

Report

Human Resource Management: Service Sector vs Manufacturing Sector

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Abstract: India is on the threshold of major reforms and is poised to become the third largest economy of the world by 2030. India is a large country and has vast potential to become a strong and modern nation with its huge natural resources and sizeable population. Since independence, the nation is able to create facilities for manufacturing products and services. For the development of the nation several sectors need to be developed. For achieving the growth in services and manufacturing sector, one factor which can help a lot is *Human Resource management* and their continuous development. The service sector forms a *backbone* of social and economic development of a country. It has emerged as the *largest and fastest-growing* sectors in the world economy, making higher contributions to the global output and employment. Its growth rate has been higher than that of agriculture and manufacturing sectors. Where the manufacturing sector has emerged as one of the high growth sectors in India. A closer look at the trends in development in these sectors is managing people in ever changing manufacturing and services sectors. The success of an organization largely depends on its Human Resource. Human Resource Management plays a vital role in achieving the organizational objectives. Quality human resources have become an important base with which to respond to the emerging environment in services and manufacturing sector. The knowledge workforce in particular has a vital role to play in the emergence of this sector. The present paper is an humble attempt to look into the need and how the human resource is management in service and manufacturing sector.

Keywords: Service Sector, Manufacturing Sector, Human Resources, Human Resource Development Practices, Challenges, Trends

1. Introduction

“Resources Are Hired To Give Results, Not Reasons.”

-Amit Kalantri

Human resource management is an organizational function that deals with the people and issues related to people such as compensation, hiring, performance management, and training. Hence human resource management is vital to the organization. Efficient management of the finances and markets depend upon human resources. Hence there is the need for effective management of human resources irrespective of the size and nature of the organization.

Human resource management aims at obtaining capable people for achieving the objectives of the organization and for ensuring effective utilization of their services. As the success

of any organization largely depends on the quality of its human resources and the extent to which they are motivated, human resource management acquires special significance in an organization. [1]

Human resource policy, practices and procedures constitute human resource management. Goal directed policy, well accepted practices and well designed procedures contribute to the successful execution of the vital and critical human resource function. Of them human resource practices play a significant role in shaping, influencing and enhancing the morale, motivation, capability, commitment and ultimately performance of the employees. [2]

In short human resource management relates to the total set of knowledge, skills and attitudes that firms need to compete. It involves concern for and action taken in the management of people. It deals with issues like recruitment and selection,

training and development, wage and salary administration, performance appraisal etc. Such actions may be bound together by the creation of an HRM philosophy.

In simple terms, an organization's human resource management strategy should maximize return on investment in the organization's human capital and minimize financial risk.

Human Resources seeks to achieve this by aligning the supply of skilled and qualified individuals and the capabilities of the current workforce, with the organization's ongoing and future business plans and requirements to maximize return on investment and secure future survival and success.

In ensuring such objectives are achieved, the human resource function purpose in this context is to implement the organization's human resource requirements effectively but also pragmatically, taking account of legal, ethical and as far as is practical in a manner that retains the support and respect of the workforce.

2. Review of Literature

This part of study literature review includes available research relating to the dimensions identified in introduction.

Human resource management is making the best possible use of individuals for achieving the organizational objectives.

The definition was developed in late twentieth century, thereafter employee motivation and job satisfaction came under focus instead of mere rational administration. [3]

In a rapid competitive business environment, the procedures of outlining the role, function and process of Human Resource Management within a dynamic and uncertain environment are ongoing for many decades.

In present day world organizations all over the world are facing critical challenges and survival has been linked with the development of new capabilities.

There is a need to find opportunities through these emerging challenges like globalization, change management, investment in human capital, growth etc.

In International Journal of Economics and Management Sciences "Human resource strategies can be used as a vibrant tool vital towards success. Strategic alignment of human capital can best be achieved through effective Human resource practices. Management of the human capital has assumed added significance after realization of the fact that people are assets of strategic importance." [4]

According to Price (2007) in Human Resource Management Literature Review they concluded that human resource management is a philosophy of people management based on the belief that human resources are uniquely important to sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives.

Human resource management is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies.

The analysis of why the Human resource management is essentially crucial in today's contemporary organizations was

analyzed by *Armstrong, 2000* and he concluded that, human resource it induce high performance management through the use of employees, by enhancing their levels of customer's service, productivity, growth, profits and quality control.

Bratton J and Gold J, 2003 concluded that the Human resource management is a strategic approach to managing employment relation which emphasizes that leveraging people capabilities is critical to gain sustainable competitive advantage, this being achieved via a distinctive set of integrated employment policies, programs and practices. The actual capital of the organization is the human abilities to utilize the human being as a capital. Each organization has too much cash to commence the business but have not professional bodies to use them at the right pace and at the right time. [5]

In another study *Srimannarayana (2008)* show that more favorable human Resource development climate was prevailing in the manufacturing sector than the service and information technology sector. *Gowali (2010)* reviewed 50 studies on human resource management incorporate sector of *Indian covering manufacturing and service sector*. She found that there is not much difference between the human resource development practices in manufacturing sector and service sector and there is a impact of employee motivation towards training program on transfer of learning on the job. Improving the competence of workforce through training and development activities is seen as a way of creating a competitive advantage.

From the strategic perspective, training is employed not only to improve an employee's current skills, but also to prepare each employee for future responsibilities. In the process of learning within an organization, human capital becomes increasingly firm specific and cannot readily be reproduced by its competitor (*Chen and Hung, 2010*). [6]

Initially, human resource planning is critical to an organization's strategic plan through systematically matching the interests, skills and talents of the workforce with long-term goals and Opportunities in the organization, pointed out by *Nixon (2011)*. [7]

3. Research Methodology

This research uses primary data and the data for this research has been collected through the questionnaire method by using the structured questionnaire conducted online and personal interview. Our research includes a survey being conducted online which took place basically among the aged group of individuals between 20-60 years of age.

Most of the responses received were from the people who are engaged in service sector organization or manufacturing organizations and the people involved private firms who are considered in the initial income group stages.

Various companies were reviewed was basically approached to know how employees are being treated in different organizations in India and also about what are the strategies they follow to improve employees performance. It was also asked that which strategy followed by the organization which motivates the employee. Promotional, incentives, perks and several other strategies are followed to retain employee in the

organization and to satisfy his basic needs.

Strategies are one of the most important features which help And the survey was finally ended by asking what motivated the employee to take this job?

All this has helped us to not only know the status of an employee in an organization, whether he is satisfied to his basic needs and gives us the scope for further improvement in an organization for future leading to increase the organization performance. The strategies of organization practices positively influence the desired performance outcome through the mediating role of the firm’s strategic objectives. The above firm level conceptual framework is proposed for explaining how the human recourse department practices direct and indirect effects the organizational output and organizational performance.

To consider the Human resource is related to performance of firm with special reference to Indian firms are examined by considering the integration and perceived effectiveness of its business and operative strategy.

4. Data Analysis and Interpretation

In this research paper, service sector and manufacturing sector are studied and analyzed. Our data analysis and interpretation is based on primary research and secondary research. In primary research the questionnaire method is used to compare service sector and the manufacturing sector. In secondary research various research papers, scholarly articles and books were referred to study the data.

4.1. Primary Findings & Discussions

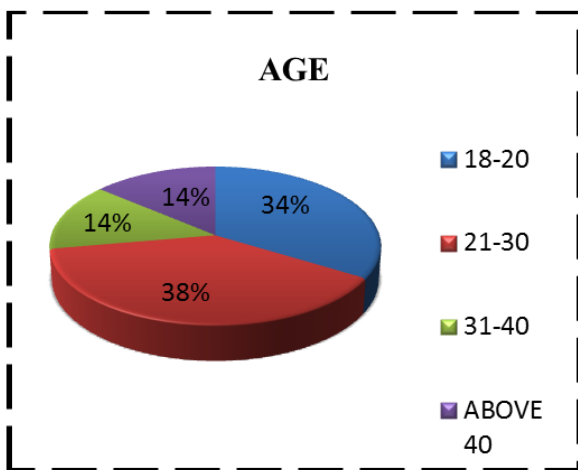


Figure 1. Age Group.

When we conducted our survey among the employees, most of our responses came from people between the age group of 21-30 percentages representation of which is 38%. Second largest section was of people from the age group of 18-20 that comprised to 34% and then people from the age group 30-40 and 40 and above were 14% respectively. Employees from this age group where mainly companies or just graduated workers employed in the sector.

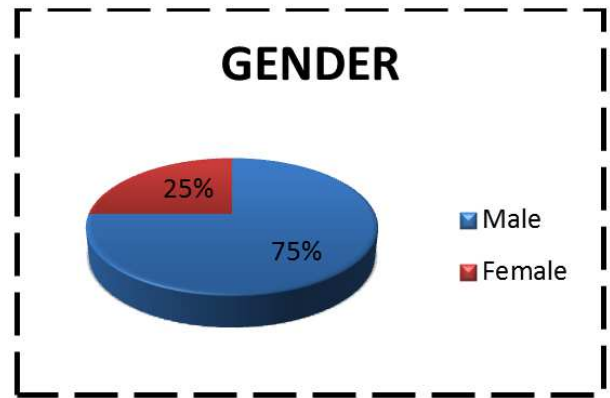


Figure 2. Sex Ratio.

From the data collected via survey, it was noted that, 75% males and 25% shared their concerns about their organization.

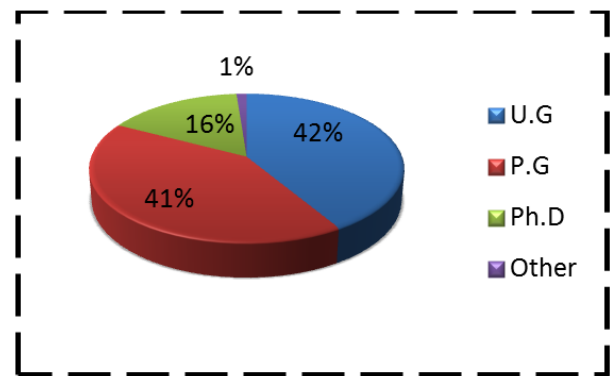


Figure 3. Educational Qualification.

Education helps a person in developing knowledge and awareness along with understanding the important things in life. As per the result of our survey, majority of our responses came from people who are under graduate or post graduate comprising of 42% and 41% respectively. We also found that 16% of the people whom we surveyed had Ph. D.

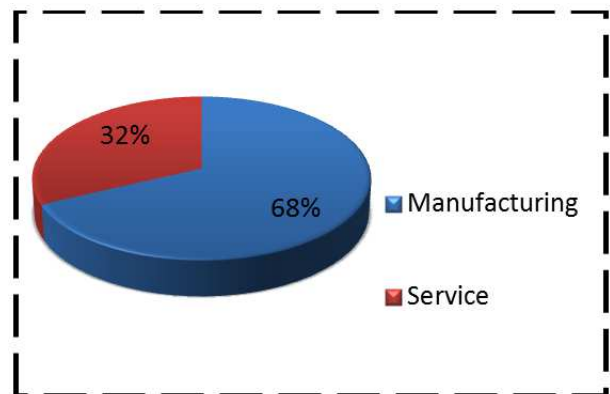


Figure 4. Sector Classification.

According to the survey we conducted, most of the responses came from the people who belong to manufacturing sector and the remaining were from service sector.

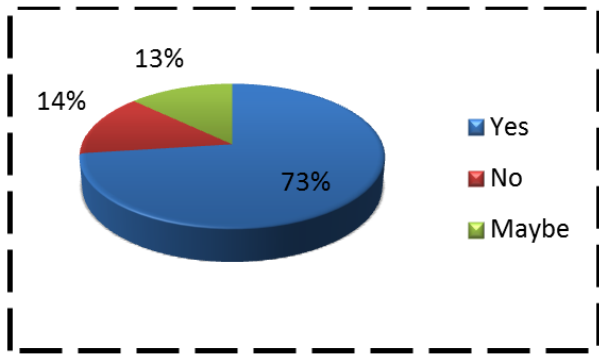


Figure 5. Satisfaction.

When the employees were asked and surveyed whether they think that their basic needs such as salary and day-to-day essentials were satisfied or not, it was observed that 73% people said that they are sure that their needs were satisfied. Where 14% people agreed that their needs were not satisfied, 13% of the people were not sure if their needs were satisfied or not.

We were able to conclude that most of the companies aimed at fulfilling the basic needs of their employees to keep them motivated, and ensure the best performance out of them so that they could achieve organizational objectives.

In today's world, the basic needs of the employee are essential to be fulfilled in order for an employee to perform efficiently and effectively.

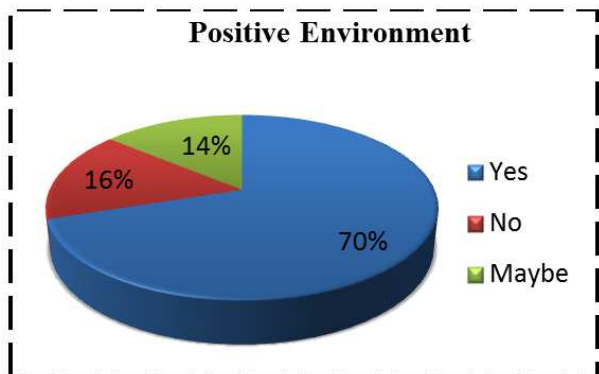


Figure 6. Environment Positivity.

When the employees were interviewed and surveyed about whether they think that the environment they are working in is healthy or not, it was observed that, 70% people said that their environment was a positive one. Where 16% people agreed that they were not satisfied with the working environment, 14% of the people were not sure if their working environment was healthy or not.

Therefore, it is safe to conclude that, in order to bring the best out of the employees, a positive environment and transparency in communication is necessary. A positive environment makes employees feel good about coming to work and this provides the motivation to sustain throughout the day.

When it comes to managing the employees' one of the most important thing is to overcome the negative workplace

environment. An employee's motivation to work is heavily influenced by his or her workplace environment. Creating a positive environment will yield far better results which will increase the organizations performance.

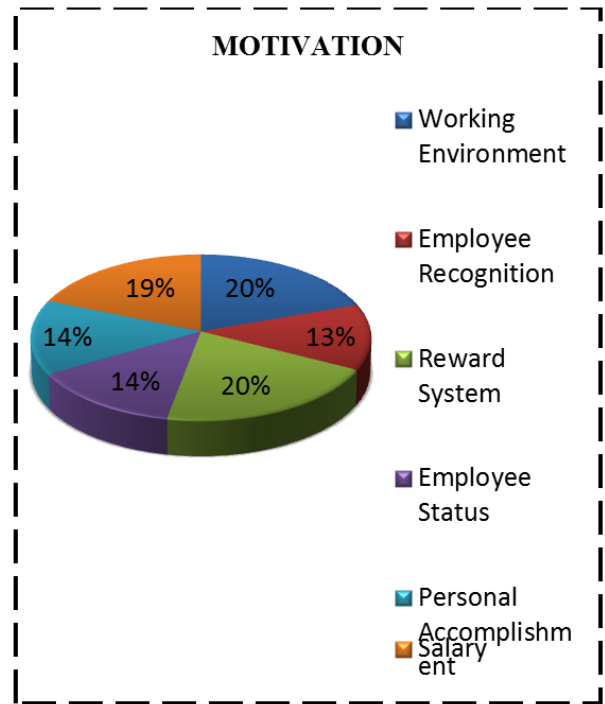


Figure 7. Motivating Factors.

On the basis of the survey responses and interview answers, it was observed that Working Environment, Salary and Reward Systems were the biggest motivators for the employees. Statics showed that 14% of the employees were motivated by the personal accomplishment, 14% were motivated by their Status in their organization and 13% were motivated by the effort recognition.

It could be concluded that motivation is a factor that catalyzes the success of organization. Those organization are blessed, who have motivated employees and employees that work hard in the organization to achieve the organizational goals. For motivation at work place, the work place environment is very important. The positive environment leads the employees to facilitate success and to get the most out of employees help them take pride in their work place. Allow employees to personalize their own work according to their capabilities which would be adaptable by the whole environment of the organization.

"The Deepest Desire In Human Nature Is To Be Appreciated"-William James

It doesn't matter how much the organization pay the employees, everyone wants to know that their efforts are being recognized and appreciated by the organization. It leads to a desired positive behavior in an employee with such recognition and appreciation. For attaining high productivity of an employee he needs to be rewarded as per his capabilities and performance good employees are motivated when rewards like incentives, perks and bonuses are being provided

by the organization. if an employee is rewarded with subject to his performance to which he builds a sense of recognition in the organization.

High salary and personal accomplishment leads to high productivity and better performance of an employee. If in an organization wages or salary is not adequately awarded to the employees as per their capabilities and performance, the employee cannot fulfill his basic needs which is a negative factor for the organization as it directly effects the expected outcome of the organizational goals.

For example:- If an organization has more profitable products and services and then it increases the percentage of the commission that sales person will receive the commission for selling those specific products and services, in this situation the employee is rewarded as per his performance which keeps him motivated towards the work and his basic needs as well as desired needs are fulfilled with the given salary.

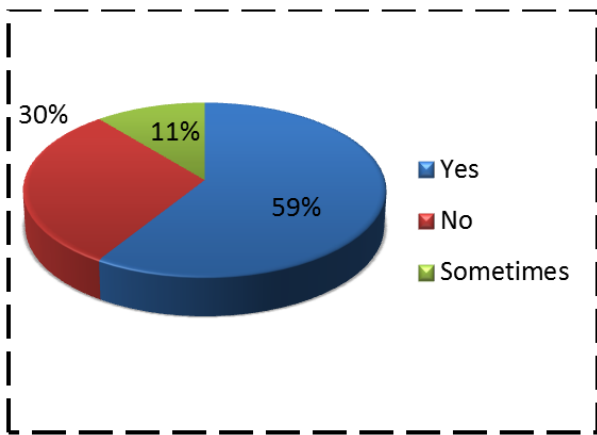


Figure 8. Decision Making.

"Millions Of Rupees Are Saved By Listening To The Organizations' Greatest Asset, Its Human Resource"
-Susen Wells

Based on the survey, it can be seen that 59% employee's opinion in the decision making process was encouraged in their respective organization. However, 30% said no, 11% employees said that sometimes they were allowed.

The term "employee suggestion" refers to a variety of efforts that an organization solicit and utilize input from their employees in hope of improving workplace efficiency. Employee suggestion leads to "More Involvement And Input For Employees And Improved Efficiency And Cost Saving For The Organization"

Organization that set up effective suggestion system found that employees have great ideas that can lower cost or produce great quality future plans. Employees work together better as a team and often submit ideas as a team to which they began to think more like managers looking beyond the scope of their own jobs.

Some organizations assume that since they provide a open platform for suggestion and ideas which cultivate an open relationship with employees and management.

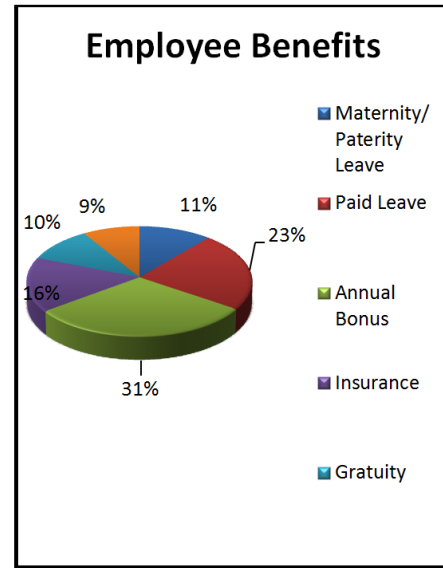


Figure 9. Employee Benefits.

Employee benefits are crucial in an organization to avoid labor turnover. We noticed that 25% of employees agreed that they have paid leave and 31% people have annual bonus. Maternity/ Paternity leave, Insurance and Gratuity are the most least offered benefits to the employees being 11%, 16% and 10% respectively.

Employee Benefit is the ability to find and keep highly qualified staff that is the key driver. With the sector being highly competitive and the number of new employees entering the workforce dwindling, employers are challenged to become even more creative and responsive in the design, timing and generosity of their benefit plans. The more progressive the organization, the more flexible the structure is in response to today's challenges that is like having four different generations of employees working side by side. Employers who continue to provide the more traditional and limited program, may find it more difficult to find and keep different types of employees.

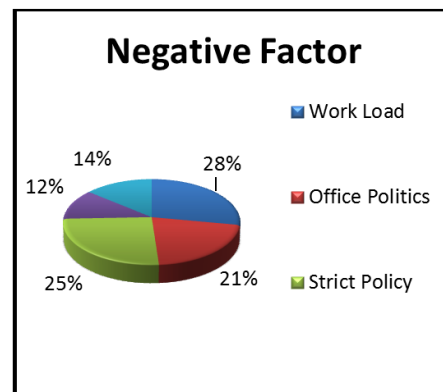


Figure 10. Performance Affectors.

Based on the survey reports and interviews, it can be concluded that it is the workload in an organization which affects the employees the most as being answered by 42.9% of the people. Second and the Third largest factor demotivating

them was Strict Policies and Office politics respectively being at 39.3% and 32.1%.

It can be concluded that employees differ in their personalities and these differences influence the way they react to the internal and external pressure that exist in the organization. It has been observed that the mental framework has a direct impact on the employee's individual performance. Most employees spend more than 50% of their walking hours at the work place and its environment which greatly influence their mental framework. If there is an alarming increase in workload, employees sometimes become frustrated with their work and this is reflected in their quality of work. When there is no transparency between the employees, it leads to biased and judgmental behavior of various employees. Employee relation is very vital in any organization where it disrupts the employee relation in an organization.

The strict policies and regulations of a organization restrict an employee to work on his own.

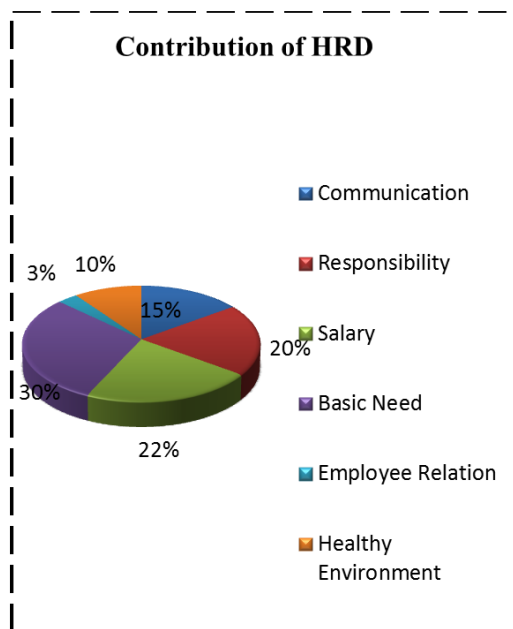


Figure 11. Contribution of H.R.D.

Satisfaction of basic needs, giving responsibility to accomplish a task and salary are the biggest contributions of a HR Department in personality development of an employee. 30% employees said that the biggest factor that helped them developing their personality in a better way was fulfillment of their basic needs. 22% said it was their salary, 20% said that it was authoritative work that developed their personality whereas only 15% said it was good communication and only 10% said it's the working environment. Shockingly only 3% said that good employee relations helped them develop their personality.

4.2. Secondary Findings & Discussions

In this segment of the research paper, we would be discussing some of the secondary research findings based on –

- 1) To study major differences between human resources

management in manufacturing sector vs. service sector.

- 2) To study and analyses the Attrition rate in service sector.

4.2.1. HRM Practices in Manufacturing Sector vs. Service Sector

A service firm recruits people with specific knowledge and skills in the service disciplines that it offers. Service delivery is labor intensive and cannot be easily automated, although knowledge management systems enable a degree of knowledge capture and sharing.

Manufacturers can automate many of their production processes to reduce their labor requirements, although some manufacturing organizations are labor intensive, particularly in countries where labor costs are low. [9]

Service industry heavily relies on their people and is thus labor intensive whereas in the manufacturing industry, most organizations are capital intensive. Organizations in the manufacturing industry with low labor costs and low working capital tend to be labor intensive as they cannot afford expensive equipment for production and thus have to rely on their manpower. This also affects their economies of scale.

Companies that produce unique type of goods or goods based on customer preferences also rely on labor than equipment as such companies focus more on creativity and meeting customer requirements. [10]

Organizations in the manufacturing sector focus more on Personnel Management, which is the traditional function of Human Resource and is administrative in nature. On the other hand, organizations in service sector focus on Human Resource Development and heavily invest in their people to increase labor productivity. [11]

4.2.2. Attrition Rate in Service Sector

We have seen a rise in the number of job opportunities in the service sector in India. A lot of people are changing jobs and are moving from primary and secondary sector to tertiary sector. This is due to attractive pay and working conditions. However, despite of that there have been some issues regarding human resource in the service sector. Despite of favorable conditions to work in, service sector has seen an increase in their attrition rate.

Attrition in human resource refers to employees leaving the company. It is the gradual loss of employees over time.

Attrition Rate has been a major challenge in service sector and especially Information Technology Industry. In the June quarter, attrition at TCS was as high as 15.9 per cent, a peak over several quarters. The company said it normally saw a rise in April-June (the financial year's first quarter), with many leaving after annual appraisals and for higher education. The number who left in this period was 15,023, as compared to 10,850 who quit in the same period a year before.

Infosys, India's second largest IT services company is also battling high attrition. It had peaked at an all-time high of 20.4 per cent in the October-December quarter of FY15. In the ensuing January-March quarter, the company managed to arrest this at 18.9 per cent, with a number of employee-friendly initiatives. In the case of Wipro and HCL Technologies, (third and fourth largest in the sector), the rate

(growth) was mostly flat at 16.5 per cent and 16.2 per cent, respectively. [12]

There are several reasons why the IT industry is facing high attrition rate. Few of which are:

Firstly, with the rise in opportunities for dotcom and app companies, many IT professionals are choosing to leave their well-paying jobs with Multinational IT companies and try their luck with their own tech startups.

Secondly, considering the fact that Infosys, TCS, Wipro and HCL are India originated companies and are not such good paymasters when compared to American Tech companies like Yahoo, Google and Facebook, overachievers in such companies are accepting job offers from American Tech companies for better pay and working conditions.

Thirdly, it is not uncommon to see engineers work for 2-3 years in a company and then resign to pursue their masters abroad, mainly MBA. This is one the reasons why attrition rate has is high in the junior levels of IT companies.

Lastly, the job market for IT engineers has not been that favorable in the last couple of years. This is because there are more number of IT engineers who are unemployed than IT engineers actually required in the industry thus supply being

way greater than demand and because of this, IT engineers are being underpaid. Due to this, IT engineers are choosing alternative career options such as banking, civil service, management consulting, etc. [13]

5. Conclusion

This research gave an insight on several factors which affected how employees' think about the organization and what they consider as a good HRM practices. This paper also compares the difference in HRM in service sectors as well as manufacturing sector along with the attrition rate in secondary findings, which is high in service sectors and is increasing rapidly.

With the liberalization of the economy, and the extra competition from overseas firms, considerable pressure on the personnel function of Indian domestic companies has been created to prepare and develop their employees. In response to such pressures, Indian firms have reacted positively. There is a clear change in the priority of the HRM function in Indian firms from routine kinds of HR activities towards a strategic approach to human resource development.

Appendix

Questionnaire

1. BASIC INFORMATION

1.1.NAME _____

1.2.AGE

18-20

21-30

31-40

Above 40

1.3.GENDER

Male

Female

1.4.EDUCATIONAL QUALIFICATION

1) Under Graduate

2) Post Graduate

3) Ph. D

1.5.EMAIL

2. SATISFACTION LEVEL

2.1.NAME OF THE COMPANY YOU WORK FOR

2.2.WHICH SECTOR ARE YOU WORKING IN?

1) Service

2) Manufacturing

2.3.WHETHER YOUR BASIC NEEDS ARE FULFILLED BY THE ORGANISATION?

1) Yes

2) No

3) Maybe

2.4.DO YOU THINK THE ORGANISATION PROVIDES YOU WITH A GOOD WORK ENVIRONMENT?

1) Yes

2) No

3) Maybe

2.5.WHAT MOTIVATED YOU TO TAKE UP THIS JOB?

- 1) Working Environment
- 2) Employee Recognition Rituals
- 3) Reward for Performance
- 4) Employee status
- 5) Personal Accomplishment
- 6) Salary

2.6.WHETHER YOU ARE ALLOWED TO VOLUNTEER IN THE DECISION MAKING OF THE ORGANISATION?

- 1) Yes
- 2) No
- 3) Maybe

2.7.WHAT ARE THE BENEFITS OFFERED TO YOU BY YOUR COMPANY?

- 1) Maternity/ Paternity leave
- 2) Paid Leave
- 3) Annual Bonus
- 4) Insurance (medical and other)
- 5) Gratuity
- 6) Provident fund

2.8.ANY NEGATIVE FACTOR AFFECTING YOUR PERFORMANCE?

- 1) Work Load
- 2) Office Politics
- 3) Very Strict Polices Of Company
- 4) Unhealthy Environment
- 5) Others

2.9.HOW HAS THE HUMAN RESOURCE DEPARTMENT OF YOUR ORGANISATION CONTRIBUTED SIGNIFICANTLY TO YOUR PERSONALITY DEVELOPMENT AND GROWTH?

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