

TRANSFORMATION OF HUMAN RESOURCE MANAGEMENT PRACTICES IN INDIA AFTER THE LIBERALIZATION— A CASE OF TATA MOTORS

PRIYANKA NEMA

Assistant Prof, Jagran Lakecity University, Bhopal
E-mail: drpriyankanema@jlu.edu.in

Abstract— The Indian economy was rigid and closed in the 1990 but after the liberalization which promotes the foreign direct investment and helps the Multinational organizations to establish their business units in India helps in creating a hyper competitive environment and encourages the Indian MNCs to inculcate the innovative HRM practices. Current research shows that HRM practices are important for enhancing the organizational performance and MNCs need to mould their HRM practices to cater the need of the employees and to retain them for the longer duration of time. This paper tried to understand the impact of liberalization in transforming the HRM practices. The research has been based on the case study of Tata motors, for collecting the data from the Tata motors interview method has been used. The study found that Indians multinationals are moving towards the globalization and it was observed that recruitment, compensation and performance practices seem to be significantly transforming within Indian firms in the context of India's economic liberalization.

Keywords— SHRM, HRM , Innovative HRM.

I. INTRODUCTION

Over many centuries India has absorbed managerial ideas and practices from around the world. Early records of trade, from 4500 B.C. to 300 B.C not only indicate international economic and political links, but also the ideas of social and public administration. This treatise presented notions of the financial administration of the state, guiding principles for trade and commerce, as well as the management of people.

Increasing trade, that included engagement with the Romans, led to widespread and systematic governance methods by 250 A.D. The human resource management over the years has emerged as a new dimension to the practice of personnel management in the corporate world. The effective utilization of human resource results in the wealth and prosperity of the nation. A country which is unable to utilize skills and knowledge of its people and employ them effectively will remain under developed.

The importance of Human Resource Management can be traced back to Vedic ages in *the Bhagavad Gita*, Lord Krishna not only makes arjuna spiritually enlightened, but also teaches him the art of self management, anger management, stress management, conflict management, transformational leadership, motivation, goal setting and many other aspects which are now essential parts of any HRM curriculum.

Review of Literature:- Pio (2007) studied that India is emerging as a super power, slotted to be among the world's five largest economies and is viewed by international investors, business conglomerates and tertiary education providers as a land of opportunities. Since the opening up of the Indian economy in (1991) reveals a slowly increasing number of scholarly

articles on HRM, with a steep rise from the year (2000) onwards. She further added that HRM practices in India are highly influenced by the social culture environment

Pio (2005) examined that a number of HRM practices emanating from centuries old traditions still hold sway in modern India, particularly the caste system. An individual is born into a caste and this social stratification is both explicit and implicit in recruitment, selection and other HRM Practices and Strategies. As quoted by Pio (2005) "Destiny or karma" is common parlance in daily life and this is the belief that the fruit of one's actions is the consequence of deeds both in this life and in previous lives. Devotion or bhakti is omnipresent through worship of over a thousand deities, and this can be translated into the world of work where the work site becomes the "shram mandir" or temple of work.

Sinha & Kanungo, (1997) found that Post-independence socialism, British colonization and the caste system have been influential forces in shaping India till the time of liberalization in the 1990's. After the liberalization economy is slowly losing ground over commitment to caste relationships, and a super competitive environment is resulting in more transparency, less bureaucracy and a move towards professionalism and the adoption of Western systems in HRM.

Amba-Rao, Petrick, Gupta, & Embse, (2000) found that despite India's diversity, it is possible to identify some generic attributes among Indians which overflow into organizational life, for example submissiveness, fatalism, clan orientation with in-group out-group distinctions and power consciousness.

They further stated that power bases are very influential and command loyalty and possibly accountability in the small business sector. In India

the power distance dimension is strongly influenced by pressures of politics, caste groups, and bureaucracy and hence many Indian HRM managers operate within the logic of power myopia creating a culture of inequality, apathy and a strong hierarchy which present challenges for both employers and employees.

Sparrow and Budhwar (1997) have shown the importance of institutional and demographic elements which interact with national cultural factors to explain Indian HRM practices.

Studies by Singh (1990) and Sahay and Walsham (1997) indicate that Indian managerial values in organizations could differ from that of national cultural values. They found that Indian managers tend to underplay power, consider caring to be important and are comfortable dealing with ambiguity while they emphasize the importance of belongingness and loyalty.

According to Singh, (2003) Indian organizations normally direct their HRM efforts towards the development of competencies, culture and effectiveness among employees individually or in groups. He further added that Organizations may use many mechanisms to achieve their HRM goals as without competent and committed employees, an organization can achieve very little even it has excellent technological and other resources at its command. Such an assertion gains better credibility in the context of developing countries like India, that is, typically in early growth stages in terms of economic development which is growing more rapidly than the traditional developed economies of Japan, North America and Europe. This arena also includes most of the South East Asian, and some Latin American countries.

II. RESEARCH METHODOLOGY

The study is based on the secondary data although but Researcher collected the data from Tata Motors with four senior managers of the company at three locations – its headquarters in India, subsidiary office in Gwangju, South Korea and in London, UK. The interviewees included one human resource (HR) managers at the headquarters India while other interviewee as a Asst manager HR team in South Korea and one Asst manager HR from UK subsidiary office . All the data has been collected through telephonic interview as the choice of locations provided a three dimensional perspective of the company's global operations from the stand point of headquarters where strategy is formally formulated and reviewed and subsidiaries in both developed and developing markets where it is intended to be implemented.

The interview consists of structured-semi structured questions to probe various aspects of a company's internationalization strategies, Code of conduct, control and coordination mechanisms and staffing

practices including talent attraction and corporate culture. The results from the analysis of the interview data which form this study are described below.

III. CASE STUDY ON TATA MOTORS

To discuss about the International HRM Strategy of Tata Motors and to reveal the global culture climate and staffing policy researcher conducted a case study of large Indian multinational company, referred here as Tata Motors. Established in 1945, Tata Motors is India's largest automobile company and the leader in commercial vehicles in all segments, and among the top three in passenger vehicles. The company is the world's fourth-largest truck and bus manufacturer. Tata Motors vehicles span a range from 0.5 to 49 in tonnage. Tata Motors has been exporting its products since 1961. Currently, the company's commercial and passenger vehicles are being marketed in several countries in Africa, the Middle East, South East Asia, South Asia, Europe and South America. It has franchisee/ joint venture assembly operations in Bangladesh, Senegal and Ukraine.

Tata Motors was the first company from India's engineering sector to be listed in the New York Stock Exchange, in September 2004. Following a strategic alliance with Fiat in 2005, it has set up an industrial joint venture with Fiat Group Automobiles. In 2006, Tata Motors formed a 51:49 joint venture with the Brazil-based Marcopolo. Through its subsidiaries and associate companies, Tata Motors has operations in the UK (Jaguar Land Rover), South Korea (Tata Daewoo Commercial Vehicle Company), Thailand (Thonburi Automotive Assembly Plant Company of Thailand), Spain (Hispano Carrocera) and South Africa (Tata Motors South Africa). The company's Engineering Research Centre, established in 1966, and has enabled pioneering technologies and products. It has R&D centers in Pune, Jamshedpur, Lucknow and Dharwad in India, and in South Korea, Spain, and the UK.

Tata Motors is also keen to ensure that every key stakeholder in the company, including managers, employees, customers and suppliers, get the same "One Experience" (organizational culture), as codified in the manual, throughout its global operations. Its corporate leadership center is geared to groom present and future leaders in the organization's corporate values. The company's mission is to spread the organizational culture to every unit. Senior managers from all over the world are given week long induction training program to gain a focused leadership spearheaded by the top management team.

Culture Climate in Tata Motors

In this globalised world cultural diversity is a key advantage in any organization. To do business in a country, one needs to have a deep understanding of that society; since this is difficult to develop as

outsider international businesses need people from different countries. But more importantly, diverse groups of people make better decisions and are more innovative than homogenous ones, so increasingly competitive businesses will have to strive to become more diverse by gender, education, ethnicity and nationality.

Study reveals that Tata group has always been diverse, tolerant and open. Though founded by Parsis, from its early days the group has employed people of all backgrounds based on talent not caste, religion or regional background. This has been an advantage over other business houses that have been dominated by family members or people from close-knit communities. Study further point out that Tata group has internationalized rapidly, and this open architecture, partly based on an Indian heritage and partly on own Tata tradition which is proving all the more valuable. Our Study found that 60 per cent of Tata revenue came from outside India and about 30 per cent of Tata employees, more than 100,000 people, now work for the group outside India, and the vast majority of them are not Indian nationals. It's a massive shift in Tata Motors just five years ago when there was hardly a foreign employee in the company. Research study examine that Tata Motors is developing new products drawing on teams not only from India but globally.

Global Staffing & HR Systems of Tata Motors

Researcher further point out that most of the Indian companies has operated in international markets, particularly in the developed countries. In terms of strategic and operational policy making, they have remained largely local –that is as an Indian company (as reflected in the composition of their top management pool and managerial staffing). Further Study shows that Tata Motors is no exception to this trend and being a global company Tata motors still remained local.

Research shows that Human resource team of Tata motors believe that with over several employees spread over subsidiaries countries; the company has reached a critical mass to scale the next level in becoming a truly global company. The desire of Tata to localize its workforce is reinforced by the statement from Tata Motor's Assistant manager HR in South Korea that "Tata wants to be a Korean company in South Korea but provide the same global experience to clients, no matter where the operations are carried out". He further added that as a policy, Tata Motors strives to staff locally at least 50% of employees should recruit locally for all the positions but in the non English speaking countries like South Korea where nearly 75% of Tata's workforce is staffed locally while in UK it is nearly 50%. But the senior management positions, from country head to project managers, at both these subsidiaries are still staffed by expatriates from its Indian headquarters. From the research it was recognized that

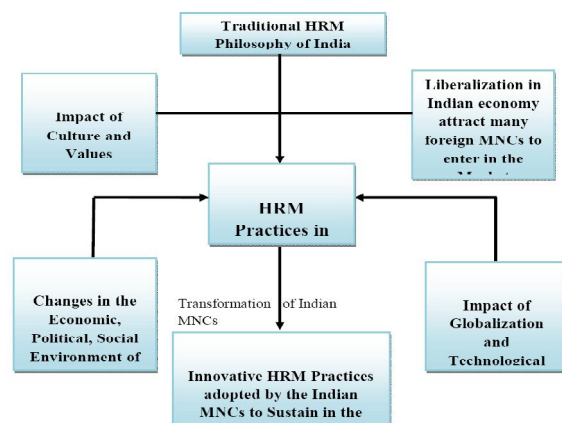
the recruitment and selection process, career management and performance management were mostly similar across the global operations with the flexibility to accommodate local laws and HR trends. Researcher investigates the fact that Tata motors being an Indian company, policies and procedures were very strongly suited to the Indian environment. Now the company has more adapted to European but not fully suited to the European environment as a European company". This sentiment was echoed by the Global Head of HR in UK division who agreed that subsidiaries in developed markets needed more flexibility in determining the remuneration structure of managerial staff to attract and retain talent.

The major challenge identified by the interviewees was brand value or recognition of the company across the world, which was one of the major concerns. While the company was pleased with its employer brand in South Korea where Indian companies are held in high esteem for their quality standards and off shoring business process efficiency. The manager in European subsidiary of Tata motors believed that the global image of the company needed to be strengthened as a high quality services provider. This highlights the constraints that the MNCs from developing economies face of the 'liability of foreignness' and 'liability of country of origin'

Liberalization in the Economy and its Impact on Indian MNCs

Impact of Globalization on the HRM practices of Indian Organizations explained by the researcher through illustration.

Chart 1.1: Impact of Globalization on the Indian MNCs



Liberalization opened many opportunities for growth because of the removal of artificial barriers on pricing and output decisions, investment, mergers and acquisition, technology and imports of foreign capital etc. After the liberalization in the economy Indian firms are trying to becoming a global hub for outsourcing. They are spreading their wings globally through mergers and acquisitions. The influence of globalization on technological advancements,

business management, communication and infrastructures is leading to a converging effect on managerial mindsets and business behaviors.

All this had direct implications for HRM in India and created a pressure to bring large scale structural change in their organizations. Many Indian companies adopt and implement innovative changes in their HR practices. Increasing demand for skilled performers forced the companies to shift focus on attracting and retaining high performing employees in a competitive market plan. There has been a huge change in the area of Indian technical services and the associated HRM practices of recruitment and retention over the past decade.

Companies have realized that in today's competitive business the quality of people you employ can make all the difference. Globalization deregulations have, in recent times created the need for faster and more competitive organizations. Employee behavior and performance is often seen as the best to push competitors to a corner and market share. HR practices build competitiveness because they create change. Due to this change the human resource has become a key player in strategic planning and it has come a long way from traditional HR operations.

This changing business environment has changed the conventional HRM practices into the innovative HRM practices. Seniority based promotions is replaced by the performance based and employees are the part of the strategic formulation process and job is more secured than before. Strategies for attracting and retaining the potential employees through their career growth and providing stress free environment are priority for the organizations. Indian MNCs making their HRM system liberal and open to attract the multicultural workforce to blend with them.

CONCLUSION

Further it can conclude that tradition and culture has the deep rooted impact on the HRM philosophies of any company which governs the behavior of the organization. Study reveals that in this competitive and dynamic business environment MNCs are already putting more attention on the HRM functions and practices. We can clearly see through the practices of selected company that MNCs are not only attracting the best candidates but are putting their all effort in retaining them. Study further point out that organization is aware about the fact that HRM function is responsible for maximizing productivity, quality of work life and profits through better management of people.

From the study it is observed that Tata motors is becoming multicultural organization by diffusing its boundaries geographically, and drawing the competitive edge from the spread of business and that creates the intermingling of people from all over the world. New technologies now permit these teams

located disparately to weld themselves into a single organization and a coordinated business model. Study reveals that one of the advantages of Tata is their diversity. They have top managers from UK, Singapore, and North America. It has an advantage for the company but if managed properly otherwise it can be a disadvantage. Study further indicate that Tata Motors have to ensure that the team is aligned to the rapidly changing environment and managers need to appreciate the different styles of management that come in a multicultural organization and adjust to this.

Researcher further recommend that to help new employees in parent or host countries, managers should explain about the Tata's culture, policies and procedure to build confidence in them for future success. In addition to that MNCs should implemented a cross culture mentoring programs for the expats. This mentoring program helps in convey corporate culture, improve performance and making them aware about new cultures.

It can be concluded from the case study that Tata motors operating in the right geographies, which is gaining the high growth in the market economically (Korea, UK, Spain). In addition being an Indian company, Tata motors uniquely placed to serve the Indian market and have found it easy to earn the trust of other counterparts.

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