HR PRACTICES FOR BUILDING PERFORMANCE EXCELLENCE
A study of some of the best organizations in Bangalore

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The Continuing Search

All the Gurus who traversed the field of organization and management had an over-riding quest to find an explanation to organizational excellence. From Henry Fayol's 'Management Principles', to Max Weber's 'Bureaucracy' to Frederick Taylor's 'Scientific Management' to the 'Human Relations School', of Elton Mayo and company, to Alfred P. Sloan's principle of 'Divisionalization to Peter Drucker's 'Management by Objectives and Self-Control' to the latest fad on 're-engineering', the objective was to find a definitive answer for 'building performance excellence'.

Every time someone came up with a new theory or framework on organizational performance, the claim was that at last we found the answer to this elusive problem. Peters and Waterman were almost sure that they found the answer and they gave the 'Happy Atom' to systematically analyze and understand excellence, but later events proved that they were as human as others were and they slipped too on their path to discover the answer to corporate excellence. Hammer and Champy also did not have any better luck, but brought in the wake of 're-engineering', misery to a large number of the victims of 'down sized' or 'right sized' enterprises.

The latest white angel to appear on the horizon is Jim Collins who claims to have discovered the alchemy behind the 'built to last' companies. But one thing that will surprise the new converts to his theory of 'visionary companies' is how there could be 'visionary companies' without 'visionary leaders'? Collins is rather circumspect on this issue. Of course, he projects a new class of leaders whom he describes as 'Level-5' leaders having much humility in their psyche. He seems to be uncomfortable with the arch American organization builders like John D Rockefeller, Harold Geneen, Lee Iacocca, Jack Welsch and Bill Gates. It looks as though Peters and Waterman also had the same kind of allergy to these kinds of 'larger than life-size' leaders. I wonder whether Winston Churchill would have ever got into the 'Level-5' leadership of Jim Collins.

vi.   7 of our respondents fall in the list of top 20 IT companies identified by ***Dataquest***. And interestingly 5 of these are the top ones in the list.

vii. Two of the respondents (Infosys and WIPRO) also figure in the list of "India's Most Respected Companies" – as per the rankings published in Business World, November 2, 2004.

Coverage

The study looked at the following key parameters that contribute significantly to organizational performance:

- Recruitment System
- Selection Methodologies
- Communication within the Organization.
- Awards and Rewards
- Motivational Approaches
- Career Management System
- HR Processes
- Organizational Culture
- Creating a learning organization

In laying emphasis on 'the human side of the enterprise' and not a multifaceted or wide-angled study, we were influenced by the findings of a number of recent studies such as ***In Search of Excellence*** (1982) or the British study ***The Winning Streak*** (1984) where the central piece always was "productivity through people". Two other critical issues that influenced us are:

i.   The uniqueness of the knowledge industry and the knowledge worker. It is relevant here to recall a very far-sighted statement of Peter Drucker. He said:

> *The productivity of the knowledge worker is likely to become the centre of the management of people, just as the work on the productivity of the manual worker became the centre of managing people a hundred years ago, that is since Frederick W Taylor.*

ii.   Our study was also influenced by a very provocative statement that appeared in one of the ***Fortune*** articles: ***Forget your old, tired ideas about leadership. The most successful corporation of the 1990s will be, something called a learning organization.***

We had a major section enquiring into this aspect with our respondents, and we were quite pleased to see the emphasis given to this aspect by many of the respondents. Today practically every IT major calls its office complex as the 'campus' and the ambience that is created is that of a 'university' kind.

This study is confined to Bangalore only. Time constraint was the real reason for it. But we also found some comfort in the fact that 40% of India's IT exports come from Bangalore, and this city in a way represents India's best in the west in terms of IT. The study was conducted through the administration of a questionnaire to a representative of the HR Department of the organization.

The nine aspects on which we had sought information from our responding organizations have already been indicated.

Let us present the findings of our study:

HR Practices of High Performance IT Companies: Percentage of Responses

Table 1(A)

Characteristics of the recruitment system:

Options	Percentage
Competencies well identified and defined	95
Hiring stars and making them stay	80
Stresses on Culture-fit	80
Proactive Entrance Interviews –focusing on Career Development	65
Hiring stayers and making them stars	65
Recruitment Scorecard	50
Six-Sigma initiatives	25
Psychometric Testing	20
"Online Expectation Management Initiative" during recruitment	20
Input from Assessment Center	10

Table 1 (B)

Job vacancies are filled using:

Options	Percentage
Employee Referrals	100
Using recruiting Agencies / Consultants	100
Job posting done internally	90
Lateral Recruitment	90
Campus Recruitment	80
Walk Ins	60
Formalized Succession Planning	50
Formalized Job Rotation	45
Recruitment Fairs	10

On the recruitment and selection issues, four points stand out.

i. 100% of the respondents have used employee referral system. This is indicative of the faith in their own employees and the reliability of job filling through the process. Every one of them is also using recruiting agencies / consultants. This indicates a trend in outsourcing recruitment activities.

ii. 95% of the respondents have indicated the importance given to identification and definition of competencies before the recruitment process.

iii. 80% have indicated that they target *stars* in the selection process and that efforts were made to make them stay. It is to be expected that these *star* companies can afford to go for *star* candidates.

iv. An equal number have indicated their emphasis on *Culture fit*.

While the first two are quite common even in brick and mortar industries, the emphasis placed on 3,4, & 5 is noteworthy. The type of work force that these organizations have will not settle for anything less.

Only two companies have taken advantage of *recruitment fairs*. May be it is a reflection on the quality of these fairs!

Table – II

Effective communication ensured by:

Options	
Periodic Departmental Meetings	90
Newsletters and Circulars on the Intranet	90
Open Door policy	85
Open House	80
Online query handling	80
Social Functions and Employee Networking	65
Chat with the CEO and top management	65
Flat Organization Structure	50
Internal Customer Meetings	40
Workspace design facilitating Communication	10
Online chat sessions	05

The following aspects stand out:

Periodic departmental meetings	90
Newsletters and circulars on the intranet	90
Open door policy	85
Open house	80
Online query handling	65

Table III (A)

Motivating the employees:

Options	Percentage
Job Enrichment and Job Enlargement	90
Empowerment	85
Social interaction and Teamwork	80
Growth directed training programs	80
Responsibility and Leadership opportunities	70
Above Industry-Average Compensation	60
Periodic foreign postings	55
Specific, time bound, challenging yet attainable goals with effective monitoring system	45
Job Security	45
Inter-department and Inter-group contests encouraging competitive spirit	35
Eye-catching work-space design and surroundings and other hygiene factors	25
Self-motivation workshops	15

Table III (B)

Awards and rewards to recognize performance:

Options	Percentage
Planned awards and rewards	100
Performance based promotions	90
Performance linked incentives	85
Awards tied to year of service	75
Employee Stock Options	70
Unplanned spontaneous awards and rewards	55
Separate recognition and rewards for different levels	35
Holiday packages and other non-monetary rewards	30
Restricted Stock Award	25

The above two tables reveal, quite rightly, significant dependence on the following for motivating their employers.

Job Enrichment and Job Enlargement	90
Empowerment	85
Growth directed training programmes	80
Social Interaction and teamwork	80
Planned Awards and Rewards	100
Performance based promotions	90
Performance linked incentives	85

Perhaps there is nothing earth-shattering in these unless one understood the intensity of the efforts. *Fortune* magazine had a beautiful piece sometime ago with the title *You hired EM, but can you keep EM?* Looking at the huge opportunities available to the IT worker, the turnover is rather low in these organizations ranging from 5 – 15%. Practically all these champion organizations sccm to be working on the premise:

"Today's knowledge worker carries his tool kit in his head; they don't have to be part of an assembly line, or need machinery or equipment. They can move wherever they choose to go," argues Frances Hesselbein, editor in chief of Leader-to-Leader, a quarterly magazine.

Therefore

> *Your organization needs to have a 'demand pull,' something that attracts people who have the option of leaving and yet who choose to stay.*

> *- Youovich, B.G., New Marketing Imperatives (1996)*

Table IV

Career Management System:

Options	Percentage
Training Programs to meet identified needs	90
MBO based KRAs and objectives	70
Formalized Career plans for each employee	55
Career Counseling and training	50
360 Degree Appraisal System	40
Stress Management workshops	35
Input from Assessment Center	35
Feed Forward System along with the Feed Back System	35
Careers offered to the employees	
1 Spiral (Combination of vertical and lateral moves)	50
2 Boundaryless/portfolio (series of interwoven career options unbounded by organization)	20
3 Protean (Adaptable career)	05
4 Hyphenated (offering sabbaticals and spiral career)	20
5 Internal (self-construction of career by employee within organization)	20

On this aspect, the four key responses are:

Training programmes offered to meet identified needs	90
MBO based objectives setting and reviews	70
Formalized career plan for each employee	55
Career Counseling	50

Only seven companies use assessment centers.

Only 8 companies use the much talked about 360 Degree appraisal systems.

Career planning and career counseling got only 55 and 50% of the responses respectively.

But our close interaction and observation of HR practices in IT industries of Bangalore indicate galloping interest and commitment in these areas. Of course, the reason is clear and simple. The organization has to make it known to the employee that he is wanted and respected.

It is interesting to make a comparison of the findings of this study with that of a European Study which was reported in the third issue of EFMD's 'Forum' 99.

Whiteway Research International surveyed over 1,000 early career professionals from 73 countries with an average age of 29.

The respondents were selected using criteria such as level of education, schools attended, current and previous roles, and international experience – so these people are, in effect, the likely future business leaders of the more than 600 that came from Western Europe.

The survey result reported in **RIDING THE WAVE – THE NEW GLOBAL CULTURE,** *confirmed much of what we already know: a short-term approach to jobs (40 percent said they intend to leave their employer within two years and only seven percent expect to stay more than five years); the desire for 'wide horizons' (defined as maximizing future options and having new and different experiences); and the importance of work-life balance (72 percent saying this was essential or very important).*

However, there were some rude surprises for the employer: even those "high flyers" who feel their jobs are satisfying still intend to leave! Why? Because, they say, employers are:

- *Not developing them.*
- *Not providing career guidance.*
- *Not exposing them to a wide enough range of tasks and responsibilities, and*
- *Not communicating honestly with them.*

Compare the above with our own study results. Such a complaint in all probability will not be heard in most of the 20 organizations that we have studied. In this connection, we put together a few of the interesting responses:

Soft skills training	-	95% of the	
respondents			
Training Programmes to meet identified training needs-		90%	"
Empowerment	-	85%	"
Job Enrichment and Job Enlargement	-	90%	"
Periodic Departmental Meetings	-	90%	"
Open House	-	80%	"
Open Door Policy	-	85%	"
Responsibility and Leadership opportunities	-	70%	"

With these kinds of practices widely used, our study sample will not be accused of the failures indicated above.

Table V

HR Processes Effectiveness measured by:

Options	Percentage
Employee Turnover Analysis	95
Done informally through Exit Interviews	90
Joint Meetings with HR Customer Departments	85
Cost-benefit analysis	45
HR Scorecord	45
Balanced Scorecard	35
EVA analysis	10
NPV analysis	05

The Table highlights:

Employees Turnover Analysis
Exit Interviews
Joint meetings with internal customer department

While the first two are quite common in the industry, the third item, where internal customer feedback is sought by 85% of the companies is significant. This is a clear signal to a qualitative change that is seen in HR in Bangalore and most of the leading IT cities of India. HR understands that it has to be a strategic partner to the 'line' and this is only possible if they really practice *internal customer sensing.*

Table VI

The Organizational Culture

Options	Percentage
Culture of Customer Service	95
Ensuring Employee Growth	80
Encouraging Work-life Balance	75
Culture of Innovation	75
Culture of Operational Excellence	70
People Participation	65
Ensuring Employee Satisfaction	55
Welcoming and Accepting change	55
Drives Collaboration	50
Zeroed on Employee Retention	25
Self-Organizing--Embracing Swarm Intelligence	10

Organizational Culture
The four most important themes seen in the responses were:

> Emphasis on Customer Service
> Ensuring Employee Growth
> Culture of Innovation
> Encouraging work life balance

Employee participation was emphasized by 13 of the respondents.

Many researchers and authors emphasized the importance of culture in promoting corporate excellence. Perhaps one of the most fascinating studies on this is that of Deal and Kennedy, **Corporate Cultures** (1985). They said:

Culture has a powerful influence throughout an organization; it affects practically everything from who gets promoted and what decisions are made, to how employees dress and what sports they play. Because of this impact, we think that culture also has a major effect on the success of Business.

The authors added that:

The early leaders of American Business such as Thomas Watson of IBM, Harley Procter of Procter and Gamble, and General Johnson of Johnson and Johnson believed that strong culture brought success".

Table VII

Creating a Learning Organization:

Options	Percentage
Soft-skills training	95
Employee Self-learning	80
Online Knowledge Management through a dedicated portal	75
MDPs	70
Leadership Development Center	60
Knowledge Transfers	60
Cross-platform training	55
Library	45
Mentoring Systems	45
Training to raise Employee Self-esteem	25
Eminent Speakers from outside	25
Separate Knowledge Management head	20
Considerable Small Groups Work	20
Encouraging Systemic Thinking among all departments	10

Some Recurring Themes

A closer look at the nine tables presented in the study would reveal that there are some recurring themes seen in these 20 companies which, based on published data and industry image, are perceived to be high performance organizations.

> ➤ Faith in the employees
> ➤ Soft Skills training
> ➤ Seeking *stars* and sustained retention efforts
> ➤ Multifaceted motivation strategies with pride of place given to Growth and Empowerment
> ➤ Customer Focus
> ➤ Respecting Internal Customers
> ➤ Strong Culture Building
> ➤ Sustained efforts in building learning organizations

And some of the discernible trends in HR practices are:

PCMM Certification for continuous HR and organizational improvement. It was also interesting to note that this was more of an Indian companies' phenomenon. Only 2 MNCs are PCMM certified out of 8.

Leadership Development Centers to meet the increasing need of leaders to achieve the "$87 billion Indian IT industry" target by 2008. This is very particular to the IT sector. No other sector has stressed so much the importance of creating leaders out of employees. 60% of companies feel that it is important for them.

Formalized Job Rotations to cut recruitment costs, build effective flexible teams and retain employees by providing learning opportunities.

Formalized Succession planning mainly to establish fair and just systems that are perceived by the employees as objective and equitable and to give the message *that we care*.

HR Scorecard to measure HR processes effectiveness objectively to establish HR credibility in the organization.

Flat Organization Structure to enhance communication, reduce bureaucracy and its ill effects. The levels ranged from 4 to 7. An organization with 30,000 employees had only 4 levels, leaving the very top. This is indeed remarkable.

360 Performance Appraisals to induce objectivity in the system. This is slowly catching up.

Formalized Career plans to retain employees and help them grow.
Mentoring systems to make employees capable and to create a relational bond with the organization. This is becoming popular in the IT sector.

Some of the tentative conclusions of this study are:

- The knowledge industry that is almost boundaryless and seamless must be creating the same kind of perceptions, expectations and motivational needs among its 'knowledge workers' irrespective of geography or culture.
- Organizations are becoming flatter.
- Knowledge Management heads are making their appearance.
- As Stephen Covey said about *sharpening the saw*, there is continuing attention *to the HR edge* in these organizations. Excellence has become a habit in these organizations.

Annexure

List of companies that participated in the survey (in alphabetical order)

1) Bosch	11) L & T Infotech
2) Cognizant Technologies	12) 3M
3) Delphi	13) Microsoft
4) HCL Technologies	14) MindTree
5) HP	15) M-Phasis BFL
6) HTMT	16) Oracle
7) Hughes software	17) Philips
8) IBM	18) SAP Labs
9) Infosys	19) Tata Consultancy Services
10) I2 Technologies	20) Wipro

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