Introduction

Information Technology (IT) services companies, as the name suggests, provide IT services such as software development, software maintenance and support, product development, and other related services to domestic and overseas clients. 70% of all the IT companies in India are in the Small and Medium Enterprises (SME) sector. For the purpose of this study an IT services company in small scale sector would be typically 40 to 200 people strong with turnover ranging from Rupees 1 crore to Rupees 20 crore. The IT Industry eco-system in India comprises of large scale tier 1 and tier 2 companies, a number of medium size companies and a plethora of small scale companies and startups. The industry has played a key role in transforming India’s image from a government controlled economy to a global player in providing world class technology solutions and business services.

People are the most important asset of any service based organisation. People Management, therefore, attains special importance in services companies. The IT industry typically suffers from high attrition rates across the segments. The attrition rates are more pronounced in small scale IT service companies. High attrition adversely impacts the continuity of project staffing and project deliveries, consistency of quality and productivity. Uncertain and unpredictable schedules and quality of delivery makes customers wary of doing business with these companies.

Large organisations have adopted Human Resource Management (HRM) to improve their competitive position both nationally and internationally. Over the past two decades, Strategic HRM (SHRM) has gained importance as a mechanism to provide sustainable competitive advantage to organisations. SHRM is the overall direction the organisation wishes to pursue in achieving its objectives through people. Many industries have successfully linked human resource function and strategic management processes to provide competitive advantage and quality of work life (Lansbury 2003; Cascio 2006).

Following the liberalization of India’s economy in the early 1990s, the Indian personnel function came under tremendous pressure to develop HR. A number of changes observable in this regard include creation of a Human Resource Development (HRD) ministry at the central government level, the creation of new HRD/HRM departments the organizations and the development of a number of training and development programmes (Budhwar 2000; Rao et al. 1994). There has been a marked shift towards valuing HR in Indian organizations as they become increasingly strategy driven (Chatterjee 2007).

Globalisation is breaking the national boundaries and firms are operating across countries with varied cultures and historical or economic backgrounds. McCaughey and De Cieri (1999) argue that while organizations are becoming more similar at the macro level with respect to the socio-economic aspects of an organization, they continue to maintain dissimilarities at the micro level due to cultural differences which impact upon the outcomes of HRM practices. Empirical
evidence shows that SHRM practices and their impacts on organizational performance vary between countries and organisations, even Organization for Economic Co-operation Development (OECD) nations like United States, United Kingdom and Canada (Betcherman et al. 1994; Dyre and Kochan 1995; Guest 1997; Lengnick-Hall and Lengnick-Hall 1988).

Whereas studies, emergence and implementation of SHRM are quite prevalent in the global scenario, there is very little evidence available for the same in the Indian context. It is, therefore, imperative that the implementation of SHRM practices be studied in the Indian context especially in the IT services sector. A customisable set of SHRM practices for small IT companies should be equally beneficial in the context of small scale Indian firms.