

HUMAN RESOURCE POLICIES IN RETAIL

** Mr. Wadmare Mahado Sheshrao, Research Scholar*

INTRODUCTION:

Overview of the Retail Sector in India

The word retail is, in fact, derived from the French word retailer, which means to cut off a piece or to break bulk. A retailer may be defined as a dealer or trader who sells good in small quantities or one who repeats or relates. After the 2nd World War, the retail industry started to grow in U.S.A. Retail is the largest private industry in the world with total sales \$6.6 trillion. In India, the retail sector is the second largest sector after agriculture and provides employment to 10 % of the total work force of the country. The total retail business is estimated to be \$180 billion of which only 2% is contributed by the organized sector.

Overview of the Human Resources function

People who work at the store level of a retail organization are important as they deal with the customers at a one to one level and are considered as the face of the organization. Thus, hiring the persons with right attitude is important as in the case of most retail stores. The retailer needs to have the persons with the right skill sets taking care of functions like buying and merchandising, as the product is the key in a retail set up. Human Resource Management is the planning, organizing, directing & controlling of the procurement, development, compensation, integration, maintenance & separation of human resources to the end that individual, organizational & societal objectives are accomplished.

The functions of HRM can be broadly classified into two categories, viz., (I) Managerial functions and (II) Operative functions.

I. Managerial Functions: Managerial Functions of personnel management involve planning, organizing, directing, and controlling. All these functions influence the operative functions.

(i) Planning: It is a pre-determined course of action. Planning is determination of personnel programmes and changes in advance that will contribute to the organizational goals.

(ii) Organizing: An organization is a means to an end. Organization establishes relationships among the employees so that they can collectively contribute to the attainment of company goals.

(iii) Directing: The next logical function after completing planning and organizing is the execution of the plan. The basic function of personnel management at any level is motivating, commanding,

leading and activating people. The willing and effective cooperation of employees for the attainment of organizational goals is possible through proper direction.

(iv) Controlling: After planning, organizing and directing the various activities of the personnel management, the performance is to be verified in order to know that the personnel functions are performed in conformity with the plans and directions.

II. Operative Functions: The operative functions of personnel management are related to specific activities of personnel management, viz., employment, development, compensation and relations. All these functions are interacted by managerial functions.

1. Employment: It is the first operative function of Human Resource Management. Employment is concerned with securing and employing the people possessing required kind and level of human resources necessary to achieve the organizational objectives. It covers the functions such as job analysis, human resource planning, recruitment, selection, placement, induction and internal mobility.

2. Human Resources Development: It is the process of improving, moulding and changing the skills, knowledge, creative ability, aptitude, attitude, values, commitment etc., based on present and future job and organizational requirements. This function includes Performance Appraisal, Training, Management Development, Career Planning and Development and Organization Development.

3. Compensation: It is the process of providing adequate, equitable and fair remuneration to the employees. It includes job evaluation, wage and salary administration, incentives, bonus, fringe benefits, social security measures etc.

4. Human Relations: Practicing various human resources policies and programmes like employment, development and compensation and interaction among employees create a sense of relationship between the individual worker and management, among workers and Trade unions and management. Management has to create conducive environment and provide necessary pre-requisites for the attainment of the personnel management objectives after formulating them.

OBJECTIVE:

The objective of the research is to emphasize the importance of the human resources function. After this, we need to understand the challenges it encounters and find a solution to meet these challenges.

METHODOLOGY:

The Research Methodology is based on secondary data available through various web-site portals, books and e-articles. The assimilation of the information is used to suggest ways and means to face the arising challenges of the human resources function.

FINDINGS:

Generally, the retail stores use organizational arrangements which may divide all retail activities into four functional areas of

- Merchandising
- Publicity
- Store and supply chain management
- Accounting and control

These areas are organized by line and staff employees. These employees are divided in to managerial, supervisory and working hands. In the above backdrop, let us examine HR challenges in retail sector. The following are the different functions of Human Resource Management and the challenges associated with them & their solutions, in the retail sector:

1. Recruitment:

Recruitment involves the utilization of organizational practices to influence the number and types of individuals who are willing to apply for job vacancies. Recruitment can focus on the internal labor market (i.e., pursuing staff already employed by the organization) or the external labor market (i.e., pursuing applicants from outside the organization). Internal candidates can be recruited through internal job postings, word-of-mouth, or internship programs. The major challenges faced by the Human Resources in recruitment in retail sector are:

- **Merchandising & publicity** – The HR professionals are expected and required to keep in tune with the changing times, i.e. the changes taking place across the globe. HR should maintain the timeliness of the process and recruit the right person at the right job.
- **Store & Supply chain Management** – Recruitment is considered to be a thankless job. Even if the organization is achieving results, HR department or professionals are not thanked for recruiting the right employees and performers.

- **Accounting and control** – The immediacy and speed of the recruitment process are the main concerns of the HR in recruitment. The process should be flexible, adaptive and responsive to the immediate requirements. The **recruitment process** should also be cost effective.
- **Strategic prioritization** – The emerging new systems are both an opportunity as well as a challenge for the HR professionals. Therefore, reviewing staffing needs and prioritizing the tasks to meet the changes in the market has become a challenge for the recruitment professionals.

The features, functions and major benefits of the recruitment management system to meet these challenges are explained below:

- Structure and systematically organize the entire recruitment processes.
- Use a Recruitment management system that facilitates faster, unbiased, accurate and reliable processing of applications from various applications.
- Strive to reduce the time-per-hire and cost-per-hire.
- Implement a *Recruitment management system* to help incorporate and integrate the various links like the application system on the official website of the company, the unsolicited applications, outsourcing recruitment, the final decision making to the main recruitment process.
- Maintain an active database of the applicants facilitating the talent management and increasing the efficiency of the recruitment processes.
- Use a Recruitment management system that provides and a flexible, automated and interactive interface between the online application system, the recruitment department of the company and the job seeker.
- Communicate and create healthy relationships with the candidates through the entire recruitment process.

2. Performance Appraisal

Performance Management is the process of Performance Planning (goal setting), Performance Monitoring and Coaching, Measuring (evaluating) Individual Performance linked to organizational goals, giving him/ her feedback, rewarding the individual based on his/ her achievements against set performance goals & required competencies, and working out a plan for

his/ her development. The main Performance Appraisal challenges involved in the performance appraisal process across the four functional areas of Merchandising & publicity, Store & Supply chain management, and accounting & control are:

Determining the evaluation criteria: Identification of the appraisal criteria is one of the biggest problems faced by the top management. The performance data to be considered for evaluation should be carefully selected. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms

Create a rating instrument: The purpose of the Performance appraisal process is to judge the performance of the employees rather than the employee. The focus of the system should be on the development of the employees of the organization.

Lack of competence: Top management should choose the raters or the evaluators carefully. They should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the necessary training to carry out the appraisal process objectively.

Errors in rating and evaluation: Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the performance of the employees.

Resistance: The appraisal process may face resistance from the employees and the trade unions for the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well the process of appraisal. The standards should be clearly communicated and every employee should be made aware that what exactly is expected from him/her.

3. Training

Training is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviours to enhance the performance of employees. KPMG report (2018) points out that there are also competency gaps in various key areas like supply chain management, vendor development and customer relations management. There is requirement for qualified and trained manpower to look after day-to-day operations and cater to the wide spectrum of customer expectations. Therefore, it necessitates appropriate training to provide them exposure and also to equip them with progressive working methods. As there is lack of formal vocational institutes, where students can be trained for entry-level positions, most

retailers in India depend on in-house training or fulfilling their training needs with small institutes. Keeping in mind the growth in the retail industry, some business schools are coming forward to pioneer courses in retail management. The Indian Retail School has a number of such short-term courses on retail management. Pantaloon has made a tie-up with several management schools to offer programmes in retail management. RPG Enterprises has also set up a training institute for front line staff and store managers. Tesco runs a retail certification course with IIM-Bangalore. Reliance retail has also decided to set up its own training centers across the country. At present, it has two such centers in Mumbai and Kolkata. Training of the staff is the best investment in business and so in the retail business. The lack of formal retailing education further exacerbates the problem of recruiting. There is urgent need for management education for fraternity to fill in this vacuum. Top management institutes are not showing interest because of low salary packages being offered to their students. Despite all these difficulties, the problem is required to be addressed. Proactive training strategies would become a competitive differentiator for retailers given the resource and competency shortages in India.

In 2018, two companies — Bharti Retail and Vishal Retail —announced the launch of retail training academies in Ludhiana and Delhi respectively. The 2 facilities are expected to churn around 5,000 trained persons every year. The new schools are in addition to the existing academies including Spencer's Pragati, Subhiksha Retail Institutes in Mumbai, Delhi, Bangalore and Hyderabad, and Future Learning and Development Academies in Ahmedabad, Bangalore and Kolkata.

4. Compensation

Compensation is the remuneration received by an employee in return for his/ her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness. The biggest challenge of ensuring employees contribution to business results is in figuring out what kind of reward and recognition programme to implement. Total compensation comprises direct monetary payments (salaries, commission and bonuses) and indirect payments (paid vacations, health and life insurance and retirement plans). It should be fair to both the retailers and its employees. To better motivate employees, some firms also have profit-

sharing. In India, the compensation strategy for front-liners is conservative, while retailers develop a very competitive plan for store managers. But if retailers want to provide stability to their employees and also want them to act as the custodian of their business who can contribute to business, they should plan for devising an effective compensation strategy. In order to get maximum contribution from employees the retailers can design a compensation programme which is low on guaranteed pay but aggressive on store profitability linked bonuses or incentives. Even those in support functions such as merchandising, distribution, accounts and so on need to be rewarded based on the performance of the stores that they are servicing.

5. Employee Engagement

In spite of a downturn, the requirement for skilled manpower still persists. Companies need to understand how to retain their most desirable staff while ensuring their future development. This becomes a bigger concern particularly when management development costs are under pressure, as this is a leadership challenge. One of the common problems with retail firms is that they hire fresh graduates without any experience in the retail sector. This has led to over-ambitious expansion plans which have left the firms struggling. The current downturn has highlighted this issue and made firms realize that to succeed they need experienced talent with an understanding of the ground realities faced by the Indian retail sector. With scarcity of an experienced talent pool, talent development has to be brought in-house. The need is to focus on selected senior managers, to develop their capabilities to coach and mentor others. Indian players have already started to take steps to curb this problem and are opening academies to meet their manpower needs.

CONCLUSIONS:

Let us conclude with the HR practices in some of the most successful retail verticals in India:

Apparels: Pantaloon India: Here is a retail giant which hires at least 250 MBAs for operations and merchandising profiles. The candidates go through an induction period and a short training thereon. Individuals are allotted projects for the next five months under the supervision of project guides. They are placed in suitable positions thereafter, with progressive authority and responsibility.

Indian software industry: The challenge for HR professionals in software industry is sheer shortage of high intellectual human capital both in numbers and skills. Recruitment of world

class workforce and their retention is a serious challenge posed in HR industry. The yawning gap between the demand and supply of professionals has increased the cost of delivering the technology. The incentive compensation is based on performance keeping the long-term organizational objectives in mind. Optimized compensation packages are offered as a motivator for retention of manpower.

Food and grocery: It is estimated that the food and grocery market in India is an astounding \$236 billion, and it is the sixth largest grocery market in the world today. No doubt that human resources are an important asset in this food and grocery retail industry. Many top companies have made HR a strategic partner in their operations. One famous example is Nestle, the global giant in consumer-packaged goods. Nestle has a strong internally developed employee backing which gives a major push to the company's lead position in the retail industry.

Attrition rates and retention of personnel:

There seems to be a high level of attrition in the retail sector which is almost 40% according to a recent study. Front end jobs are facing an attrition rate as high as even 80%. Under the present circumstances, retention and motivation of personnel has become the major concern of HR. A congenial working atmosphere, support learning and training facilities, a highly competitive pay structure are some of the effective retention practices followed by the retail sector. While money is the main attraction for freshers and starters, career satisfaction is the main reason with experienced persons. Assigning the "right project to the right person" is the organizational motto these days with companies setting up Manpower Allocation Cells (MAC) to carry out this agenda. Looking at the current scenario, it could be said that there is an acute shortage of middle level management professionals in the Indian Retail Industry. The current trend is to hire from a smaller organization tempting the incumbent with a better pay package. It is imperative that suitable talent be hired in various areas such as technology, supply chain, logistics, product development and marketing in order to stay abreast of the hectic race for success among MNCs.

The call is for HR practitioners to play a more proactive and prominent role in order to retain the high tech skilled employees who are constantly looking for greater gains and prospects in their work. This is the real HR challenge to retain the "knowledge workers" and "knowledgeable

workers" by introducing new processes and procedures and still ride high in implementing organizational effectiveness.

Reference:

1. <http://wfnetwork.bc.edu/>
2. <http://www.naukrihub.com/>
3. Performance Management Systems, By R. K. Sahu
4. Human Resource Management, By K. Aswathappa;
5. KPMG Report (2006) Indian Retail on the Fast Track: Bridging the Capability Gaps.
6. KPMG Report Indian Retail: Time to change lanes;
7. Harvard Business Review Articles
8. <http://www.chillibreeze.com/>
9. <https://www.researchgate.net> , The HR aspect in Retail. Authored by: (Ms.) Merlyn Mascarenhas.