

National Human Resource Development and Firm Performance: Lessons from Emerging Indian Multinationals

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Abstract. Underscoring the need for inter-connectedness between the organisational and national level human resource development (HRD) issues, challenges and opportunities, the horizons of HRD are being extended from a holistic perspective. In recent times, Indian firms in general have made big strides in increasing their global competitiveness, both at home and abroad. The availability and management of talent is seen to be one of their key competitive advantages. By focusing on strategic HRD initiatives, challenges and future scenarios at the organisational level, this paper sheds light on what needs to be done at the national level to develop human resources in India.

Keywords. National Human Resource Development, India, Indian multinationals.

Introduction

In the twenty-first-century knowledge economy, intellectual capital is increasingly seen as a key, sustainable competitive advantage both at the national and firm levels (Thite 2004). Globally, economic policy makers and enterprises are keen to invest in the development of their human resources in order to boost employment and economic growth. In the context of developing and transitioning countries, national human resource development (NHRD), particularly based on indigenous models rather than the ones imposed by the developed world, is of critical national importance (Paprock 2006).

HRD has been traditionally seen in the context of individual, team and organisational levels and has dealt with issues such as organisation development, training and development and career development (McLagan and Suhadolink 1989) and this emphasis on organisational interests often does not necessarily fit with HRD initiatives for societal and community development at national levels (Kim 2012a); however, the traditional emphasis on organisational development can be useful to draw implications for societal development (Kim 2012b).

The concept of NHRD is heavily influenced by the political, economic and socio-cultural and educational environments in each country, making it a socially constructed and context-specific phenomenon (Lynham and Cunningham 2006). India is seen as practising a 'transitional model' of NHRD, characterised by tripartite approach

(government, trade unions and private sector) to HRD policy and strategy, as opposed to the centralised model (e.g., China) and decentralized model (e.g., USA) (Cho and McLean 2004). In contemporary India, the influence of the government and trade unions in developing a proactive HRD agenda is on the wane.

With no political party having a decisive mandate in the last few decades, the current political system is highly fragmented with too many regional parties competing with each other for power and influence; as a result, the federal government and many other state governments (with the singular exception of Gujarat) is experiencing policy paralysis on all fronts, including HRD (Ganguly, Diamond and Plattner 2009). Similarly, the influence of trade unions (most of which are affiliated to major political parties) has also been severely restricted to government-owned enterprises and manufacturing industry (Sinha, Sinha and Shekhar 2006). For example, the trade unions are almost absent in the rising services sector.

Under the circumstances, the mantle of shaping the NHRD agenda in India has largely fallen on to the private sector. Accordingly, this paper looks at the emerging HRD scenario in India, purely from the perspective of the heads of HRD in four private sector enterprises, across a range of industry segments in order to explore the state of HRD in the country and its implications at the national level.

NHRD in India

For nearly 40 years, since its independence in 1947 until the beginning of the 1990s, India largely remained a highly state controlled economy, as it followed socialistic democratic policies where the state adopted the primary role of nation building. The failure of this policy was evident in its infamous Hindu rate of economic growth which barely matched the population growth. While the public sector languished in chronic inefficiency, the private sector was crushed under the burden of state regulations that dictated where, when and how they operated, effectively leaving them no room to grow and flourish, either domestically or internationally.

However, with the economic liberalisation since 1991, the Indian private sector has been thriving as evidenced in India's economic growth in the last two decades, including inward and outward foreign direct investment (FDI) flows (Thite and Dasgupta 2011).

In line with economic trends, the human resource function in India has evolved rapidly since the 1920s with its focus shifting from labour welfare to industrial relations, and personnel administration to strategic HRM (Budhwar and Varma 2010). It is influenced by several structural variables at the macro and micro levels such as ownership type, industry sectors, legislative framework, competitive forces, trade union membership, top management orientation to people management and the level of HR professionalism (Budhwar 2000; Rao and Varghese 2009).

One can see a combination of indigenous and global approaches to HRM in India both by domestic and foreign firms (Chatterjee and Pearson 2001). Strategic HRM practices in

recruitment, compensation, performance and career management show a positive impact on firm performance and employee perceptions in the Indian context, particularly in the services sector (Nigam, Nongmaithem, Sharma and Tripathi 2011; Som 2008; Stumpf, Doh and Tymon 2010).

HRD in Indian MNCs

In light of the above, it would be worth exploring the evolution of the HR function in Indian multinational corporations (MNCs), their role in the internationalisation process, particularly in developing and managing their growing global workforce, and their outlook towards the future as infant multinationals coming from an emerging economy. The author conducted in-depth interviews with the HR Heads of four leading Indian MNEs in different industry segments during 2008 and 2009. Based on convenience sampling, the following four Indian MNEs were chosen.

- **Tata Motors:** As part of Tata Group, this 66-year-old company is India's largest automobile company with revenues of US\$27 billion and an employee base of over 25,000.
- **Infosys:** Established in 1981, Infosys is known as a global leader in IT services with revenues of US\$6.35 billion and a global workforce of over 133,000.
- **Biocon:** Ranked among the top 20 global biotechnology companies, Biocon is focused on biopharmaceuticals, custom research and clinical research. Established in 1978, Biocon now has over 6000 employees, with over 50% having a Master's degree or higher.
- **ITC:** Incorporated as the Imperial Tobacco Company of India Limited in 1910, ITC now employs over 24,000 people throughout India, generating a turnover of \$7 billion. Its current business operations include hotels, IT, processed foods, tobacco, personal care, clothing, stationery, paperboards and packaging.

These firms have not only done well in the increasingly competitive domestic market but have also internationalised very rapidly, particularly in the last 10 years, as evidenced by the fact that a significant proportion of their revenues are derived from overseas operations reflecting the scale of their ambition, their growing reputation, and impact as emerging global players in their own right. The richness of their diversity in age, size, ownership structure, corporate and HR strategies and the range of industry sectors they operate in gives us a reasonable, if not comprehensive, picture of the state of HRD in India enabling us to draw meaningful inferences on NHRD.

The interviews of the HR Heads of the above four Indian MNEs covered the following three main themes.

- **Evolution of HRD:** The HR heads were asked how the HR function in their firms has evolved to its current stage as they leverage on their human resources capability to consolidate their leadership in the domestic market which is being increasingly exposed to global competition.

- **Managing global workforce:** One of the key de-risking strategies of successful private Indian enterprises to overcome domestic hurdles, such as agonisingly slow economic reforms, infrastructural bottlenecks and corruption, is to grow internationally. Therefore, the HR heads were asked whether and how they are able to develop and manage their global workforce, the corporate role of HR in the overall internationalisation process and HR approach to managing the global workforce.
- **Future outlook and challenges:** The HR heads were asked to assess the strengths, weaknesses, opportunities and threats posed by both the external and internal environments to the HRD function in these firms.

A summary of the key messages from the interview data under the three themes and their implications for NHRD in India are given in the following table.

Summary of Interview Data and Implications for NHRD

Tata Motors	Infosys	Biocon	ITC	Implications for NHRD
Evolution of HRD				
<ul style="list-style-type: none"> - From industrial relations focus to strategic HR focus - Corporate HR's role in embedding HR processes - Getting closer to customer 	<ul style="list-style-type: none"> - People-centric business model - HR's strategic business partnership - Boundary-less HR with social conscience 	<ul style="list-style-type: none"> - Growing recognition of formal HR systems - Move towards performance-centric culture 	<ul style="list-style-type: none"> - Decentralised organisational structure - Emphasis on organisational culture and stakeholders - Alignment with organisational vision 	<ul style="list-style-type: none"> - From administrative focus to strategic focus - Focus on holistic HRD systems, policies and processes - Align HRD to national culture and vision - Multiple stakeholder HRD approach
Managing Global Workforce				
<ul style="list-style-type: none"> - Creating international mindset in soft skills and business skills 	<ul style="list-style-type: none"> - Driving corporate values and culture - Focus on people development - Global staffing strategy - Balancing corporate culture and local independence 	<ul style="list-style-type: none"> - Incremental and conservative approach to internationalisation - Focus on long-term employees - Partnership approach with overseas subsidiaries 	<ul style="list-style-type: none"> - Global HR strategy - Preference for home grown leadership - Local leadership in overseas operations 	<ul style="list-style-type: none"> - Global economy demands global outlook, mindset and standards - Define, articulate and institutionalise core values - NHRD strategy to be globally oriented but locally tailored

Future Outlook and Challenges				
- Strengthening HR's business partnership	- Embracing social responsibility	- Meeting challenge of scale	- Balancing local autonomy and corporate control	- Leadership development and diversity management crucial
- Developing global mindset and competitiveness in diverse settings	- Extending diversity in leadership & workforce	- Leadership development and succession	- To develop global mindset and capability	- Address core national needs of skill, scale and scope to be internationally competitive
	- Flexible work practices	- International exposure	- Speed and agility in execution	
	- Global employer brand			

Source: Adapted from Thite (in press)

The first major implication of the state of HRD in the case study companies is the strategic nature, importance and dimensions of the HRD function at the national level. India is home to one of the largest and youngest workforces in the world with nearly 50% of its billion plus population under the age of 25 years. To reap this demographic dividend, Rao and Varghese (2009: 15) assert that “the future of human capital formation will be bright at the national level if the government makes more intense efforts to build human capital and becomes more innovative and expansive”. The case study companies show the way on how to achieve this.

Singh (2003) found a significant positive relationship between strategic HR orientation (that is alignment of HR strategy, system and practices with business strategy) and firm performance in India. Similarly, at the national level, the Ministry of HRD needs to strategise, develop and implement appropriate HRD policies to develop the Indian workforce with the right skills and competencies that adequately cater to the present and future needs of the Indian economy and indeed of the world. In doing so, it needs to tackle the structural human capital challenges in terms of low literacy levels, excessive dependence on agriculture, social and economic inequity (Rao and Varghese 2009).

The government cannot do this alone. For NHRD to become more meaningful and purposeful, India needs to develop broader and deeper cooperative partnerships and networks between various key stakeholders, such as private enterprises, industry associations and non-government organisations (Rao 2004). For example, National Skill Development Corporation (NSDC), India's first private-public partnership institution is a unique initiative that is addressing the urgent need of skilling the country's 500-million strong workforce by 2022 by creating an ecosystem that is scalable and sustainable (Alagaraja 2012).

Similarly, the National Association of Software and Services Companies (NASSCOM 2012), the trade body of the Indian information technology (IT) industry in India, has set up Sector Skills Councils (SSCs) which are national partnership organisations that bring

together all the stakeholders – industry, labour, and the academia, for the common purpose of workforce development of particular industry sectors.

The second implication of the interview data for NHRD in India is the need to adopt global outlook and orientation. With accelerating globalisation, India needs to identify, develop and harness an appropriate set of national competitive advantages. Again, the Indian multinational enterprises, including the ones covered in this study, show the way. The ageing population in the Western world, the global shortage of technical and scientific personnel and the growing Indian diaspora are the right ingredients to export Indian intellectual capital to service global needs, as has been successfully demonstrated by the Indian IT industry.

The newly formed Performance Management Division (PMD), Cabinet Secretariat of the federal government of India that aims to set up a comprehensive knowledge portal for performance improvement, particularly in government agencies could take the responsibility to promote HRD agenda and help Indian organisations, including government bodies, to adopt global best practices in HRD with the active participation and guidance from reputed Indian multinational firms, such as the ones discussed in this paper.

The third implication is that going forward, NHRD in India, needs to successfully manage the challenges of national skill development, managing scale, policy flexibility in managing the labour market according to business conditions and needs and creating an environment where opportunities are available to everybody and not just the privileged few. Here, the case study companies show that global mindset and orientation, leadership development, diversity management, international exposure and equitable enabling environment are some of the key focus areas for NHRD. The top leaders in these leading firms built their organisations with intellectual capital as the central driving force. For example, as far as back in 2005, the intellectual capital of Infosys, Tata Motors and ITC was estimated to be 98%, 75% and 91%, respectively with further consolidation in recent years (Rao, 2011).

In the context of India, while observing that “the complexity of the country perhaps makes it difficult to have integrated HRD systems at the national level”, Rao (2004: 288) rightly suggests that “networking and learning from each other ... from the corporate sector will, however, go a long way in effectively evolving and implementing NHRD policies”.

HRD is still in its ‘early stages of broadening its horizons as a discipline’ (Kim 2012a: 246) in its scope and purpose, particularly in terms of social responsibility and sustainability that go beyond the organisational boundaries. A ‘holistic perspective’ of HRD demands inter-connectedness between the ‘global and local, economic and social, individual and community’ (Lee 2007: 97). This paper throws some much needed light on how this can be achieved.

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