



An Investigation on the Colossal Success of Larsen and Toubro Limited: Human Resource Management Perspective

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ABSTRACT

Larsen and Toubro (L&T) Limited is India's largest construction conglomerate. L&T's expertise is harnessed to execute high value projects that demand adherence to stringent timelines in a scenario where disparate disciplines of engineering are required to be coordinated on a critical path. However, no company can acquire such a feat without systematic management of its human resource. An investigation on the human resource management practices in orienting L&T's success can help to identify some of the ethical human resource practices, especially in the context of Indian market. Accordingly, a well-designed employee satisfaction survey was conducted for assessment of the HRM practices being followed in L&T. Unlike other companies, L&T aims to meet the long-term needs of its employees rather than short-term needs. There were however few areas of concerns, such as yearly appraisal system and equality to treat the employees. It is postulated that the inequality to treat the male and female employees is primarily a typical stereotype due to the fact that construction is conventionally believed to be a male dominant activity. A periodic survey intended to provide 360° feedback system can help to avoid such irregularities. This study is thus expected to provide healthy practices of HRM to nurture the young talents of India. This may help them to evaluate their decisions by analyzing the complex relationship between HRM practices and output of an organization.

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INTRODUCTION

While few individuals believe that technology is a means to an end, Larsen and Toubro (L&T) believes that technology represents endless possibilities. L&T's

continual colossal success over the past few decades has been primarily due to its employees who have contributed significantly during its technologically driven global operations (www.Lntecc.com, accessed on 9/08/2011). Moreover, HRM practices have been realized to play a key role in driving the performance of a firm and governing the organizational effectiveness (Dyer & Reeves, 1995). For this reason, an acute need to improve the theoretical and analytical framework on three thrust areas of HRM, namely, the nature of HRM, nature of organisational performance and linkage between HRM and performance, has been greatly realized (Guest, 1997). From a careful analysis, it is ostensibly evident from Fig.1 that HRM practices within an organization are the fundamental drivers which regulate the position of an organization in the modern competitive market.

Nevertheless, cultural values are also identified to play a key role in governing the HRM practices which lead to the emergence of International Human Resources Management (IHRM) (Ngo, Turban, Lau, & Lui, 1998). As firms are getting globalized, HRM issues are becoming more sensitive resulting in the transformation of the roles of HRM shown schematically in Fig. 2.

In modern scenario, both industrialists and academicians are interested to understand the relevant HRM policies and practices for different types of organizations, i.e. public/private sector, manufacturing/service sector in different geographic locations of the globe as it could be a good training

tool for expatriate managers (Budhwar & Boyne, 2004). Also, strategic HRM literature suggests that HRM indirectly affects the firm's performance through a casual chain of mediating variables like employees' attitudes, employee's behaviour and employee's performance which are compounded by the fact that employees' perceptions of how and why HRM is implemented throughout the organization has a considerable impact on their attitudinal and behavioural responses. However, not only HRM practices but the role of two HR actors, namely, line managers and HR department, also determine employees' affective commitment (Gilbert, De Winne, & Sels, 2011).

India, in this context, has now liberalized its economic policies and has emerged as one of the foremost economies contributing significantly through technical minds in all aspects of business. The evolution of Larsen and Toubro Limited (L&T), as the country's largest construction conglomerate, is among the most remarkable success stories. Beginning with the import of machinery from Europe in 1938, L&T rapidly took over and begged some of the outstanding major contracts both within and outside India. This enabled L&T to set global engineering benchmarks in terms of scale and complexity of construction projects. This is also the reason that Mr. P. Chidambaram (Former Finance Minister of India) has stated L&T as the India's only company in the "National Sector" while Dr. APJ (Former President of India) has lauded L&T as "Salt of Nation". A more detailed

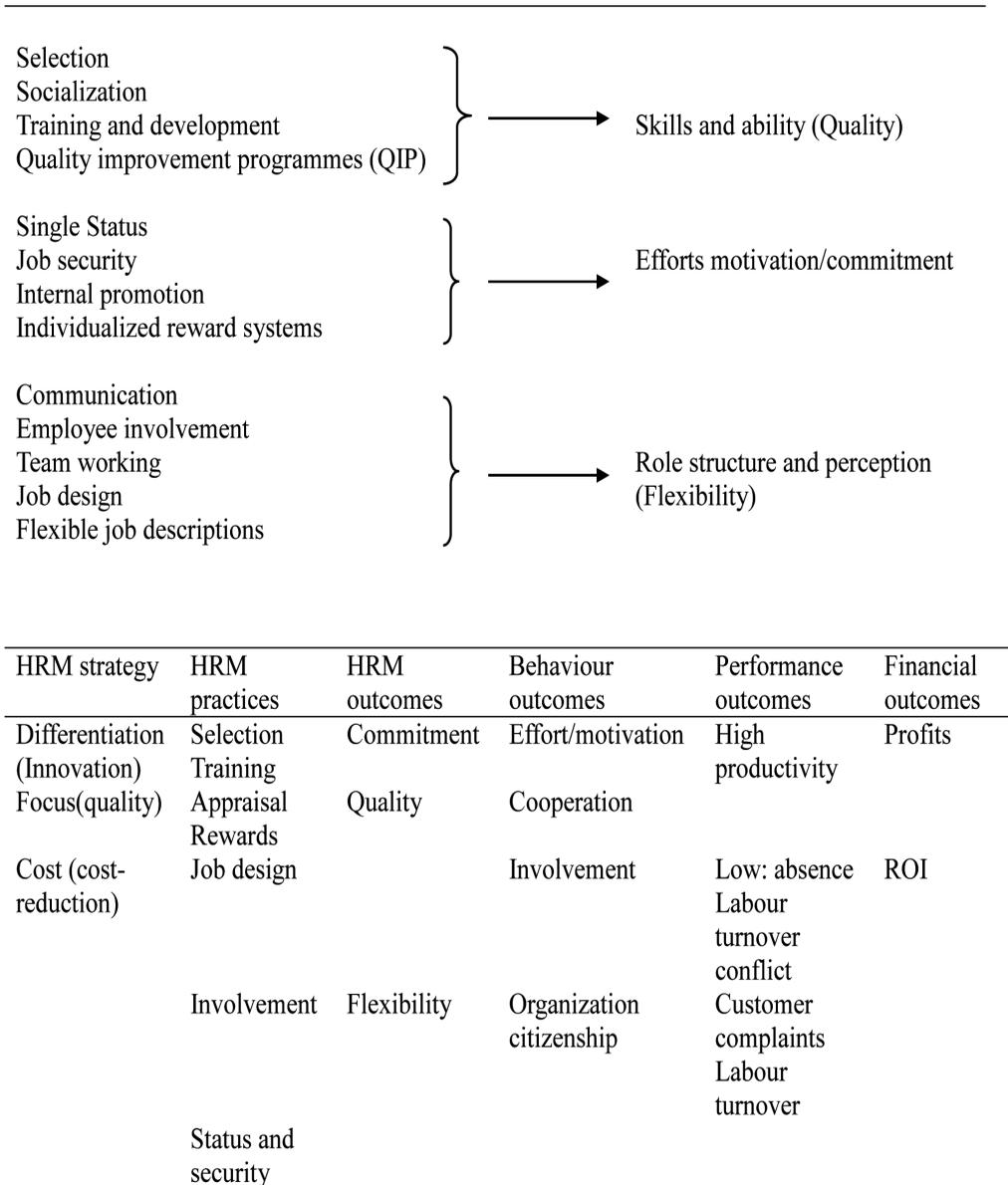


Fig. 1: Linkage between HRM practices and associated outcomes (Guest, 1997).

history of evolution of L&T over the years has been described elsewhere (www.Lntecc.com, accessed on 9/08/2011).

L&T's broader areas of business are shown in Fig. 3. L&T-ECCD is the biggest

division with operations spanning mostly at the site while the HRM practices are implemented from the Regional offices having additional support staff to assist the site based staffs. This makes L&T a true and

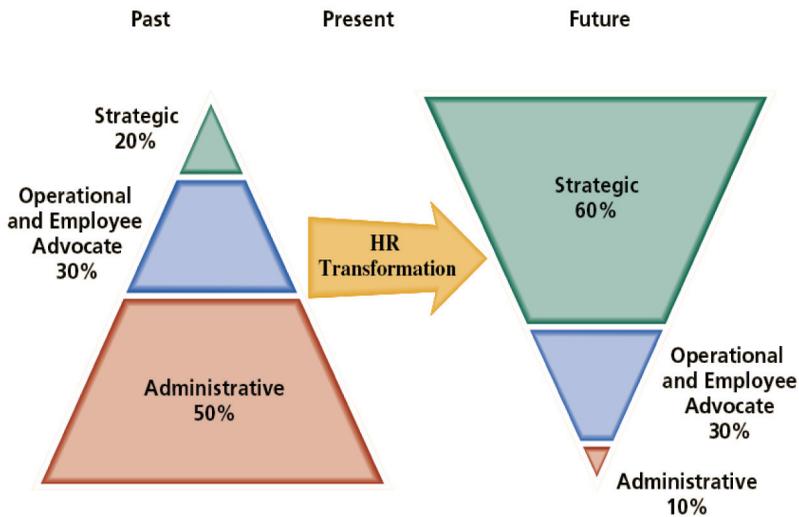


Fig.2: The changing roles of HR management

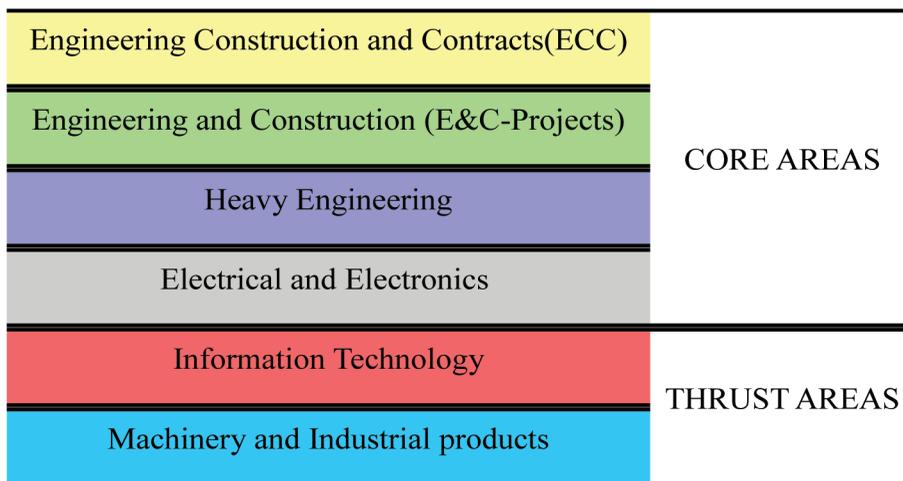


Fig.3: L&T's broader areas of business

complex multinational company.

Inspiring with the success of L&T and its relevance in the context of Indian economy, this paper aims to identify the HRM practices being followed in the ECC Division of L&T. According to the survey results, some areas of concerns and remedial measures are discussed in the following sections.

RESEARCH METHODOLOGY

An employee satisfaction questionnaire was developed to serve two purposes: to evaluate the employee's perception towards the company and to adjudge their satisfaction towards the operational HRM practices. The motive of the questionnaire was to mainly address the key HR functions which are related to the performance of L&T,

i.e. job climate, boss/supervisor relation, recruitment and selection process, the appraisal system, benefits and compensation and the quality of training provided. The study was conducted at one of Regional offices based at New Delhi, India.

As far as the survey and sampling method is concerned, simple random technique was used to design the sample. From the available total staff list, one out of every 10 employees was randomly selected as a part of the sample. From a total of 800 employees (comprising both of technical and clerical staff), a sample size of 80 was designed to administer the employee satisfaction questionnaire. The questionnaire was consisted of 33 questions (all close-ended) and a likert scale of 1-5 was used to quantify the response, in which scale 5 refers to a high degree of agreement or satisfaction and scale 1 refers to a high order of disagreement or dissatisfaction. Accordingly, intermittent values of 4, 3 and 2 represents an agreement, neutral response and disagreement of an employee respectively. Likert scale is an ordinal scale and hence, only degree of difference in the responses can be known rather than the specific amount of difference in the

responses. Therefore, it is better to adjudge the mode of the responses to interpret the data.

RESULTS AND INTERPRETATIONS

The statistical bar chart represents the data collected from the questionnaires indicating the percentage of employees on ordinate and their responses on abscissa. The interpretations made from the various charts are discussed in the subsequent paragraphs.

Job Climate

In the response of a question concerning job climate about individual differences being felt by the employees of L&T, the response of various participants is shown in Fig.4. It can be seen that the maximum mode belongs to neutral response signifying no individual difference exist as such.

However, a careful interpretation shows that the total mode of strongly agree or merely agree is quite large signifying that the participants do feel the individual differences. Taking this into account, the mode of facing individual differences (Strongly agree + agree) exceeds the neutral response. Hence, it will be unambiguous to say that the majority of employees

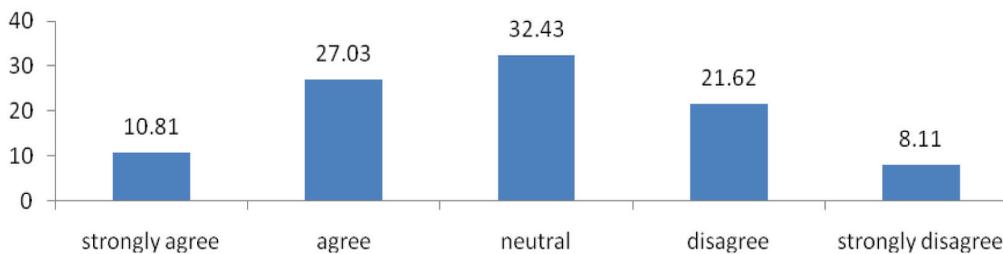


Fig.4: Experience individual differences (gender, race, background etceteras)

(10.81%+27.03%=37.84%) feels that an individual differences on account of gender, race, educational background etc. are often experienced. Based on a personal discussion with various participants, the authors noted that this is particularly true with female employees. Hence, the authors postulates that the inequality to treat the male and female employees is plausibly due to the fact that construction is always thought to be a male dominant activity, which is not the case in modern scenario. Since, this was the convention, it has become a typical stereotype in L&T which needs to be carefully dealt with.

Fig.5 shows that a high majority of (51.35%+10.81%) = 62.16% employees stated that the amount of work is reasonably assigned to them. This signifies that work load is fairly distributed and the majority of employees are not considering the work load as a potential problem for them.

The word KAIZEN is synonymous to “constant quest for improvement”. It originated from the Japanese language, which means “improvement”, or “change for the better”. A very significant difference between neutral and agreed responses

(Fig.6) exists as far as promoting innovation within the company is concerned. In a nutshell, the majority (10.81% + 35.14% = 45.95%) agrees that innovation in the work is rewarding. Moreover, it could eventually be the reason that although employees are not recognizing the importance of KAIZEN in short term, but it could potentially be a reason of L&T’s success because the implementation of KAIZEN is always a long-term goal for an organization to excel in its field.

Based on the bar chart shown in Fig.7, the two separate interpretations can be made as follows:

- i. The margin between satisfaction and dissatisfaction is very low. In fact, the majority of the samples were found to be neutral on their responses.
- ii. No extreme satisfaction or dissatisfaction exists among the employees regarding the job.

Boss/ Subordinate Hierarchy Relation

Interpretation from Fig.8:

Managerial cadre employees were asked to give their opinions on the Likert scale about their sub-ordinate’s know-how

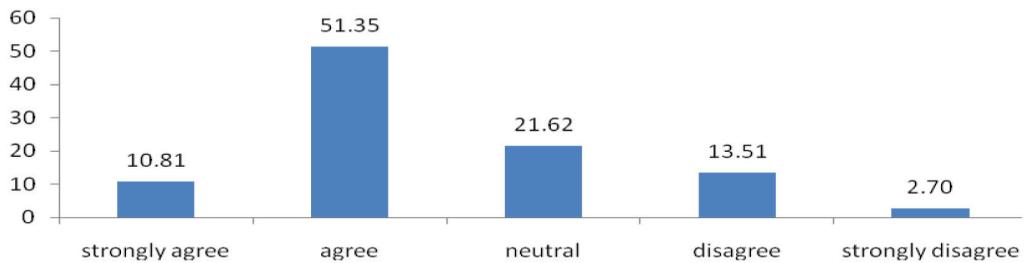


Fig.5: Work load is reasonable

on the work assigned to them. As evident from the bar chart, a very positive response was received. In fact, 89.18% of them felt that their sub-ordinates are cognizant about their work.

Recruitment/Selection

Interpretation from Fig.9 and Fig.10:

Recruitment is an integral part of an organization that reflects company’s growth over the period of time. Since a recruitment process consumes both time and money, companies prefer to select skilled employees in the first instance itself. In fact, finding the right person for the right job ensures high productivity. This was also seen to be true with L&T, as 54.06% of its employees are happy with the L&T’s process of attracting new employees.

However, it is equally important to retain the talent within the organization, failing which the efforts to train the employees to make them perfectionists could go in vain as the competitors could virtually be benefited by hiring such skilled employees. Although it was found that high quality employees were attracted by L&T, no substantial efforts are being made in retaining them. A majority of the employees (18.92%+21.62%= 40.54%) still think that L&T needs to pay more attention to care for its employees in order to retain them. This percentage margin however is in very close competition with 32.43% of the respondents who were neutral.

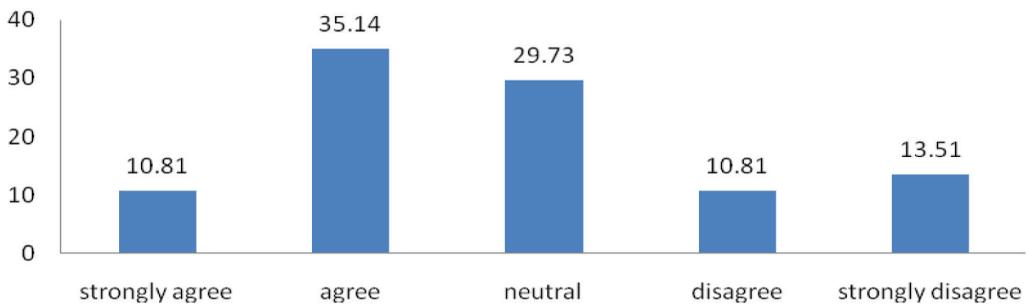


Fig.6: Management encourages innovations, creativity and KAIZEN

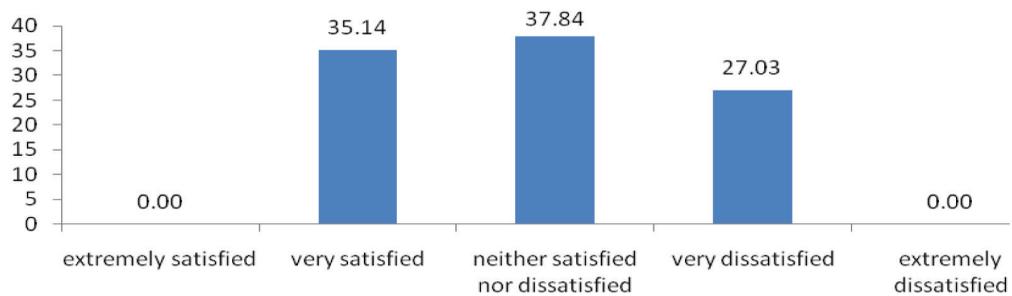


Fig.7: Overall, how much satisfied are the employees with the job

Performance Appraisal System (Fig.11 and Fig.12)

As much as the retention of talent in an organization is concerned, equally important is to be very accurate and fair in evaluating the performance of an employee in a yearly appraisal system. An employee puts all his efforts over the year to make his good reputation among peers, colleagues and boss. A wrong evaluation of the

performance on account of leniency errors, Halo effects, affective reactions, attribution bias, similar-to-me Errors and stereotyping could lead to frustration in employees' minds towards the organization. Such a scenario is unfavourable.

In order to continue to grow as a whole, it is important for an organization to make unbiased evaluation. It was found that the majority of employees (around 56%) were

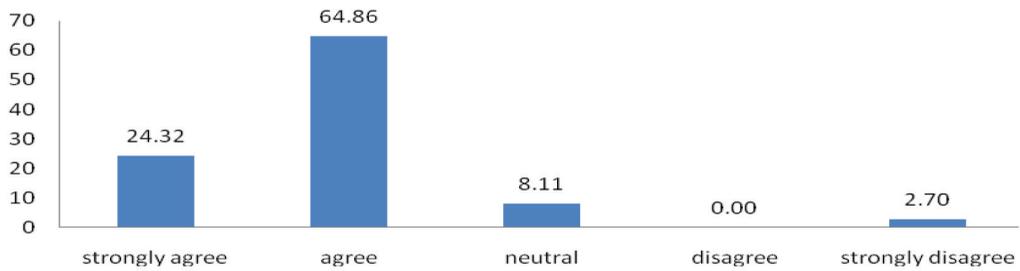


Fig.8: My supervisor is having knowledge of the work

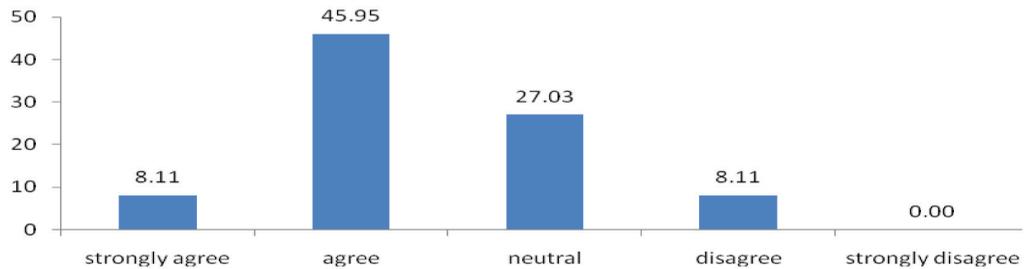


Fig.9: L&T do a good job in attracting high quality employees

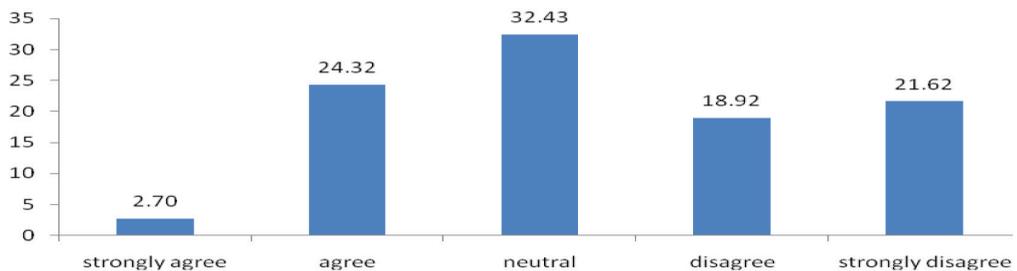


Fig.10: L&T cares for its employees and puts efforts to retain them

happy to inform that their previous year’s appraisal system was accurate reflection of their work/performance.

However, on the transparency of the appraisal system, 52% of the respondents stated neutral responses while 32% showed disagreement. The authors believe that although the employees were promised of anonymity of the research data, they might have had fear about their names being highlighted to their boss for revealing the true facts and so they might have preferred to be neutral. However, a major group of about 32% stated that there is no transparency in the appraisal system. This is in contrast to the previous observation that their previous year’s appraisal system was fair. However, it is likely that it is only the current boss who was fair in evaluating the current

appraisal unlike previous evaluations done so far. This is again an example of a typical stereotyping effect in the minds of the employees towards the organization which needs due attention.

Benefits and Compensation

Interpretation (Fig.13):

About 70.27% of the employees were found content with the currently implemented leave policies.

Training and Development (Fig.14 and Fig.15)

One of the popular things which is very well-known about L&T is that it pays ample attention on proper training to nurture its employees. Despite the fact that training is being given a huge attention, it was

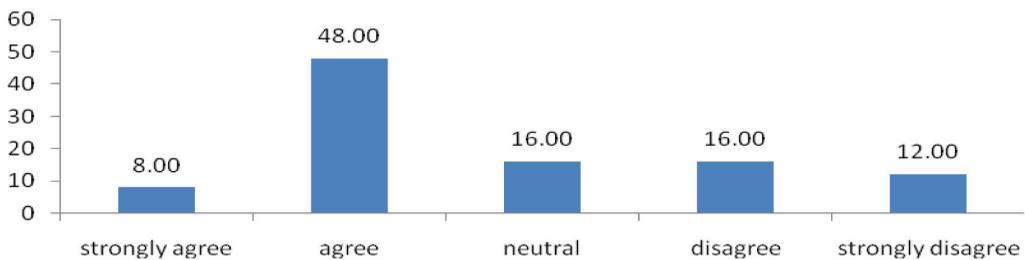


Fig.11: My last appraisal accurately reflects my performance

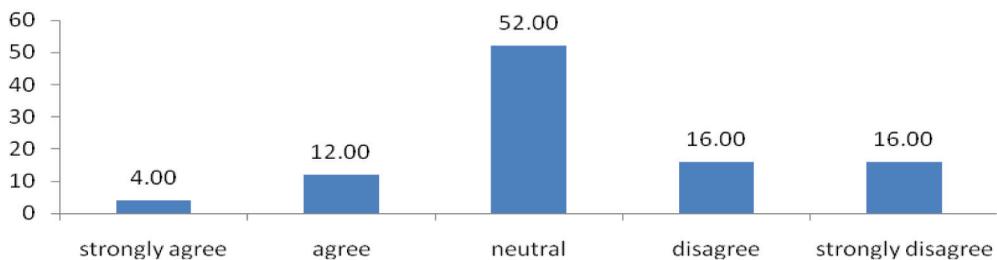


Fig.12: Appraisal system is fair

surprising to see earlier that minimal efforts were put to retain its employees. This is further compounded by the fact that the competitors of L&T, like Shapoorji Pallonji and TATA, will always be in a hunt to capture L&T's employees, realizing that they are highly trained workforce. Accordingly, L&T should put more efforts in retaining its employees. It was ostensibly clear from the bar chart that no dissatisfaction exist

on the quality of training rather a very high percentage of satisfaction prevailed.

However, employees think that the process of training can slightly be modified by adjusting the amount of time spent on the training. Precisely, majority of employees (45%) believes that ample time should be spared for training and development, albeit, the quality of training is excellent.

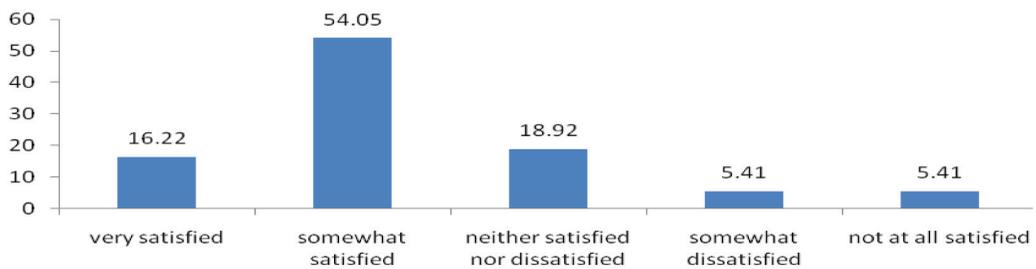


Fig.13: Content with the quantum of leave.

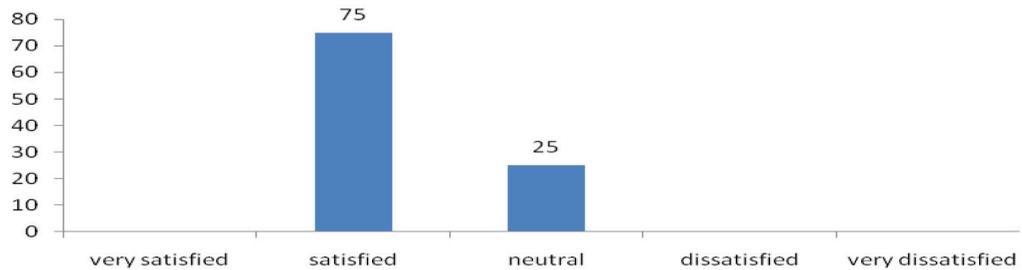


Fig.14: Quality of training and development

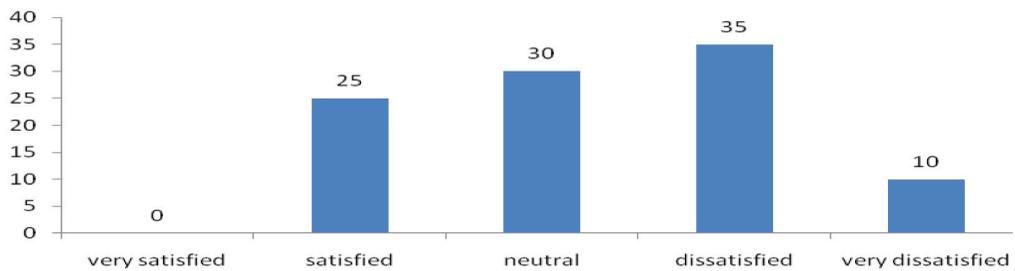


Fig.15: Amount of time spent on training and development.

HR Services

Interpretation (Fig.16 and Fig.17):

In a vibrant and gigantic organization like L&T, communication with HR department is the only feasible option for an employee to communicate his views to the organization. Lack of attention or mismanagement in communication could lead to great discomfort to its employee, which could further cause a conflict in the mind of an employee. This could potentially bring a suspect in the employee’s mind which could enforce him/her to think to switch to another job. Thus, HR services play an important role by moulding the employee’s mindset through their managerial and technical acumen.

In the current case, a large number of the respondents (8.11% +27.03% = 35.14%) showed satisfaction, while 32.43% were neutral, and almost 32% of them (18.92%+13.51% = 32.02%) were dissatisfied with the HR services. This is a typical response where all the responses were of virtually equal magnitude. A more detailed survey, with a large group of employee can probably help to clearly identify a better answer to this problem.

DISCUSSION AND CONCLUSION

Human Resource Management (HRM) Department of L&T has set some of the global benchmarks by following ethical practices to satisfactorily meet the long-

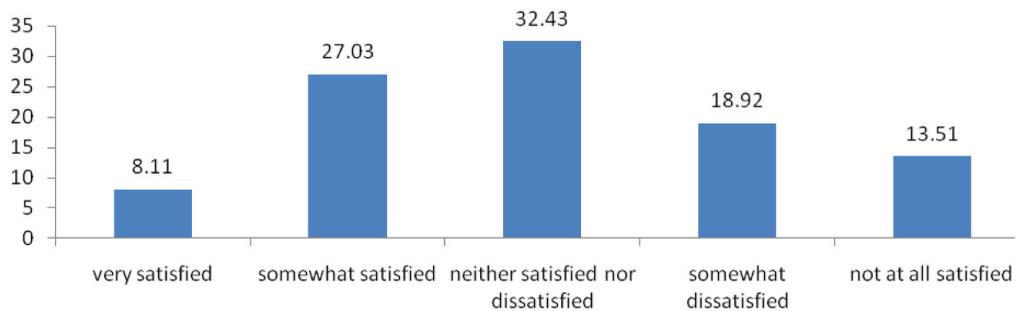


Fig.16: HR portal system is transparent and provides sufficient information.

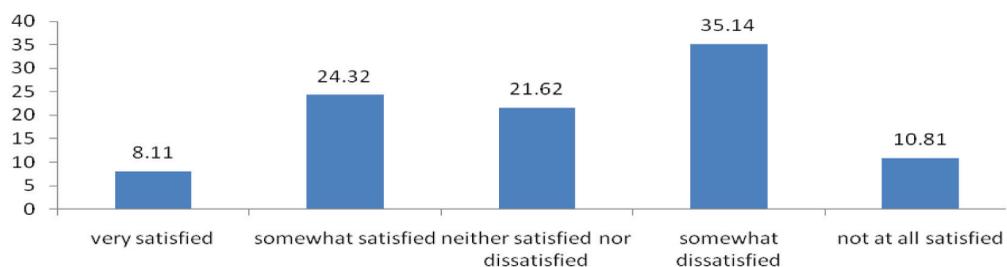


Fig.17: HR related queries are attended on time.

term needs of its employees. It has been established from the available information and primary data collection that the Personnel and Organization Development (P&OD) Department's performance in managing its resources and HR functions is good and has met the major needs of its employees to date. It is also evident that the employees share a great deal of pride in their work and are glad to be associated with the company. However, the following major concerns have been found and they need

due attention and can be improved using an effective tool like 360° feedback system:

Based on the negative feedback on various responses as indicated in the above conclusions, the following recommendations can be incorporated for implementation:

- Development and implementation of a policy to ensure that the individual differences like gender, race or educational background are not experienced by the employees.

Conclusions of the survey

HR Function	Positive feedback	Negative feedback
Job Climate	The amount of work assigned to an employee is reasonable and the management encourages its employees to put forth novel and innovative ideas into work.	Individual differences based on gender, caste, background, etc. are felt by the employees on major occasions. This is most likely the result of a typical stereotype convention toward females on account of male dominant gender group.
Boss/ Subordinate hierarchy	The management is proud to induct quality of employees who are sincere towards their work.	-
Recruitment	L&T does attract the right quality of employees and select the right person for the right job.	L&T needs to put more focus on retaining its employees as this is one of the weaker areas identified. Virtually, with highly trained workforce that L&T has, competitors will always pose a great threat in attracting the employees of L&T.
Performance appraisal system	The employees do believe that the appraisal does reflect their past performance.	A transparent appraisal system needs to be developed. On a personal note, it is noted that the appraisal sent through lower channel is sometimes overruled by senior officer on the account of individual differences which is unjustified.
Benefits and compensation	Major satisfaction exists.	-
Training & development	Sound quality of training programmes are well implemented in L&T to ensure the regular development of the employees.	The time spent is slightly short which makes it difficult for its employees to realize and absorb the content of the training immediately.
HR Services	A large group of sample population is required to be surveyed to make more detailed and accurate interpretation.	Timely response of HR department in handling day-to-day queries is one of the weaker sections.

- A sound programme should be implemented with immediate effect to retain L&T's highly skilled workforce.
- It was found that the concern over transparency in appraisal system is the major source of discontent. So, the existing method of appraisal system can be modified.
- Although, ample training and development programmes are designed but their mode of communication can be customized for satisfactory implementation. Further, training programmes can be planned to allow sufficient time in order to grasp the topics well.
- HR departmental staff needs to be more flexible in handling HR related queries and provide timely responses in a courteous manner.
- An employee satisfaction survey can be conducted periodically to design HR improvement plans with the evolving needs of the employees.

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