

## Abstract

**Introduction:** Rapid growth poses unprecedented challenges to HR practices in organizations, which are primarily driven by constant pressure to reduce costs, higher expectations of customers, the constant drive to meet global competitive challenges and opportunities offered by advancements in information technology. Some of the typical HR challenges faced by rapid growth organizations are the need for rapid decisions, rapidly expanding job demands that impact the structure and culture of the organization, and the large recruiting and training demands. The intensity of these challenges increases when the rapid growth happens in the number of employees, and in organizations that are already large. In this dissertation, the focus is on understanding the changes experienced by HR practices in large organizations that have grown rapidly in terms of employee strength.

**Research Gap:** Research on human resource management in rapid growth organizations is sparse, and existing studies, tend to focus on prescriptive solutions to cope with rapid growth rather than on an empirical understanding of what actually happens when firms grow rapidly in terms of employee strength. Further, the existing literature has focussed on small or entrepreneurial organizations that have grown rapidly. There is very little understanding on how large organizations manage rapid growth. There is a paucity of research on understanding HR practices in large rapid growth organizations. This dissertation intends to fill this research gap by understanding ‘why’ and ‘how’ HR practices change or evolve as large organizations grow rapidly, with growth being measured in terms of employee strength.

**Context:** The major software services organizations in India offered a relevant context for the study. The Indian software services industry has experienced rapid employee growth at a CAGR of approximately 30% over the last decade. The top ten players in the industry since 1996 are all large organizations with rapid growth. When rapid growth is measured in terms of number of employees, we note that there are large organizations in the software services industry that have grown from 4000 to 60000 employees in ten years’ time. This kind of growth in employee numbers is a very uncommon phenomenon. Anecdotal evidence suggests that these organizations have taken various initiatives in the HR space to cope with the challenges of this unprecedented growth. The success of the industry and the anecdotal evidence suggest that HR must have played a significant role in helping these organizations grow so rapidly. Hence, the software services industry becomes a relevant context for this study. In this study, the focus was on understanding the effect of rapid growth on the following HR practices – recruitment, selection, training, performance appraisal and compensation and benefits.

**Research Methodology:** A qualitative research method was used to perform this study in three organizations. An HR practice was the unit of analysis. Three hundred pages of interview data were collected through in-depth interviews with nineteen key HR personnel who were responsible for initiating and implementing various initiatives in three organizations, and who have also been a part of this industry and have witnessed the changes in HR practices through the rapid growth phases. The findings are drawn from the HR manager's perspective. The focus of the study was on understanding the nature of changes in HR practices and not on HR outcomes.

**Research Findings:** HR practices are defined as a set of discrete activities of an organization in managing its human resources from recruitment to exit of employees. Recruitment, selection, training, performance appraisal and compensation and benefits were the five HR practices studied in this dissertation. Three distinct phases of growth emerged naturally, across which the HR practices experienced changes.

In recruitment practices it was observed that as large software organizations experienced rapid growth as a result of the rapidly growing industry, they also experienced increased attrition due to the labour shortage in the market, which led them to alter their target applicant pool. This was accomplished by lowering the educational qualifications required for the job and using multiple recruitment sources to attract talent. As the competition in the market increased because of a rapidly growing industry context, organizations altered their start timing of campus level recruitment so that they could hire the best talent from the campuses earlier. Technology played a very crucial role in helping organizations manage and consolidate their routine recruiting activities.

In Selection, it was observed that though technological mediation in conducting employment tests was desirable, the lag in between the organization's infrastructure and the external infrastructure was too high, preventing large scale use of technology. The data also indicated that external factors like competitors' selection methods and labour market conditions influence the decision on using any particular selection method. Employment interviews experienced changes in the interview panel selection process. It was observed that as organizations experienced rapid growth, they moved away from the existing best practices like selection using psychometric tests, systematic training programs, and entrusting the line manager with the responsibility for recruitment and selection, to more ad hoc practices like selecting people based on availability, and training only if needed or just providing information on interviewing skills. It was also interesting to note that the reference checks process, which was inherently a descriptive people intensive process, was seldom used as organizations grew rapidly. Instead, with the changing business context and the customers' need for

security, an inherently investigative background check process, which was not a part of the HR policy earlier, was increasingly adopted during rapid growth.

It was found that over the three phases of rapid growth, the training needs of the organizations moved from focussing on task delivery to concentrating on overall organizational needs, and then focussing on aligning individual goals with organizational goals. In the training content, skills training primarily focussed on building technical expertise in the first phase, and shifted to building domain and cross-technology expertise in the second phase as organizations ventured into offering project based services to their clients. In the last phase, when organizations expanded their service offerings, skills training focussed on building business relevant skills like consulting skills. The behavioural training focus shifted from basic soft skills training to competency based training to leadership skills training. Cross cultural training meant etiquette training in the first phase. But as organizations expanded their geographical presence and started hiring globally, cultural sensitivity training, and training for creating global cultures in the organizations took priority in the second and the third phase. Instructional methods in training, including partnership as a training method, underwent changes. Classroom based trainings were prominently used in the first phase, and then were selectively used for behavioural interventions in the second phase. In the last phase, e-learning methods were dominant in organizations. The purpose of partnership trainings experienced a shift from partnering for providing a degree, to partnering for developing competencies and skills, to partnering for leadership development. The structure of the training department became more decentralized over the period of rapid growth, and split into two sub-functions to provide leadership training.

The performance appraisal process saw a significant shift from using yearly appraisals to project end appraisals. As the interdependencies within jobs increased, over a period of time organizations resorted to using multiple feedback channels and continuous feedback process. In order to manage the increasing scale and the complexities involved with the changing structures, organizations resorted to moving the appraisal process completely online from the traditional manual process.

In the compensation and benefits area, there were three areas where there was a shift. An increasing proportion of variable pay in the salary was a noticeable trend, followed by organizations moving from the traditional grade structure of salary administration to banding structure in various forms. Employee benefits moved away from life-style based benefits to cash benefits and benefits that focused on work-life balance of the employees. Stock options, once a lucrative benefit to attract people to organizations, is now used only with a selected few employees, given the volatility in the markets.

These findings are articulated in the form of generalizable propositions on HR practices in large rapid employee growth organizations. A model for HR practices in large employee-base rapid growth organizations is proposed at the end.

**Implications to theory:** This dissertation has contributed to the body of knowledge on HR practices in large organizations that experience rapid employee growth. This dissertation also helps in furthering our understanding on the role of contextual factors in HR practices. At an individual practice level, this dissertation has been able to inform the literature about the specific changes that may happen at a practice level, when any large organization experiences rapid employee growth.