

## **Human Resource Management in Organized Retail Industry in India**

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### **Abstract**

The success of an organization largely depends on its Human Resource. Human Resource Management (HRM) plays a vital role in achieving the organizational objectives. The retail sector has played a phenomenal role in India with tremendous contribution to the Indian economy. Retailing sector has been observing tremendous changes with the entry of organized retail companies. The organized retailing in India is undergoing a metamorphosis and is expected to scale up to meet international standards. In this world of cut throat competition the need for effective HRM practices has been increasing rapidly. In order to face this tough competition of global economy, the organized retailers in India have started to realize the need for efficient manpower and hence, strengthening their business with the help of HRM activities. The HRM practices, therefore, have become their prime concern. The present paper is an attempt to analyze the HRM practices implemented in the organized retail sector in India. The study also throws light on the Human Resource (HR) challenges faced by the sector and suggested measures to improve the work culture in Indian scenario.

**Keywords:** Human Resource Management, Retail Sector, Organized Retailing, HRM Practices and HR Challenges.

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## 1. Introduction

Human Resource Management (HRM) is the organizational function that deals with issues relating to people such as compensation, hiring, performance management, safety, benefits, employees motivation, communication, administration and training.

HRM is a strategic and comprehensive approach of managing people at workplace (Healthfield, n.d.). Its role in the company's success is growing rapidly with the growth in many sectors in the present globalized era. The HRM practices are crucial in designing the structure for manpower staffing, performance appraisal, compensation and training and development. Innovative HRM practices can play a crucial role in changing the attitude of the employees. The HRM practices in the service sector especially in the area of retailing have found significant importance in the present scenario. The retailing is one of the service sectors where the need of qualitative human resource is highly expected [1]. So, the present paper focuses on the HRM practices in the organized retail industry in India and highlighted the current HR challenges faced by the industry. Part I gives an overview of the India retail industry. The Human Resource Management in the organized retail has shown in part II. Part III shows the HR challenges faced by the Indian organized retail industry. The conclusion and suggestions are given in part IV.

### Objectives of the study

- To study the current status of Indian retail industry.
- To analyze the Human Resource Management practices implemented in the organized retail industry in India.
- To study the HR challenges faced by the organized retailers while implementing such practices and finally to come out with the conclusion and suggestions.

## 2. Indian Retail Industry: An Overview

Retailing is one of the pillars of economy. It consists of all activities that result in the offering for sale of merchandise to consumers for their own use and is the final step in bringing goods to the end-users [2]. According to US consulting group AT

Kearney's report published in June, 2010, India is the third most attractive retail market for global retailers among the thirty largest emerging markets. The Indian retail industry has expanded by 10.6 percent between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015. The greater availability of personal credit and a growing vehicle population providing improved mobility contributed towards annual retail sales growth of 12.2 percent [3]. Though the Indian retail sector is dominated by unorganized sector with 90 percent share, it is providing immense opportunities for large scale retailers to set up their operations. The organized retailing sector is steadily increasing with the entry and operations of departmental stores, hypermarkets, supermarkets and specialty stores which are replacing traditional formats dramatically altering the retailing landscape in India [4].

## 2.1 Organized and Unorganized Retailing

The Indian retail industry is generally divided into organized and unorganized retailing. The study shows that India constitutes only 8 percent of organized retail and *Human Resource Management in Organized Retail Industry in India* 493 remaining 92 percent is left unorganized and within the organized sector, apparel is the largest segment while food and grocery and mobile and telecom are the other major contributors to this segment.

## 2.2 Organized Retailing in India

Retailing in India has been achieving a noticeable growth in the organized sector since the liberalization of our country's economy that began in the early nineties. The retail market in India is said to be fragmented with only around 8% of the sector organized, which means that only 8% of the retailers are registered under the regulations and licenses. The remaining part of the sector is unorganized. It is hence viewed as a big opportunity for the future for the organized retail firms to evolve and grow in India [5].

## 3. Human Resource Management in organized retail

- ✓ **Recruitment:** Depending on the size of the number of vacancies or if it's a new store then campus recruitment is done or recruitment is done through

recruiters and consultants. For shop floor sales requirement advertisement is put up in the local news papers.

- ✓ **Selection:** Selections are based on group discussions & interviews. Some retailers take an entrance test followed by group discussion and personal interview.
- ✓ **Performance Appraisal:** It is one of the most controversial systems within human resource. No one in any organization is ever happy with the system because it explores the bitter truth of an employee. It is inherently conflict based because it is subjective and differs from person to person.
- ✓ **Training and development:** Retail industry has finally taken shape in India, and is experiencing a rapid growth. Since organized retail is growing tremendously procuring trained human resource for retail is a big challenge. The talent base is limited and with the entry of big retailers in the market there is a huge demand of trained and skilled professionals in this sector. This has led many retailers to introduce Learning and Development department within the organization.
- ✓ **Compensation:** Compensation is payment for services rendered to an organization by an employee. Compensation may be direct or indirect compensation & is a motivator for employees at all levels.
- ✓ **Rewards, Incentives and Recognition:** Every retailer is looking at various ways to motivate their employees and reduce attrition rate. Introduction of rewards, incentives and recognition of employee is increasingly becoming popular within the industry. Retailers like PRIL have launched PERK Performance Enhancement Reward Kit and star performer of the month in their stores. They are used to reward performance at the individual, team and organizational level.
- ✓ **Employee Discipline:** It is a management tool to correct employee behaviour[6].

#### 4. HR Challenges in Organized Retail

- ✓ **Lack of skilled manpower:** The organized retailing is a massive man power oriented industry that recruits a large pool of employees. However, there is a huge scarcity of skilled retail professionals. This can be attributed to the fact that retail has never been considered as a prominent profession in India as there were very few retail professional courses still few years back.

- ✓ **Stress in Working Culture:** The working pattern of retail industry requires employee to put in long hours of work which generally cause fatigue and result in lower motivation among employees. Besides this, in part-time and casual jobs there is less job security, flexible shifts, unlimited working hours, lower salary and benefits & poor working conditions resulting into stress and working problems.
- ✓ **Lack of Formal Education in Retail Management:** There is requirement of qualified and talented manpower to look after day to day operations and cater to the wide spectrum of customer desires. As there is lack of formal vocational institutes where students can be trained, most of retailers in India depend on in house training or fulfilling their training needs with small institutes.
- ✓ **Workforce Attrition:** There seems to be high level of attrition in the retail sector which is almost 40% according to a recent study.
- ✓ **Threat of Poaching:** Employee poaching is also very high both in organized as well as unorganized retail industry. Skilled manpower is scarce in this industry and as such attracting the employees of competitors by offering them better salaries is a rather easy option [7].

## 5. Conclusion

The Human Resource Management practices are vital for the growth and development of and business or sector. These practices have significantly evolved in the retailing sector also. The retailers especially organized retailers are nowadays placing a greater emphasis on the HRM practices which includes recruitment, selection, performance appraisal, training and development, compensation, career planning, etc. Apart from this the sector is facing some problems relating to its human resource like lack of skill, lack of formal education in retailing, workforce attrition, threat of poaching and complicated human resource environment. It means that the HRM practices in the organized retail industry needs greater attention in the near future to make it more competitive.

## 6. Suggestions

- Indian retailers need creative HR practices to manage a huge workforce in a competitive environment enhance the competency and retention of their employees.



- There are too many companies chasing too little talent. The retailers should maintain their goodwill in the overall employment market by communicating its attributes in a way that distinguishes the company from the competitors.
- Find the right talent that is willing to commit over the long-term.
- Attractive compensation package should be provided to the employees which includes both direct (salaries, commission and bonuses) as well as indirect payments (paid vacations, health and life insurance and retirement plans).
- The problem of attrition is very common nowadays. Retaining is more challenging than hiring. Hence, retailers must examine different strategies which they can use to reduce turnover and boost the morale of their employees.

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