India is one of the countries that have been identified as the 'Big Emerging Market'. With the liberalization process, which started in 1991, and the subsequent phased deregulation of the Indian economy India has slowly become the hub of several multi-national enterprises (MNEs) as its vast untapped markets provide tremendous potential for growth. As more and more MNEs are trying to seize the opportunities to tap into this vast market, the dynamics of doing business is fast changing. The environment has become hyper-competitive and turbulent for Indian organisations, which enforced protective environment before. Indian organisations have to brace themselves against fierce competition and have to effectively equip themselves in order to survive and sustain. Consequently, several Indian firms undertook significantly organisational changes during the late 1990s. Indian firms tried to adopt new strategies to cope with the ever changing and turbulent environment. These Indian companies were able to successfully adapt to the dynamic corporate scenario because of their foresightedness, technical expertise and marketing abilities [1]. However, little has been said about the innovative human resource management (HRM) strategies adopted by these firms which enabled them to efficiently survive, be competitive and grow profitably. On the other hand competition is nothing new for MNEs. The need for aligning and adopting HRM strategies is an old wine that has been repeatedly sold in new bottles [2]. But in the existing Indian

context, new possibilities have arisen while eliminating some historical ones. Many MNEs faced uphill challenges to adapt themselves in the Indian context. This article (see “About the Research”) deals with the various facets of HRM strategies that Indian firms are implementing and it shows how essential it is to adopt the right HRM strategies in order to shape the future of the company. This will be illustrated by eleven Indian companies (see Table 1) that have adopted, aligned and integrated their HRM strategies with their strategic initiatives. This will provide implications for MNEs with regard to managing their specific HRM strategies to be effective in India. Table 1

#### **About the Research**

This article is based on our case research over a period of 5 years (1997-2002) in 11 large Indian organisations in 9 industries. Each organisation, a leader in their own industry, has undergone extensive restructuring process to brace themselves for the impending competition that has arisen with the phased deregulation of the industries due to the liberalisation and privatisation policy adapted by the Indian government way back in 1991. We interviewed numerous managers in each company, analysed documents given to us by the companies and also obtained from public and archival sources. We kept track of the 11 organisations to record any changes in their business and HRM strategies during the last 5 years. Our research focus was to understand the role of HRM strategies during an organisational redesign and performance-improvement process. The issue of adoption of innovative HRM strategies to brace competition came out to one of the important findings that Indian companies were resorting to improve their organisational performance.

The role of innovative HRM strategies can clearly be seen in the case of the Mehta Group, a leading conglomerate that houses two cement companies – Sidhee Cement and Saurashtra Cement in Western India. Sidhee has been declared as a sick unit and is under the Board of Industrial and Financial Reconstruction (BIFR) while Saurashtra is a loss making firm. The Group employed a turnaround strategy in order to stop both the companies from competing with another in the same market when competition from the other players was increasing. A strategy to develop 'synergy' between the two companies was devised in which strong emphasis was laid on innovative HRM strategies. There was a complete redefinition of the organisation structure. Job roles and work descriptions were revised, new positions were created and competency exercises for the employees were effectuated. One of the main aims in the turnaround strategy was to reduce cost and to increase efficiency. Instead of pursuing a retrenchment and recruitment philosophy, the group followed a redeployment policy. It reorganised its employees into technical experts, industry experts and market research personnel. Thus by enhancing human resource development the company was able to record significant improvement in performance and was able to optimally utilise its resources.

## **HRM plays a vital role in crafting creative business strategies**

Distinctive HRM strategies help to create unique competencies that differentiates products and services and, in turn, drive competitiveness [3]. Senior managers remain aloof to the fact that HRM extends to nearly all the activities of an organization and that it is not just restricted to one or few departments. Well-organized HRM is a prerequisite for successful strategic changes. HRM plays a pivotal role in redefining new strategies so that they can suit the changing environment. At times HRM not only compliments the new strategy, but also becomes the deciding and defining factor of pursuing a particular strategy. To keep abreast with the dynamic business conditions, Indian firms have revamped their HRM strategies and now incorporate part-time work, outsourcing and temporary workers. This represents a drastic shift from the traditional personnel polices. However, implementing such modern HRM strategies is not an easy task for senior management since changing the mindset and motivating workers to agree to the change process is an uphill task by itself.

An interesting example of this situation was at Mahindra and Mahindra's Ltd., the flagship company of the Mahindra Group. The Mahindra and Mahindra (M&M) Limited (Tractor Division) was suffering from manufacturing inefficiencies, low productivity, stretched production cycle and poor output. The primary reason behind this inefficiency was the under productive and excess unionized labour force. The work atmosphere was polluted with corrupt and injurious practices. Moreover, the situation was further aggravated by the changes taking place in the external environment due to the modifications in the business and government policies. The scene was set for a makeover. The company had to adopt a new strategy in order to 'survive'. In 1995, the company introduced a Business Process Reengineering (BPR), focusing on a total overhaul of the style in which the company was organized. Instead of concentrating on improving or changing procedures, the scheme focused on reformulating the way the company carried out its business. This initiated several changes in the organization structure, which enabled the company to realign itself with the BPR mechanism. Naturally, the introduction of BPR led to a rebellious cry from the labour force. Prior to BPR, HR was never a part of the strategy making process in M&M Ltd. BPR adopted innovative HR practices that used the “churning effect” to change the traditional mindset of the employees and thus enforced concrete HR policies which were essential for the company's growth. Firstly, from a multi-layered structure, the company adopted a flat structure, which got rid of the disparities existing in the different levels. It brought people with a narrow band-width and encouraged team work. Regular meetings with workers were encouraged to build trust. The idea was to enhance the company's belief that “HR cannot function in cabins”. Furthermore, the company repositioned existing people in key positions and placed emphasis on training programs. It followed a simple recruitment philosophy by refusing to hire highly qualified people who historically have always left

the organization to a competitor MNE. Instead, it believed in hiring professional consultants to take care of advanced work practices and simultaneously it capitalized on its existing employee talent through intensive retraining and redeployment strategies. Furthermore, the company began outsourcing non-core manufacturing activities. After 5 years the results of BPR were spectacular as it allowed the company to maintain steady profits, reduce working capital levels, and rationalize the manufacturing processes. BPR proved to be an effective method to reengineer the firm's plants and to make them viable in the competitive scenario.

### **HRM plays a critical role during organizational restructuring**

Liberalization was to enable India to improve its economic growth and to become internationally competitive. Domestic firms were forced to adapt to new changes to face foreign competition. Innovation became paramount as it was the only way to satisfy the rising consumer needs and requirements. Companies began reorganizing their organization structure and their business model. HRM became an essential element in these restructuring phase in order to enable companies to improve the recruitment procedures, hire skilled workers and enhance their potential by devising distinct career paths. Competition forced the HR department to use the resources in a more effective way. This significantly contributed in creating a competitive advantage for the company.

A striking example of this situation is the case of Bharat Petroleum Corporation Limited. BPCL is a public sector organization which is one of the leading companies in the Indian petroleum industry. BPCL benefited from the fact that the petroleum segment was a monopolistic market enjoying administered prices fixed by the government. In 2002, the industry was deregulated and this turn of events represented a significant loss of market share for both multi-national oil companies and Indian firms. The challenge faced by BPCL was to sustain its market share and to continue to make profits. The company decided to redesign the organization whereby HRM strategies were regarded as important support services (along with Finance and Information Technology). Three kinds of services – embedded support service, shared support service and corporate service – were developed and each contributed to the successful turnaround of the company. BPCL used the HRM services to cushion their main stream of business with respect to refining and retailing. Since BPCL is a "public enterprise" it could not resort to downsizing the labor force. Instead, BPCL undertook a strong retraining and redeployment philosophy so as to correctly use the excess manpower within the organization. Consequently its sales force was increased by 50% without hiring any new manpower. Competency mapping was introduced and new people were only hired for specialized positions. The performance management system of the whole organization was revamped and was made more customer oriented. Moreover, BPCL introduced a creative learning experience program for its employees called the "Foundation of Learning Plan" that encouraged the development of the

employee's ability to work in high performing cross functional teams. The introduction of this program lead to a boost in the competencies of the employees and their motivation to excel. The example of BPCL illustrates how innovative HRM strategies can not only respond to traditional personnel problems but that they can also improve and sustain superior performance.

### **Adoption of innovative HRM practices in creating social networks**

Competency-based strategies are dependent on people and when people are regarded as key strategic resource they must encompass through a social network. It is important for HRM to identify new skills and manage the intertwined network of people through social networks within and outside the organization. HRM policies differ depending on the rapport the employee shares with the company and how this rapport are co-opted within the stakeholders of the organization. Hiring of external consultants can play a key role in implementing the strategies decided upon by the company as external consultants try to strengthen the networks within the organization by providing tools to adopt innovation. This was the case with Tata Iron and Steel Company (TISCO), a Tata flagship company, India's most cost effective steel plant. TISCO undertook a management restructuring program with the objective of transforming TISCO into a high performing and growing organization. The key strategic drivers to achieve this goal was to focus on current growth, enhance degree of profit and loss accountability, provide exciting career opportunities and build a team of high-performing professionals. McKinsey was appointed to assist the company in achieving these objective. Mckinsey started with an organizational restructuring program by creating a lean and flat strategic business unit structure with enriched jobs, greater accountability, autonomy and span of control. Accordingly unit teams were formed comprising of unit leaders and facilitators. At the start, McKinsey provided with the facilitators who coordinated the unit's performance with the unit leaders. Each team had to set targets and had to work towards achieving them. Performance Ethic Program (PEP) was introduced to promote young dynamic people to higher positions thus rejecting the policy of seniority based promotions and creating new social vibrant networks. The PEP institutionalized and tailored the management development programs for officers. A new Performance Management System was launched which included alignment of key result areas (KRAs) with business strategy at all levels and clear career paths that would enable the company to identify and reward the strong performers and provide them with growth opportunities. The compensation and rewards were linked to performance and pegged to the market. This program made the performance and reward system transparent and fair within the organization, boosting the employees' initiative to succeed.

### **HRM's role in strategy formulation**

As firms debate on the role that HRM plays being a change agent, strategic partner, administrative expert or employee champion it is evident that HR professionals must become key players in the design, development and delivery of a company's strategy [4]. Many a times, companies do not realise the worth of the HR department. They often treat this function in the organisation as secondary and at several occasions, redundant. Several companies get tempted to reduce their work force and to do away with a HR department, on the premise of outsourcing non-essential functions. In today's environment where the human capital is precious and needs to be carefully nurtured, this decision might be to the detriment of the company.

This is the case of Maruti Udyog Ltd, a pioneering company in the Indian automobile industry, having a joint venture with Suzuki of Japan. Maruti had revolutionised the automobile and components industry in India and had set high standards for its products and services. With the deregulation of the automobile industry in India, Maruti, from being the undisputed leader, controlling about 84% of the market till 1998, saw its market share reduce drastically with increasing competition from local players like Telco, Hindustan Motors, Mahindra & Mahindra and foreign players like Daweoo, PAL, Toyota, Ford, Mitsubishi, GM. The whole industry structure changed in the last three years. To face intense competition, the company launched new models that could be cater to different market segments. Maruti also shifted its business focus to customer care, service and aggressive marketing. A change in leadership took place. Prior to this change, HRM was considered as 'paper pusher' at Maruti. It played a negligible role, was given no targets and was not accountable to the top management. HRM was at the bottom rung of the priority list and there were times when there was no head of the HR Department. Managers considered that position as a punishment posting. The new Managing Director decided to take up the challenges of HRM and professional HR managers were hired. New initiatives in performance appraisals, competency mapping and job rotations were undertaken. HRM was made responsible for the clarity and transparency of the communication within the organisation and for the negotiation with the Union. The role of the HR Department was reactivated and they were held accountable for defining job profiles, simplifying procedures and processes and keeping employees happy by distributing regular bonus. With the company's changed attitude towards HRM and the significant improvements implemented by the HR department, Maruti has developed excellent teamwork and its compensation system was recognised as the best in the industry.

### **Innovative HRM invokes new challenges, new skills, new programs and new technologies**

With the arrival of competition in emerging markets, and the consequent changes brought about within companies to brace this competition, the responsibilities and domain of the HRM need to

expand. The HR department has to develop new skills regarding recruitment and selection procedures and craft innovative compensation and integration schemes for the employees. An interesting example in this case is that Arvind Mills. Arvind Mills, which belongs to the Lalbhai Group of companies. It is a family owned business producing textiles, ready to wear apparel, agro-chemicals and dyestuff. In the late 1990's it was the third largest producer of denim in the world. However, with the change in fashion from denim to gabardine and corduroy, the company was adversely affected. The threat from powerlooms, the need to increase exports and the growing demands of consumers lead the company to introduce a new strategy. HRM played a crucial role in this business plan. The company created a Manpower Planning and Resource Group to take charge of the selection and recruitment procedure, to organize the job structure and to define the task description of the various employees. The group absorbed fresh talent from top management and technical schools and conceived a compensation system that would match the industry standards. Innovative new methods of recruiting were adopted such as the Selection Information System (an online recruitment system) that provided facilities from generating call letters, fixing interviews to evaluating the on-line interviews. This program was linked to the Compensation Information System and the Training Information System. A Management and Organizational Development Group was incorporated to look into the training of the employees. It provided three kinds of training programs: functional, behavioral and global. Another innovative concept (in the Indian context) developed at Arvind Mills was the Management by Objectives (MBO) which focused on producing results desired by the management in keeping with the objectives and satisfaction of the employees. Arvind Mills succeeded in finding a harmonious balance between the top management and the industry workers. *Udaan*, a kite flying competition between the management team and the operations team is a perfect example of building healthy relations between the two working bodies. In addition, programs such as *Booboos* (rock show) and *Umang* (forum) were introduced to create synergies among workers and to build a feeling of togetherness.

### **Innovative HRM shifts from an uni-dimesional to a multi-dimensional approach**

The new concept of HRM calls for segmenting the work force according to different criteria like age, educational background and business background. Policies need to be tailor made according to the needs of each group, in order to optimally utilize the resources offered by each segment. In the wake of liberalization, the State Bank of India, India's largest public sector bank decided to undertake an intensive restructuring program. With the entry of foreign and private sector banks, it needed to make itself more competitive. Hence it turned to business consultants, McKinsey for suggestions and improvements. Accordingly the business was divided into 8 major functions, out of which Personnel and HRM were among the five most important divisions. Furthermore, HR was

divided into four branches in order to serve the needs of the organization and the employees closely and precisely. The four levels included, Corporate Office, Local Head Office, Zonal Branch and Individual Branch. Although the Corporate Office handled most of the HR activities, each branch was delegated specific responsibilities which made the management and decision making process in the firm, simpler and more effective. The overall HRM strategy placed special attention on the policies carved for middle managers as they are the ones who implement the strategies devised by the top management. Care was taken to ensure that the strategies designed for the middle managers correspond to their needs.

### **Effective HRM and strong leadership can enable Indian companies to go global**

Many Indian companies that perform well in domestic markets have not yet expanded to the international arena. Several factors such as lack of confidence, lack of technical know how and perhaps lack of resources inhibit leading Indian groups to expand their area of activities to other parts of the world. HRM can play a crucial role in changing the attitude of the company and its employees in order to facilitate entry and presence in the foreign markets. This is effectively illustrated in the case of the Indian pharmaceutical giant Ranbaxy, which succeeded in expanding its business internationally due to the single-handed determination of its past CEO, Dr. Parvinder Singh, and the manner in which he managed to change the mindset of his employees. Ranbaxy found itself at the bottom of the pharmaceutical curve[5] inspite of being active in the export market for 18 years. Foreign markets had more strict quality requirements in terms of raw materials, packaging and physical properties of pharmaceutical substances. This implied heavy costs in research and development facilities and careful organization of distribution and marketing activities. Despite entering the foreign markets at the bottom rung of the value chain, Ranbaxy inched upwards because the employees shared their CEO's belief and dream that they were in a position to harness their resources and capabilities and to be successful in foreign markets. Together they developed continual cross border learning programs to enrich their ways of working and functioning. Furthermore, they invited managers from other parts of the world to be present on their board. This step enabled them to catalyze their globalization process. Moreover, the CEO firmly lead the company to integrate backwards, to enter new markets and to develop novel drugs. This provided Ranbaxy with the edge to succeed in the global marketplace.

Another remarkable example is that of a internationally renowned IT company, Infosys Technology Limited. Infosys is one of the biggest Indian exporters of software and offers information technology consulting and software services to Fortune 1000 companies. The determination and effective management skills of the CEO, Narayana Murthy were the driving forces behind the success of the company. His strong belief that Indian professionals have the capability to handle

complex projects lead the company to establish a name for itself in the foreign markets. He insisted on implementing the best reward system in the industry to ensure that his employees were taken care of. According to him, they represented the company's most powerful wealth. He encouraged them to communicate with each other and to interact with the management through bulletin boards and meetings. He set up a Leadership Institute in Mysore to prepare the Infosys' employees to face the challenges of the dynamic market scenario and to groom them to be efficient leaders. The CEO's profound faith that human resource is the most valuable asset of the company certainly motivated the employees to strive for excellence.

### **Innovative HRM practices can help the company to break away from traditional shackles**

Organisations need to incorporate country-specific, institutional factors affecting patterns of organisational practices in general and HRM practices in particular national institutional embeddedness of firms plays a far more important role in shaping HRM practices[6]. Most Indian companies still function following age old practices and customs. Consequently their HR strategies are also based on the traditional "industrial model" which involves several factors like seniority based promotions, powerful union influence and strict job classifications. With the advent of a new wave of thinking, several firms decided to break away from the conservative model and to adopt new and dynamic methods that were more in synch with the changing industry standards. Clariant (India) Ltd is one such company. With the demerger of Sandoz (I) Ltd, a new autonomous company called Clariant was born. Clariant develops, manufactures and markets dyes, pigments, chemicals for textiles, leather, plastic, paints and inks. With the reformation of Clariant, managers now had novel responsibilities to handle. A special program called Clariant Participation to improve Profitability through Performance and People (CLAP) was put into place to efficiently guide the transition. The unique feature of this program was that managers who had handled multidivisional responsibilities were able to remarkably unlearn the past and adapt to the new activities. The program aspired to "change the mental process" by introducing several changes in the company's way of functioning. The company moved from "Top Down Close Communication" to "Up Down Open Communication", from "We and They" to "Do it Together", from "Control" to "Leading and Managing". All these efforts enhanced communication among the workers. Task forces and cross-functional teams increased employee participation and involvement. Furthermore, the company introduced a "Goal Setting" program that increased motivation among the employees. The Personnel Department of Sandoz, which was mostly involved with only administration activities, expanded its role as a catalyzer, supplier of information, facilitator and developer.

### **Innovative and proactive HRM can lead to superior performance**

When a company is undergoing a restructuring phase, it is likely to uncover many problematic areas that hinder its fine functioning. At such times, HRM can introduce certain drastic steps that would enable the company to improve its efficiency. This was the situation encountered by the State Bank of India, which prompted it to introduce the Voluntary Retirement Scheme or the 'Golden Handshake' system. With the advent of new technologies like ATM's and Internet banking, that radically changed the dynamics of banking, SBI found itself faced with the problem of redundant work force. The vast work force that was once regarded as one of SBI's strongest assets became a liability following the computerization of the bank. In order to protect its dealings and to remain profitable, SBI realized that it would have to undertake rigorous cost cuttings and the VRS implementation was part of this policy. The VRS deal proposed 60 days' salary for every year of service or the salary to be drawn by the employee for the remaining period of service, whichever was less. The introduction of this scheme led to strong protests from the employees who claimed that the bank had taken this hasty decision without undertaking correct manpower planning measures. Workers unions and media strongly criticized SBI's VRS on the grounds that it was arbitrary and discriminatory. At this crucial moment, SBI needed to implement the right HR practices in order to retain its talented workers and to do away with the excess unskilled work force in order to ensure the success of its operations.

Innovative recruitment and selection practices translates into a knowledge workforce

With fight for knowledge workers increasing in a hyper competitive market, key to enhancement of profitability depends on the recruitment and selection of knowledge workers in the organisation. Until recently technology was considered as the prime area of focus for the company. It is now stepping aside to make way for people. Thus, the HR executives have to extend their capabilities and provide a greater value to the company. They must be able to comprehend the complicated organisation structure and requirements of the company so that they can extract the maximum benefits from the work force. They are responsible for the fine selection of the employees within the firm and for the effective deployment of the company's human capital. This explains the severe recruitment process followed at Infosys Technologies Ltd. The rapid expansion of this software export and information technology company called for an extension of its work force. The success of Infosys depended on the wealth of its human capital and its ability to face the challenging responsibilities disseminated by the company. Thus, Infosys carried out a rigorous interview process in order to absorb candidates with the best capacity to learn. After minutely scanning the curriculum vitae's of the potential candidates, Infosys selected a significantly small number for testing. These tests included a set of puzzles and math algorithms in order to evaluate which candidates have the greatest power to learn. The candidates that pass the test stage had to further

undergo an interview round which determined their job at Infosys. This strict and thorough selection process ensured that the company had managed to attract the most skilled people available on the job market.

A similar philosophy was followed at Wipro Corporations, the leading IT firm in India, which believed in employing the best people and investing in them. Wipro recruited from the leading Indian educational institutes, such as Indian Institutes of Technology (IIT) and Indian Institute of Management (IIM) by being present in their placement programmes. For any new business it entered, it always first gave a chance to the employees present. If internal talent was not found, the company recruited the best from the competitive labour market. Each employee was meticulously trained and groomed to be able to effectively respond to the business' requirements. Human capital was nurtured and developed to in turn enhance the company's growth.

HRM plays a key role in building and conserving human capital

In the age intense competition, several Indian companies realise that the differentiator for superior performance is people. Human capital and not financial capital should be the focus of new strategy. Intelligent and skilled employees are a must for a company that wishes to climb the ladder of success. As more and more companies are acknowledging the worth of human capital within an organisation, the competition for the limited and precious human resource is getting fierce. The challenge is not just to be able to attract human capital and enhance its skills and competencies to suit the company's needs; but to be able to retain it within the company. This is certainly not an easy task given the increasing mobility and flexibility of the work force. As the battle to win and retain talented and knowledgeable workforce intensifies, the HR department has to step in to play an important role in the conception, formulation and execution of the company's strategy. This is exactly how Azim Premji, CEO of Wipro Corporation managed to exploit the talent of his human capital. Wipro Corporation is a typical family owned business that has diversified into several unrelated businesses. One of the most profitable of them has been the Wipro Systems, a company dedicated to computers, information technology and software developing. The biggest challenge faced by this company was holding on to its skilled employees. With most MNEs wanting to enter the IT sector in India and several global leaders like IBM, Microsoft, Oracle, Texas Instruments setting up bases in India, Wipro became a playground for poaching talented workers. The strategy followed by local new entrants into the business and MNE's was to recruit talented people from well managed Indian companies, with Wipro being the prime target. Azim Premji realised this problem and took all the necessary steps to retain his skilled work force. Human resource managers considered employees as "talent investors"[7] and treated them as partners to be rewarded as other investors are. Wipro was the first Indian company to launch the employee stock ownership

programme. The employees participate in the Wipro Equity Linked Reward Programme where they receive stocks as part of their compensation.

Infosys also followed the policy of putting its people first. The management realised very soon that its people were the key to take their company to international heights. Human capital was well looked after at Infosys, which enabled the company to create a leading position for itself in the Indian market and to gain respect in the international arena. The HRM believed that the employees stayed with Infosys because the management was able to satisfy the three fold needs of the work force: leaning value added, financial value added and emotional value added services. On the learning aspect, Infosys provided its employees with an opportunity to accept responsibilities at an early stage in the career. On the financial side, Infosys provided stock options and low interest and zero interest loans. On the emotional angle, the friendly, open and transparent atmosphere within the company kept the employees involved with their job. As a consequence, Infosys developed an ambience that would foster the overall growth and wellbeing of its employees. Infosys created the “campus” which was a set of multi-floored buildings constructed on a sprawling five acre land that provided banking facilities, ATM, volleyball and basketball courts, shower rooms, bus facilities and housing if employees needed to work overtime.

### **Implications**

The adoption of innovative HRM strategies in some of the Indian companies has improved business performance and provided MNE’s two important lessons. First Indian corporate are late movers[11] but are fast bracing to competitive pressures. MNEs must manage their organisation efficiently and effectively to brace this renewed competitive challenge from Indian firms. Second, Indian firms have now more resources to invest in developing innovative HRM strategies which translates to cost reduction mechanisms, integration of support functions such as information technology in their work process, boosting morale of employees and high retention of skilled employees. MNE’s such as Castrol, Shell, Exxon (petroleum sector), Renault Tractor, Ford, Mitsubishi (automobile sector), Lafarge, Italicement (cement industry), Citibank, American Express (banking sector), Levis, Pepe (textiles), IBM, Microsoft, HP-Compaq, Oracle (IT sector), and Bayer, Roche (pharmaceutical) and not to mention of Coke, KFC, Macdonald, Procter & Gamble, who have learned or are trying to learn the hard way of doing business in India.

Innovative HRM strategies build and develop trust within the organisation, increase morale of employees and reinforce the role of well-being within the firm over time. For senior executives, building trust and retaining key personnel is one of the major challenge during turbulent and hyper-competitive environment. Though MNE’s have deep pockets, which is an important driver in the labour market, but this study of eleven firms show that Indian firms are relentlessly trying to reduce

employee turnover by innovative HRM strategies. For those MNEs, which understand this challenge of doing business in India, the ultimate benefit is not to fall into the trap as their predecessors, but to leap towards an integrated and innovative HRM strategy that can attract, develop, excite and retain key talent.

**Table 1. Innovative HRM Practices Adopted By Indian Companies During The Post Liberalisation**

<b>Company</b>	<b>Industry</b>	<b>Strategic Initiatives</b>	<b>Adoption of HRM policies</b>
Bharat Petroleum Corporation Limited	Petroleum	<ul style="list-style-type: none"> <li>• Face deregulation of petroleum industry</li> <li>• Retain customers</li> <li>• Maintain profitability.</li> </ul>	<ul style="list-style-type: none"> <li>• Redeployment and retraining of employees</li> <li>• HRM regarded as an important support service</li> <li>• Revamped Performance Appraisal System</li> </ul>
Mahindra & Mahindra Ltd	Automobile Tractor	<ul style="list-style-type: none"> <li>• Creation of productive labour force</li> <li>• Rationalize manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>• BPR scheme to reinvent business process</li> <li>• Flat structure that encourages team work</li> <li>• Outsourcing workforce for advanced and non-core activities.</li> </ul>
Mehta Group	Cement	<ul style="list-style-type: none"> <li>• Curtail competition between the two companies belonging to the Group</li> <li>• Develop 'synergy' in terms of structure, manpower and resources</li> </ul>	<ul style="list-style-type: none"> <li>• Redefinition of organization structure</li> <li>• Redeployment policy to optimally utilize human resources</li> </ul>
Maruti Ltd	Automobile Utility-car segment	<ul style="list-style-type: none"> <li>• Launch new models for diverse markets</li> <li>• Increase dealer network</li> <li>• Reduce costs and increase operating efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• Hire professional HR managers</li> <li>• Make HR responsible for internal communication and relations with Union</li> <li>• Creation of an excellent compensation policy.</li> </ul>
State Bank of India	Bank	<ul style="list-style-type: none"> <li>• Face competition from foreign and private banks</li> <li>• Trim the size of its work force to cut costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Segmenting the HR department into levels with specific duties</li> <li>• Introduce VRS to cope with automation.</li> </ul>
Arvind Mills	Textiles	<ul style="list-style-type: none"> <li>• Recover from the change in the fashion industry</li> <li>• Increase exports</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of innovative recruitment procedures</li> <li>• Development of synergies between top management and workers</li> </ul>
Clariant (I) Ltd.	Chemicals	<ul style="list-style-type: none"> <li>• Transition from Sandoz to Clariant</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of the CLAP program</li> <li>• Change the mindset of the employees to a more modern outlook</li> </ul>
Wipro Corporation	IT	<ul style="list-style-type: none"> <li>• Sustaining the wealth of their human capital</li> </ul>	<ul style="list-style-type: none"> <li>• Introducing employee stock option schemes</li> </ul>
Infosys	IT	<ul style="list-style-type: none"> <li>• Accept the challenges of globalization</li> </ul>	<ul style="list-style-type: none"> <li>• Employee driven campus programs like "Infosys Toastmasters Club" to provide support to the employees</li> <li>• Construction of a Leadership Institute to foster the qualities of leadership within the employees</li> <li>• Leadership through INSTEP program where 3-6 months internships are given to students from across the globe</li> </ul>
Ranbaxy	Pharmaceutical	<ul style="list-style-type: none"> <li>• Climb up the curve of globalization</li> </ul>	<ul style="list-style-type: none"> <li>• PEP program</li> <li>• Backward integration, new drugs invention</li> </ul>
TISCO	Steel	<ul style="list-style-type: none"> <li>• Focus on current growth</li> <li>• Enhance accountability</li> <li>• Cost reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Building cross functional teams of high-performing professionals with clear career paths for individuals</li> <li>• Revamped its Performance Management System by aligning KRAs with strategy at all levels</li> <li>• Institutionalized tailored management development program for officers</li> </ul>

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