

Economic Time-Based HRM: A Study of Indian Organisations

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Abstract: Indian HR is currently at the crossroads, facing the twin problems arising from globalisation, on the external front, and huge socio-economic problems, on the internal front. Businesses operate in a dynamic environment and race with time, while others are relatively less affected by events. Jeffrey Williams postulated that each organisation runs on different rates of competitive speed. This is termed Economic Time or Economic Speed and goes deep into the organisation's growth engine. Williams postulated that organisations fall into three speed zone categories viz. slow, standard, and fast.

This study focuses on the impact of economic time on HR policies chosen by organisations in the three economic time zones. A panel of experts from the speed groups facilitated the development of the questionnaire which was administered to the top management of the three groups.

The study showed that the different HR strategies and decision-making in Indian organisations varied with the shift in the economic time zone of the industry studied. Consequently, HR decision making clearly fell into three clear segments.

The results are of significance for business schools, researchers, entrepreneurs and corporate planners and its relevance is expected to increase many fold as the concept gains momentum in India.

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Introduction

Industrialisation in India is heading towards a climax today. The large and growing market, developing infrastructure, flexible regulatory environment, incentives, stable polity, and strong economic outlook make India an attractive investment destination. Over the last decade, major developments have powered their way into the arena of management including computers, information systems, powerful quantitative decision making techniques and behavioural sciences, challenging established management practices, which Prahalad and Hamel (1996) termed as 'corporate anorexia.'

Indian businesses, while making an attempt to assimilate these revolutionary ideas are faced with two additional pressures. On the external front, liberalisation and globalisation have forced businesses to rethink strategies comprehensively. Internally, Indian management has to contend with huge socio-economic problems such as pollution, mass transportation, urbanisation, inflation, and unemployment coupled with the realities of the political system.

It is this current scenario that has led to this study to be undertaken to postulate certain strategic directions for business in the new economy. Businesses behave very differently from what education, experience, and even intuition have taught people. Yet one also finds that there are older businesses that have changed relatively little. While markets have changed and have become unpredictable, and are changing the business landscape, like in computers, electronics etc, there are other markets which have remained more or less untouched by these events. How is this possible? What parameters set these apart?

Genesis of the Study

In our day-to-day dealings quotes such as the following are common.

"My professor taught me purchase management, ABC analysis and EOQs. I am here as a trainee in this tele-electronics company. They just don't care for these - they want immediate supplies, even if it costs more and, they are successful. Is my professor and the theories that I learnt wrong? "

"I served as Finance Manager in a Steel Company very successfully for over 10 years. I joined this telecom organisation just a few months ago. The same job, but I am totally out of tune."

"We had all along made compensation packages attractive with special emphasis on long term growth and a healthy retirement package. We had incorporated several packages and loans to ensure continuity of employment. My new software company, however, asks me to look only at short-term packages."

From the above, it is seen that established HR practices seem to fail and newer concepts have gained ground. Why? Perhaps, it is because 'the world moves quickly and differently'. But then not all businesses in India have changed due to the new environment. The demand for seats in the IITs is on the increase. The healthcare industry seems unaffected by liberalisation, as is the transport sector. Does the world move slower for these industries?

Using Williams' (1992) concept of economic speed, this study tries to find answers to these questions in the Indian context. Williams postulated three types of economic time-based organisations. The first is slow speed organisations. According to Williams, they are shielded from traditional competitive pressures. Slow speed renewal efforts more or less resist competitors' efforts to duplicate them. Product advantage is secured within the company and confined to it. Competitors cannot effectively gain a foothold with the organisation's customers, even when they find the advantages attractive. The advantages are gained through staircase strategies over a period of time and are long standing. The key to sustaining a strongly shielded advantage, devoid of normal competitive pressures, depends upon gaining a resource or capability that is unique. The extreme example of a slow cycle form is a monopoly. Examples of this are the airline, the railway or road transportation sectors in India, until recently. With the first mover advantage remaining longer, slow cycle products tend to need only lower levels of investment to sustain them.

Consequently, despite the general economic perception that markets are generally becoming more competitive, the highly isolated and strong environment of slow cycle organisations is important to understand. Such products enjoy more stability in pricing, have less cost reduction demands, and have more stable profit margins and more durable brand names. Thus, there develops an internal defence mechanism against competition. The prices of slow cycle products and services have remained relatively stagnant over a decade. Examples are hospital room rates, college tuition fees, and construction costs. Meric and Disney are examples of slow speed organisations and prove the points outlined above.

The second is standard speed organisations. They are midway in the economic spectrum. They are typically mass-market organisations, are market share oriented and are process focussed. Standard cycle management styles are a descendant of traditional business thinking. Toyota and McDonalds are typical examples of standard

cycle companies. They excel in duplicating products effectively across locations. Standard cycle organisations are oriented towards serving a larger number of customers in competitive markets. Demand patterns are repetitive and relatively stable. Standard cycle organisations have their management decisions based on scale orchestration. The focus of a standard cycle organisation is on discipline, coordination, and controls. Dominance is achieved by high levels of capital investment and superior cost reduction and productivity measures.

By building a reputation for mass-market consistency, these organisations obtain their competitive edge. Because of the huge ongoing financial and organisational commitments and the complex processes, the standard cycle businesses navigate very carefully. The prices of standard cycle products and services have changed in a staircase fashion over the last decade. Examples include cars, electrical goods, refrigerators, tractors, paper, etc.

Consequently, the inherent factors that facilitate a standard cycle organization is its ability to gain and hold market share, standardize products and processes, market segmentation, brand loyalty, and pricing policies. The focus in the standard cycle segment is on command and control.

Fast cycle organisations provide short-lived advantages. Once commercialized, fast cycle organisations do not require complex support mechanisms. These are high risk organisations thriving on their ability to turn around innovative products and services, ahead of competition. They need to be precise with their strategies, and their timing of their entry and exit. They may need to kill their own products frequently to introduce new and competitive products. There is a clear need to organise entry and exit strategies effectively. Compaq and Sony are typical examples of fast cycle companies. In fast cycle products, the first mover advantage is not sustainable. The first mover advantage is merely temporary.

Fast cycle products thrive on new ideas and sometimes on fads as perceived by the markets. Thus, even a brand name may not be a sustainable competitive advantage in a fast cycle environment. A typical example in the US is the Macintosh Corporation's personal computer, considered as a standard of excellence. Apple Computers, which built this facility, was alert to the fast cycle status and was prepared to tear the line down, sell the metal for scrap and build a better facility. Another case in point was the digital watch of Texas Instruments (TI). In 1976, the price of the watch was \$ 20 and crashed to \$ 3 in a few years. When TI discontinued this watch, the stock price of TI rose. Fast cycle markets are a result of increasing economic and technological diversity. Perpetual innovation is the key to success in a fast speed organisation, which could have normal growth in a year and a crash in the next. Budgets for these products are not built on normal patterns.

Study of Related Literature

The concept of economic time being relatively recent, literature on the subject is relatively scant. The fundamental issues, which formed the basis of this research, were laid out by Rumelt, Schendel and Feece (1994), Hannan and Freeman (1977), and codified by Blackburn (1990), who has concluded that time has emerged as a dominant dimension in global competition.

Earlier, the need for HR to adapt itself had been analysed by Forrester (1961). Bower and Hont (1988) have researched the advantage of high-speed management executives and their new style of leadership. Eisenhardt (1990) has researched how managers can make fast, yet high quality, decisions. Agarwal (2002) has indicated that India is on the threshold of a major HR transformation. The personalized work relationship in Indian organizations has been researched by Sunita Singh and Sengupta (1997). The need to continually audit organizations and tune them to dynamic requirements have been analysed by Narasimhan (1991). The need for a time based HR strategy has been studied by Hamel (2002).

The need for increasing competitive performance through HR development is evident from a study of D'Adveni (1964), which shows how hyper competitive organizations create a series of advantages for themselves. Blackburn states that time has emerged as a dominant dimension in global competition. The need for personnel to reduce response time has been analysed by Montgomery and Porter (1991). According to Williams (1998), while profits offer a competitive advantage, speed as a denominator of economic value renders all other advantages obsolete. Bartlett and Ghoshal (2002) too have studied the need to build competitive advantage through people. Hence, the need for a clear HR strategy based on economic speed arises.

Objective of the Study

The objective of this study is to examine HR policies in Indian organisations in terms of the three major categories based on the three economic speeds postulated by Williams (1998). The study will also examine the impact of economic speed on Indian organisations.

Methodology

Seven questions were formulated for the staff function of organizations by taking into consideration the views of a group of experts on a seven point rating scale (refer Annexure). Each question had 3 sub-groups - 'A' being the postulated response of the

slow cycle group, 'B' being the postulated response of the standard cycle group, and 'C' being the postulated response of the fast cycle group. A pilot study was conducted among 30 executives, and the reliability and validity of the questionnaire was established. The questionnaire was then administered to respondents who were Chief Executives in top management of organisations. The researcher obtained data from 158 respondents, 52 from the slow cycle group, 54 from the medium cycle group, and 52 from the fast cycle group. Considering the senior status of the respondents and the time required to fill out the responses (45 minutes plus), the responses were considered adequate.

Based on the criteria evolved by Williams in his exploratory research, the slow speed segments considered were general and technical education, healthcare, research and publishing, art, government, non-profit sectors, pharmaceuticals, agriculture, construction, mining, general banking and financial services, transport, hotel and food industries. The standard cycle segment included bulk materials (cement, steel, and other building materials), engineering, chemicals, petrochemicals, automobiles, refrigeration, air conditioning, electrical, and white goods industries. The fast cycle segment studied included IT, entertainment, communication, fashion, and allied industries.

Results

The results of the study were tabulated and analysed.

ANOVA (*Analysis-of-Variance*) is a statistical technique to analyze data. The researchers applied this model to demonstrate the difference between speed groups on the staff variables taken in the study. Table 1 depicts the variation of mean scores of the staff variables of the speed groups. The differences on the mean scores between the speed groups were analysed through F-ratios. From the analysis, it is evident that the HR strategies adopted by the slow, standard, and fast cycle time organizations are different from each other. All seven variables group scores differ between speed groups and it is also evident that higher mean scores of groups are matched with their speed groups. So the objective of the study to establish that HR policies fall into the three speed groups stands established. To explore the difference between each pair of speed groups critical ratio tests (t-tests) were conducted. (see Table 2).

TABLE 1: ANOVA of Staff Variables of Slow, Medium, and Fast Groups

Strategy	Slow		Medium		Fast		Anova
Variable	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	F-Value
1. Joining Time							
A	4.808	1.029	3.296	1.487	3.423	1.538	19.56**
B	3.039	1.847	4.833	1.162	2.173	1.465	42.77**
C	1.250	1.203	1.889	1.410	4.962	1.283	121.05**
2. Job Description							
A	4.750	0.764	2.815	1.506	3.442	1.602	28.39**
B	3.154	1.419	4.648	0.994	3.135	1.401	24.42**
C	3.212	1.637	2.982	1.523	4.654	0.988	21.60**
3. Salaries							
A	4.635	1.172	3.000	1.660	3.404	1.636	16.77**
B	3.750	1.556	4.722	0.920	3.635	1.681	9.43**
C	2.250	1.583	2.630	1.663	4.769	1.165	43.43**
4. Organization Success							
A	4.596	0.975	2.926	1.692	3.058	1.514	22.10**
B	4.231	1.395	4.815	1.029	4.000	1.847	4.42**
C	2.404	1.741	1.815	1.506	4.231	1.367	34.99**
5. Employee Goals							
A	4.615	0.932	2.833	1.668	3.135	1.560	23.45**
B	3.712	1.625	4.778	0.839	3.769	1.722	9.19**
C	2.519	1.709	2.685	1.552	4.558	1.056	31.12**
6. Personnel Policy							
A	4.654	0.861	3.630	1.364	3.308	1.744	13.69**
B	2.904	1.537	4.648	1.067	2.577	1.377	36.90**
C	2.077	1.545	1.889	1.284	4.077	1.595	35.27**
7. Recruitment							
A	4.865	0.908	6.482	1.622	3.327	1.700	17.66**
B	2.577	1.576	4.537	1.342	2.981	1.448	26.87**
C	1.635	1.387	1.907	1.431	4.558	1.290	72.44**

** Significant at .01 level

Since all the F-ratios were significant (Table 1), critical ratios were computed and are presented in Table 2. The critical ratio is generally used to establish a difference between two of the mean scores. The results indicate unequivocal support for the difference in three speed groups for the staff variables - salaries, organization success, employee goals, personnel policy, and recruitment. Except for a few, a great degree of difference has been established between the variables, which supports the importance of economic speed to the staff function of an organization. Consequently, the impact of economic speed on the staff function of an organization is established clearly.

TABLE 2: Post Hoc Comparison of Mean Difference among Slow, Medium, and Fast Speed Groups in their Staff Variables

Strategy	CR - Value		
Variables	Slow & Medium	Slow & Fast	Fast & Medium
1A	6.10**	5.39**	0.43
B	5.97**	2.64**	10.34**
C	2.51*	15.22**	11.74**
2A	8.39**	5.31**	2.08*
B	6.25**	0.07	6.39**
C	0.75	5.44**	6.73**
3A	5.87**	4.41**	1.26
B	3.89**	0.36	4.11**
C	1.20	9.24**	7.69**
4A	6.26**	5.76**	0.42
B	2.45*	0.72	2.79**
C	1.86	5.95**	8.66**
5A	6.82**	5.88**	0.96
B	4.22**	0.18	3.81**
C	0.52	7.32**	7.29**
6A	4.64**	4.99**	1.06
B	6.76**	1.14	8.63**
C	0.68	6.49**	7.76**
7A	5.46**	5.76**	0.48
B	6.88**	1.36	5.73**
C	1.00	11.13**	10.02**

** Significant at .01 level

Framework of Relationships

To fit the seven factors in a framework of relationships, a factor analysis of the issues was conducted. Table 3 establishes the reliability and relationship between the HR factors researched in this paper.

TABLE 3: Results of a Factor Analysis of the Issues

Factor No.	Component	Eigen value: 3.80 % of variance: 62.4
1	0.559	
2	0.714	
3	0.726	
4	0.737	
5	0.802	
6	0.745	
7	0.565	

Findings and Implications

Based on the foregoing statistical analysis and a series of personal interviews with experts, it was established that the staff function in organisations exhibits a different decision making pattern in Indian organisations, based on economic time. On recruitment, the slow speed organisations typically look for a permanent association with a new employee. The medium cycle organisations typically look for a 5-10 year association, while the fast cycle organisations typically looks at short-term, task-oriented returns. On joining time, the slow speed organisation typically gives the candidate his required time to join. The standard cycle organisation typically gives three months joining time. However, fast cycle organisations require the candidate to join immediately, even if it means paying off for the stipulated period of notice in the earlier organisation.

Job descriptions in slow speed organisations broadly define the employee's role. In this segment the employee has greater alignment to his profession, than to the organisation. Job descriptions in the medium cycle segment specifically define the role of employees on an ongoing basis, while job descriptions in the fast cycle segment are job-specific. Organisational success in the slow speed segment is attributable to the formal step down organisation with each individual carrying out his or her assigned role. In the medium cycle segment, success is attributed to team work. In the fast cycle segment, success is generally attributable to a few superstars.

The salary and compensation structure of these organizations also provided an interesting contrast. The slow speed organizations relied on the established resumes of the candidates, while standard cycle organizations considered salary structure as relative to competition. The fast cycle segment tended to consider the potential of the incumbent in deciding compensation.

The basis for recruiting employees also varied. The slow cycle segment tended to view the association as a long term bond providing them a broad framework of operation, and giving employees the freedom to pursue excellence.

The standard cycle segment looked at a medium term employment and emphasized institutionalized working within a specified policy framework. The fast cycle segment, however, seemed to look at employment as a task orientation, and is generally flexible with systems and processes, and with short term goals for achievement.

Thus, while the concept of economic aid is generally latent in the HR strategies of the three speed groups, its direct appreciation seems rather limited. This, to a large extent, explains the high turnover of employees in the fast cycle segment in India. Employees who have had successful careers in organizations of other speed groups fail to come to grips with the realities and speed of obsolescence of fast speed organizations.

The broad conclusions of the study provide far-reaching inputs to several sectors. Fundamentally, it establishes that organisational decision making falls into three broad categories based on economic speed, though there was no formal understanding of the concept of Economic Speed among the respondents.

It provides enlightenment to business schools. Management theories, which are predominantly focused on standard speed organisations, may be relatively less relevant in the context of this research. Hence, the human resources management curriculum needs to focus on this dynamic aspect of industry. It is necessary to prepare budding managers for the specific trends of slow and fast cycle organisations. For example, several fast cycle organisations do not go in for manufacturing and outsource the facility, giving them the flexibility to switch technologies at short notice. This goes against the concept in certain standard cycle organisations where size and investments are considered as core strengths and a barrier against competition.

For students and researchers, this difference could mean a clearer conceptualization of their career plans, aligning the speed requirements of various organisations with their skill and potential. The failure of several industry - university interactive projects could be attributed to the lack of understanding of the differences in economic speed zones of industries.

In business, the concept of economic time could form the basis of their investment, corporate plans, diversification and growth strategies, and to plan their work force, careers and training programmes. The lack of understanding of this concept could be one of the reasons for failure of newer projects and corporate plans in a competitive environment.

It is imperative for entrepreneurs to sharpen their understanding of the advantages of their speed zone as their intrinsic strength. Indian entrepreneurs could also look towards recruiting within their economic speed zone, to ensure that new employees have a measure of familiarity or familiarise the new employee to the realities of a shift in speed zone. It is expected that the concept of speed would, in due course, find a place in the Indian entrepreneur's core competence and even in their vision statements.

Thus, the concept of economic time and its relationship to human resources management developed in this study, would have far reaching implications to students, researchers, entrepreneurs and businesses, and its relevance is expected to increase manifold when the concept gains momentum in India. Future studies could microscope on responses by private and public sectors separately and by multinationals. Studies to develop speed as a core-competence would be in order. The approach of multi-speed organisations too could be studied separately. A study on the differences in speed profiles between the developed, developing, and third world countries could greatly help multinationals to plan cross-country HR strategies.

Conclusion

To conclude, this study has established that economic time greatly influences the HR function in Indian organisations, and the conclusions provide meaningful inputs to entrepreneurs, industries, and business schools. Perhaps, a closer appreciation of the concept of economic speed could provide Indian industry with an additional perspective in its bid to discover, sustain, and grow human resource talent, in an increasingly competitive environment.

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Questionnaire for Staff

- 1 Joining time allowed by the organisation**
 - A Within limits, give the candidate his required time
 - B A maximum of 3 months
 - C To join immediately, even if it means paying off candidate's notice period by our organisation
- 2 Our job descriptions**
 - A Broadly define an employee's role on an ongoing basis
 - B Specifically define the role on an ongoing basis
 - C Are job specific
- 3 Salaries are determined commensurate with**
 - A The qualification/achievements of the employee
 - B Prevailing norms
 - C What the management perceives as the potential of the employee
- 4 Our organisation's success can be said to be attributable to**
 - A To our formal step down organisation each carrying out the assigned role
 - B Our team work
 - C A few superstar individuals
- 5 Our employees**
 - A Are free to follow their goal of excellence in their field
 - B Share a common goal in the organisation
 - C Have a specified goal each time
- 6 Our personnel policy encompasses**
 - A Broad policy for employees
 - B Specific policy for every perceivable issue
 - C Decisions are adhoc based on individuals
- 7 Recruitment is made to obtain**
 - A Permanent association with the employee
 - B A 5-10 year career focus
 - C Short-term task oriented returns