

# A Study on the Emerging Dimensions of Strategic HRM in Different Subsectors of IT Industry

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*In today's turbulent environment, the key to competitiveness lies in the ability to lead change and depends on how organizations build change leadership that enables them to capitalize and master change. This is where strategic thinking lies for management in general and for Human Resource (HR) in particular. Many authors have maintained that Strategic Human Resource Management (SHRM) is directly linked to organizational performance. However, despite the increasing popularity of SHRM, there have been very few systematic evaluations of the claims that it is linked to performance, and doubts regarding its theoretical foundations remain. It should also be noted that HR does not distinguish HR professionals in high-performing firms from those in low-performing firms. The external knowledge (not internal knowledge) of HR is the key differentiator. Most HR professionals have a low level of external business reality—customers, competitions, stakeholders, industry structures, globalization and all the things that make business what it is. There are two starting points for thinking on this line. First, HR should aspire to be a business partner; and second, to be a business partner, it needs to create a line of sight to the outside. The Information Technology (IT) revolution has brought about a situation in which knowledge workers are replacing blue-collar workers. In such a scenario, an organization needs to invest more in human assets in order to gain a competitive advantage over other organizations. The purpose of this research is to make a comparative study of emerging dimensions in SHRM in the different subsectors of the Indian IT industry.*

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## Introduction

With the increasing recognition of the Human Resource (HR) potential in providing competitive advantage, organizations have begun to consider employees as valuable 'assets' or 'investments'. This view has become more significant in today's knowledge economy that depends on the skill and knowledge of the workforce.

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From a routine, administrative and reactive function, the HR function today has evolved to being proactive and strategic.

Given the increasingly significant role of HR in an organization, Human Resource Management (HRM) has become strategic in nature. Strategic Human Resource Management (SHRM) is concerned with the relationship between HRM and strategic management in an organization. SHRM is an approach which relates to decisions about the nature of employment relationships, recruitment, training, development, performance management, reward and employee relations. Wright and McMahan (1992) defined SHRM as "the pattern of planned HR deployment and activities\_intended to enable the firm to achieve its goals."

### **Statement of the Problem**

Most executives would insist that management of their HR is a chief priority for their organization. However, according to Pfau and Kay (2000), many of the same executives maintain a narrow view of the HR function and HR professionals themselves. Stereotypes still exist, and the perception is that HR function is overstaffed, reactive and staffed by rule followers who insist on operating only within the parameters of policies and procedures.

Though the development of the topic Human Resource Management (HRM) is documented well in literature, the focus of the debate relating to HRM is constantly changing, resulting in the evolution of both academic theory and organizational expectations. This highlights the need for a growing proactive nature of the HR function, its crucial importance to the success of an organization and the possibility of change in the HR function. This would require a transition from being reactive and prescriptive to being proactive, descriptive and executive (Budhwar, 2000).

### **Literature Review**

Beer (1997) wrote that competition, globalization and continuous change in markets and technology are the primary reasons for the transformation of HRM. As far as the early 1970s, Foulkes (1975) called upon the companies to contract new social and individual values in the workplace and highlighted the need for HR function (personnel department) to be more proactive, progressive and worthy of respect. Evidence exists in literature that HR has indeed reacted to the call for change (Hiltrop, 1996; Beer, 1997; and Cascio, 1998). Cascio (1998) identified various phases in the recent transformation of HR function and noted the transition from keeping up-to-date personnel records to strategic partnering.

However, the transformation of HR function faces many obstacles. Perhaps the most formidable among these obstacles, according to Beer (1997), is the capability of the majority of the HR professionals. In most companies, the traditional HR role and the rewards that typically go with the role make it difficult to attract professionals with the required talent. This view is supported by Fitz-enz and Davidson (2002)

who predict hope for the future with the emerging new breed of HR professionals. The second obstacle in this transformation, according to Beer (1997), is the top management itself. It seems that either top management does not understand what a more strategic HR function entails, or still judges the function by its effectiveness to deliver administrative services and to keep the organization out of trouble.

Pfau and Kay (2002) showed support for a slower but systematic transformation process for the HR function. It means that HR function and HR professionals must first establish credibility through seamless performance of their basic functions before moving into strategic areas. The first step for a HR function is to assess its own effectiveness. This means taking stock and asking serious questions around aspects such as vision, strategy and alignment with the overall organizational business plan; allocation of time and money; level of customer satisfaction; comparison with industry benchmarks; and available competencies.

Pfau and Kay (2002) also indicated that in most cases, the HR function does not know when, where and how to start the transformation process. The researcher views that this may be due to the absence of an integrated model that describes the dimensions of effectiveness for a HR function.

In the IT industry where the research was conducted, the HR function has been restructured several times in the last few years with a view to becoming a strategic business partner. These changes have happened in isolation without input or feedback from HR professionals. No previous study has been conducted to make a comparison of the emerging trends in SHRM in the different subsectors of the IT industry. In trying to understand the emerging trends in strategic HRM in the different subsectors of the IT industry, there is a need to assess the general effectiveness of the HR function and to understand the attitude of the management towards the new role to be played by the HR function in its attempt to become a strategic business partner. The endeavor of this research is to find answers to the research questions formulated for the purpose of this study.

## **Objectives of the Research**

The objectives of the research can be broadly classified into two main objectives. They are:

1. To make a comparative study of the emerging dimensions of SHRM in the different subsectors of IT industry in India.
2. To identify the competencies required by HR managers to help their organizations achieve competitive advantage in the Indian IT industry.

The survey method was employed to get a detailed understanding of whether the level of agreement on the role of SHRM in delivering competitive advantage is influenced by the demographics of HR managers such as gender, age, educational qualification, total experience and experience in the present position and the subsector of the IT industry to which they belong, and whether the level of agreement

on linkage between HRM and business strategies is influenced by demographics such as gender, age, educational qualification, total experience and experience in the present position of HR managers and the subsector of IT industry to which they belong. In this study, questionnaire survey was used to obtain data about strategic HR formulation and implementation in the different subsectors of the Indian IT organizations so as to understand the dimensions influencing the emergence of SHRM.

## Analysis and Interpretation

Through factor analysis, it was found that there are six constructs affecting the emergence of SHRM in the different subsectors of the Indian IT industry (Tables 1 and 2).

Variable	Eigen Value	% of Variance	Cumulative %
<i>Strategic Planning Process</i>	11.055	25.1	25.1
<i>Status Enjoyed by HR Function</i>	5.159	1.7	36.8
<i>Integration of HR Strategy with Overall Business Strategy</i>	4.198	9.5	46.4
<i>Vertical Integration</i>	2.482	5.6	52.0
<i>Horizontal Integration</i>	2.385	5.4	57.5
<i>Organizational Culture</i>	1.950	4.4	61.9

Constructs Affecting Emergence of Strategic Human Resource Management	Mean	Standard Deviation
Strategic Planning Process (Cronbach's $\alpha$ 0.893)	16.95	2.61
Organizational Culture (Cronbach's $\alpha$ 0.864)	12.37	1.00
Integration of HR Strategic with Overall Corporate Strategy (Cronbach's $\alpha$ 0.802)	47.26	4.52
Vertical Integration (Cronbach's $\alpha$ 0.781)	28.59	2.77
Horizontal Integration (Cronbach's $\alpha$ 0.764)	23.95	3.19
Status Enjoyed by the HR Function (Cronbach's $\alpha$ 0.753)	35.10	2.42
Overall Opinion on Emerging Trends in SHRM	164.23	11.71

Among these six constructs, the highest mean is seen in case of integration of HR strategy with overall corporate strategy, followed by the status enjoyed by the HR function in their respective organizations and the construct, organizational culture prevailing in the organization has the lowest mean value (Table 2).

The overall opinion of HR managers with respect to emerging trends in strategic HRM shows that 46% of them have an average level of agreement, whereas 28% have a high level of agreement, and 26% have a low level of agreement (Table 3).

**Table 3: Distribution of Overall Opinion of HR Managers on Emerging Trends in SHRM in the Different Subsectors of IT Industry**

Overall Opinion	Frequency	Percentage
Low	39	26.00
Average	69	46.00
High	42	28.00
Total	150	100.00

**Proposition 1:** *There is no significant difference between the gender of HR managers and their opinion on the dimensions influencing the emergence of SHRM in the different subsectors of IT industry.*

Based on the gender of HR managers, it is seen that there is a significant difference in their opinion with respect to the three dimensions, namely, strategic planning process and integration of HR strategy with overall corporate strategy and horizontal integration. The overall opinion of HR managers also shows a significant difference in the opinion between the male and female HR managers (Table 4).

**Table 4: t-Test for Significant Difference Between Gender of HR Managers and Their Opinion on the Dimensions Influencing the Emergence of SHRM in the Different Subsectors of IT Industry**

Dimensions of Strategic HRM	Male		Female		t-Value	p-Value
	Mean	SD	Mean	SD		
Strategic planning process	16.63	2.60	18.28	2.19	3.15	0.002**
Organizational culture	12.45	0.89	12.07	1.33	1.84	0.068
Integration of HR strategy with overall corporate strategy	46.84	4.04	49.00	5.91	2.34	0.020*
Vertical integration	28.68	2.47	28.24	3.81	0.76	0.448
Horizontal integration	23.67	3.00	25.14	3.74	2.26	0.026*
Status enjoyed by the HR function	34.93	2.47	35.83	2.05	1.82	0.071
Overall opinion on emerging trends in strategic HRM	163.19	10.41	168.55	15.54	2.24	0.026*

**Note:** \*\* p-value is significant at 1%; \* p-value is significant at 5%.

However, the gender of HR managers does not act as a factor in influencing their opinion with respect to the other three dimensions, namely, organizational culture, vertical integration and status enjoyed by the HR managers in their respective organizations and vertical integration. On the dimensions such as strategic planning process, integration of HR strategy with overall corporate strategy, horizontal integration and overall opinion on dimensions influencing emerging trends in strategic HRM, it is seen that female HR managers have a higher level of agreement as compared to male HR managers. However, on the dimensions such as organizational culture and vertical integration, male HR managers show a slightly higher level of agreement.

**Proposition 2:** *There is no significant difference between the age of HR managers and their opinion on the dimensions influencing the emergence of SHRM in the different subsectors of IT industry.*

Based on the age of HR managers, it is seen that there is a significant difference in their opinion with respect to only two dimensions, namely, strategic planning process and the status enjoyed by the HR function (Table 5). HR managers in the age group of 40-45 years believe strongly in the role played by strategic planning

<b>Table 5: t-Test for Significant Difference Between Age of HR Managers and Their Opinion on the Dimensions Influencing the Emergence of SHRM in the Different Subsectors of IT Industry</b>						
Dimensions of Strategic HRM	f-Value	p-Value	Age Group (Years)			
			< 35	35-40	40-45	>45
Strategic planning process	2.713	0.047*	17.43 <sup>ab</sup>	16.24	17.65	16.68 <sup>ab</sup>
Organizational culture	0.700	0.554	12.55	12.37	12.24	12.28
Integration of HR strategy with overall corporate strategy	2.631	0.523	48.10 <sup>ab</sup>	46.29 <sup>ab</sup>	48.50	46.20
Vertical integration	0.507	0.678	29.00	28.31	28.68	28.40
Horizontal integration	1.438	0.234	23.90	23.57	24.91	23.52
Status enjoyed by the HR function	2.860	0.039*	35.05 <sup>ab</sup>	35.76	34.88 <sup>ab</sup>	34.12
Overall opinion on emerging trends in strategic HRM	1.818	0.146	166.03	162.55	166.85	161.20

**Note:** \* p-value is significant at 5%; <sup>ab</sup> denotes significance at 5% level.

process with respect to emerging trends in SHRM. Those in the age group of 35-40 years believe strongly in the influence of the status enjoyed by HR function in influencing the emergence of SHRM. The overall opinion, however, shows that those in the age group of 40-45 years have a higher level of agreement than those in the above 45 years category.

**Proposition 3:** *There is no significant difference between the educational qualification of HR managers and their opinion on the dimensions influencing the emergence of SHRM in the different subsectors of IT industry.*

Based on the educational qualifications, it is seen there is a significant difference in the opinion of HR managers only with respect to the dimension horizontal integration. On all other dimensions, the study has shown no differences based on educational qualifications. HR managers who are just graduates have a stronger conviction on the role played by horizontal integration in the emergence of SHRM as compared to the postgraduates or doctorates (Table 6).

The overall opinion of the HR managers with respect to all the six dimensions also shows that graduate HR managers have a higher level of agreement as compared to postgraduates or doctorates.

<b>Table 6: ANOVA Test for Significant Difference Between Educational Qualification of HR Managers and Their Opinion on the Dimensions Influencing the Emergence of SHRM in the Different Subsectors of the IT Industry</b>					
Dimensions of Strategic HRM	f-Value	p-Value	Educational Qualification		
			Graduate	Postgraduate	Doctorate
Strategic planning process	0.729	0.484	17.06	16.94	15.60
Organizational culture	0.011	0.989	12.36	12.38	12.40
Integration of HR strategy with overall corporate strategy	1.238	0.293	47.63	47.15	44.40
Vertical integration	0.325	0.723	28.30	28.48	28.00
Horizontal integration	3.239	0.042*	24.30	23.89	20.60
Status enjoyed by the HR function	0.073	0.930	35.19	35.04	35.00
Overall opinion on emerging trends in strategic HRM	1.556	0.215	165.31	163.89	156.00
<b>Note:</b> *p-value is significant at 5%.					

**Proposition 4:** *There is no significant difference between total experience of HR managers and their opinion on the dimensions influencing the emergence of SHRM in the different subsectors of IT industry.*

Based on the total experience, it is seen there is a significant difference in the opinion of HR managers only with respect to the dimension integration of HR strategy with overall corporate strategy (Table 7). On all other dimensions, the study has shown no difference based on their total experience. HR managers who have above 15 years of experience have a stronger conviction on the role played by integration of HR strategy with the overall corporate strategy in the emergence of SHRM as compared to the those who have less than five years of experience.

<b>Table 7: ANOVA Test for Significant Difference Between Total Experience of HR Managers and Their Opinion on the Dimensions Influencing the Emergence of SHRM in the Different Subsectors of the IT Industry</b>					
Dimensions of Strategic HRM	f-Value	p-Value	Total Experience (Years)		
			<10	10-15	>15
Strategic planning process	2.251	0.109	16.66	16.80 <sup>ab</sup>	17.83
Organizational culture	0.014	0.987	12.37	12.36	12.40
Integration of HR strategy with overall corporate strategy	3.233	0.042*	47.20 <sup>ab</sup>	46.40	48.97
Vertical integration	0.289	0.749	28.48	28.55	28.93
Horizontal integration	1.994	0.140	23.54	23.91 <sup>ab</sup>	24.93
Status enjoyed by the HR function	1.308	0.273	35.29	35.22	34.47
Overall opinion on emerging trends in strategic HRM	1.514	0.223	163.24	163.54	167.53

**Note:** \* p-value is significant at 5%; <sup>ab</sup> denotes significance at 5% level.

The overall opinion of HR managers with respect to all the six dimensions also shows that HR managers with more than 15 years of experience have a higher level of agreement as compared to those with lesser experience.

**Proposition 5:** *There is no significant difference between the experience of HR managers in the present position and their opinion on the dimensions influencing the emergence of strategic HRM in the different subsectors of IT industry.*

Based on the experience of HR managers in the present position, it is seen that there is no significant difference in their opinion on all other dimensions influencing the emergence of strategic HRM in the IT industry (Table 8).

<b>Table 8: ANOVA Test for Significant Difference Between Experience in Present Position of HR Managers and Their Opinion on the Dimensions Influencing the Emergence of SHRM in the Different Subsectors of the IT Industry</b>					
<b>Dimensions of Strategic HRM</b>	<b>f-Value</b>	<b>p-Value</b>	<b>Present Experience (Years)</b>		
			<b>&lt;10</b>	<b>10-15</b>	<b>&gt;15</b>
Strategic planning process	1.642	0.197	16.67	17.14	18.08
Organizational culture	1.453	0.237	12.29	12.60	12.25
Integration of HR strategy with overall corporate strategy	0.310	0.734	47.05	47.55	47.92
Vertical integration	2.472	0.088	28.28	28.90 <sup>ab</sup>	30.00
Horizontal integration	0.325	0.723	23.80	24.17	24.42
Status enjoyed by the HR function	2.316	0.102	35.34	34.43	35.50
Overall opinion on emerging trends in strategic HRM	0.916	0.403	163.49	164.79	168.17

**Note:** <sup>ab</sup> denotes significance at 5% level.

**Proposition 6:** *There is no significant difference between the subsector to which HR managers belong and their opinion on the dimensions influencing the emergence of strategic HRM in the different subsectors of IT industry in India.*

Based on the subsector to which HR managers belong, it is seen that there is a significant difference in the opinion of HR managers with respect to the dimensions strategic planning process, integration of HR strategy with the overall corporate strategy, vertical integration and horizontal integration. On the other dimensions, such as organizational culture and status enjoyed by the HR function, the study shows no differences based on the subsector to which they belong (Table 9).

HR managers who are employed with software development firms have shown a higher level of conviction on the role played by strategic planning process, integration of HR strategy with the overall corporate strategy, vertical integration

<b>Table 9: ANOVA Test for Significant Difference Between Subsectors to which HR Managers Belong and Their Opinion on the Dimensions Influencing the Emergence of SHRM</b>					
<b>Dimensions of Strategic HRM</b>	<b>f-Value</b>	<b>p-Value</b>	<b>Subsector of IT Industry</b>		
			<b>Software Development</b>	<b>Support and Services</b>	<b>ITES</b>
Strategic planning process	142.000	0.000**	19.70	16.56	14.58
Organizational culture	2.473	0.088	12.52	12.48	12.12
Integration of HR strategy with overall corporate strategy	80.280	0.000**	50.76	48.10	42.20
Vertical integration	41.710	0.000**	30.90	27.82	27.06
Horizontal integration	33.240	0.000**	26.04	24.12	21.70
Status enjoyed by the HR function	0.769	0.466	35.40	35.10	34.80
Overall opinion on emerging trends in strategic HRM	109.960	0.000**	175.32	164.18	153.18
<b>Note:</b> ** p-value is significant at 1%.					

and horizontal integration with respect to the emergence of SHRM in the different subsectors of IT industry as compared to the other two sectors, Support and Services and ITES.

The overall opinion of HR managers with respect to all the dimensions also shows that HR managers employed with software development firms have shown a highest level of agreement, followed by services and support subsector and then by ITES subsector.

## **Conclusion**

HR cannot reach its peak till it gets its required inflow of high quality talent, and it will not get its share of that talent unless it creates a new benchmark of its own performance. Mediocrity is reasonably prevalent and equally tolerated in the HR profession today. It is not just a question of the quality of talent in the profession, but also a factor of the lack of proper performance focus. While quality and performance of HR are key contributors to an organization's success, there are few measures that are being 'quantitatively' linked to HR.

**Research Limitations:** It is necessary to evaluate this study in the context of its limitations. First, data came only from firms operating in Chennai city. All studies have limitations and this research is no exception. The study has assumed that all HR managers contacted are well acquainted with the concept of SHRM and were able to answer for the firm as a whole and answered truthfully. Although the respondents targeted were highly placed HR managers with knowledge of SHRM and other strategic initiatives undertaken by their organizations, it is possible that their responses do not represent the actual company practices and could be affected by personal bias and prejudice.

Second, the reliability of the survey instrument could be improved to assure better information in future. There is no perfect survey instrument, but additional questions defining the constructs would possibly improve the reliability of the survey documents. In addition, this research could be improved by obtaining a higher level of response rate. Great importance was placed, making this survey as short as possible, since the population selected is inundated with requests for information and are having a busy work schedule. Without significant additional expenditure of time and money, it was believed that the only way to obtain reasonable response rate was to keep the survey instrument and survey timing to the minimum.

Lastly, this research is limited to three subsectors of the IT industry, while all types of organizations can benefit from SHRM initiatives. Research into the association of SHRM with improved financial and organizational performance in all industries would be highly beneficial. It was felt that had these limitations not been there, further efforts could have been made for improving the research study. However, these constraints are common to any research study.

**Future Research Perspectives:** In the conduct of any exploratory research such as this, recommendations for future research address the issues generated by the present study. Based on the findings of this study, future research may start from a relatively higher level of knowledge. First the present study could be replicated which would help in reexamining the validity of the findings. Second, subsequent research needs to be engaged in the development of more valid and reliable definitions of the proposed constructs, overcoming most of the limitations posed by the data sources used for this study. Perspectives of other stakeholders on the value addition provided by HR managers could be included to get a complete picture.

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