“Voting with feet” – employees’ mobility power in the Indian IT industry

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Abstract

Research drawing on the concepts of Global Commodity or Global Value Chains (GCC/GVC) generally focuses on changing corporate strategies in the course of globalisation. Accordingly, as the call for papers for this stream states, “labour, either as value creator or as agency (collective or otherwise) is still frustratingly lacking in much GCC/GVC work”. This paper seeks to make a contribution to fill this gap by focussing on the vital role of labour agency in the social shaping of global value chains.

Drawing upon qualitative case studies comprising interviews with managers and employees in two IT companies relocating work from Germany to India, I will highlight the impact of labour agency on the modes of work organisation in both companies’ Indian subsidiaries.

In contrast to studies focussing on collective forms of agency (unions) this paper will draw on employees’ “mobility power” (C. Smith, 2006) as a source of power that employees can use as a means to bargain within global value chains. In this perspective, the paper explores how the high rates of turnover the Indian IT industry has become famous for impact on the labour processes in both sample companies.

On the one hand, the paper explores employees’ reasons to frequently change companies, focussing on the employees’ notions of ‘good work’ that are closely linked to the specific forms of production and reproduction of labour power in the Indian IT industry.

On the other hand, the paper explores the effects of turnover on corporate strategies to utilise labour in their Indian subsidiaries and addresses the question whether the employees’ ‘mobility power’ improves their situation. I will argue that although employees can often significantly improve their individual situation in terms of salary or promotions, high rates of attrition can prevent upgrading processes, thereby limiting or sometimes even decreasing the quality of work.
Introduction: IT Offshoring and labour agency

Global Commodity Chain (GCC; Gereffi, 1994, 1999) and Global Value Chain (GVC; Gereffi, Humphrey, & Sturgeon, 2005) approaches have been very influential in the study of globally distributed production and service delivery in recent years. Especially the GVC approach proved useful in mapping different corporate approaches towards establishing global production processes. It changed the focus from entire chains to single links within the company’s global value chains with special regard to different modes of coordination within the chains (Gibbon, Bair, & Ponte, 2008). But despite the valuable insights in varying corporate strategies to govern their global value chains, a growing number of authors criticised the GCC/GVC approaches for their sole focus on corporate actors (like lead firms) and their strategies. Instead, like A. Smith et al. (2002, p. 48) emphasised, „economic actors such as firms are always embedded in dense social and institutional networks of relations (including labour relations and state regulation) at both national and local levels“.

Accordingly, many authors suggested to broaden the focus of GCC/GVC approaches by promoting the concept of Global Production Networks (GPN; Neil M. Coe, Dicken, & Hess, 2008; Henderson, Dicken, Hess, Coe, & Yeung, 2002) which explicitly addresses the socio-economic framework at the various sites in order to explain the restructuring of global economic activities.

But despite the success in broadening the scope of GCC/GVC analysis, Rainnie, Herod, and McGrath-Champ (2011, p. 156) criticise all three concepts, including GPN approaches, because “workers have tended to be seen as passive victims of current restructuring processes: workers are typically viewed simply as being on the receiving end of a new international division of labour” (see also A. Smith et al., 2002).¹

This critique also applies to research done on the internationalisation of the IT industry so far. While many authors agree that the establishment of globally distributed production and service delivery in the areas of software development and IT services has far reaching consequences for the organisation and control of IT labour (Aspray, Mayadas, & Vardi, 2006; Boes & Kämpf, 2007; Sahay, 2003) the focus has predominantly been on the impact of varying corporate strategies yet (see for example Flecker & Meil, 2010). And although these studies have generated valuable insights in different forms of spatial relocation of IT work

¹ Following this critique, a couple of authors has striven to integrate labour and labour agency into the debate about GCC, GVC or GPN (for a good overview see N. M. Coe & Jordhus-Lier, 2010; Rainnie et al., 2011).
and their effects on work and employment, the critique referred to above also applies here: labour agency is usually not considered as an important factor in the structuring of the IT industry’s global value chains (for exceptions, see for example Taylor, 2010; Upadhya, 2009). As far as labour is concerned, it is often the workers’ qualifications that are discussed with regard to the companies’ specific needs (see for example Fernandez-Stark, Bamber, and Gereffi (2011)) not workers as actors struggling with corporate strategies and following their own agenda.

Hence, in the following, I will highlight the vital role of labour agency in the spatial relocation of IT work (often referred to as IT offshoring) from Germany to India, highlighting the importance of labour agency in the Indian IT industry and its impact on work organisation. Labour agency in the Indian IT industry does not come as an organized and collective effort, like in the form of unions2 but in a very individual manner: the boom of the Indian IT industry has caused an increasing lack of IT compatible talent in recent years, leading to a stiff competition between companies for IT labour power. Accordingly, attrition rates have been high in the industry in the last years because IT companies were poaching each others’ staff and competing for the increasingly scarce IT talent while employees were using their “mobility power” (C. Smith, 2006) to negotiate with employers and to easily switch companies if the job “becomes too tough or monotonous or they feel they are stagnating” (Upadhya, 2009, p. 14). As a result, “empowered” by a favourable labour market situation, IT employees are able to pursue their individual career plans – as will be demonstrated below – sometimes in direct conflict with the strategies of their employers and clearly shaping labour process outcomes in the Indian IT industry.

So, in order to understand labour agency and its impact on labour utilisation in the Indian IT industry, we firstly need to analyse the employees’ reasons to frequently change companies, focussing on the employees’ aspirations and career plans that are closely linked to the specific form of production and reproduction of labour power in the Indian IT industry. This is done in the next section of this paper. Secondly, the impact of attrition on corporate strategies to organise work in two sample IT companies’ Indian subsidiaries will be analysed. I will show how management in both companies tries to deal with the high mobility of its employees on an organisational level, using different means to either channel and/or reduce attrition. Finally, the paper finishes by discussing the role of labour agency in the Indian IT industry

2 For an overview on unions in the Indian IT industry see Stevens and Mosco (2010).
and addresses the question whether the employees can use their mobility power to improve their situation.

The paper is informed by a research project funded by the German Research Foundation (DFG) and carried out at the Sociological Research Institute (SOFI) in Göttingen. The project was headed by Volker Wittke and carried out by Nicole Mayer-Ahuja and the author of this paper. In the course of this project, we conducted two case studies on IT companies involved in the spatial relocation of IT-work between Germany and India: an Indian IT service company working for German clients and a German IT product company, developing parts of its software application in different world regions (including its subsidiary in India). Each case study consists of interviews with managers and employees in both companies’ German and Indian subsidiaries (31 in the service company, 38 in the product company). Additional information about the German and Indian IT industry was obtained through a number of supplementary interviews with industry experts in both countries (for a more detailed discussion of the empirical results see: Feuerstein (2012); Mayer-Ahuja (2011); Mayer-Ahuja and Feuerstein (2008)).

Understanding attrition in the Indian IT industry

Although the high number of well educated, English speaking university graduates has always been considered a key advantage of the Indian IT industry, IT-compatible labour has increasingly become scarce in the course of the Indian IT industry’s boom at least since the late 1990s. And although government and the private sector made great efforts to expand the talent pool by increasing the number of IT related graduates from university as well as private education and training facilities (see Fernandez-Stark et al., 2011) the demand continuously exceeded the available number of IT employees (Lacity, Rudramuniyaiah, & Iyer, 2008). As a result, the labour market situation was characterised by high rates of (voluntary) attrition3, because IT employees are granted a lot of options and given a lot of power in bargaining with employers who in return bemoan the “disloyal” behaviour of IT employees literally leaving companies for “a few rupees” (Mayer-Ahuja & Feuerstein, 2008; Upadhya, 2009; Upadhya & Vasavi, 2006).

In this situation the work orientation of workers, their aspirations and career plans become an important factor for employers that they have to deal with if they do not want to continuously

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3 D’Cruz and Noronha (2010) report a similar situation for the Indian ITES-BPO industry.
replace leaving team members, a process which significantly raises costs and endangers the timeframe of projects:

“Employees are primarily interested in pursuing their individualised career strategies, and their field of action is the industry as a whole rather than a particular company – an attitude that conflicts with organisations’ demands for loyalty and commitment. As a result, software organisations are continually engaged in wars of attrition [...] with their employees.”

(Upadhya, 2009, p. 15)

In order to understand this important aspect of IT workers’ agency in the Indian IT industry attention needs to be directed towards “the larger social-economic framework that structures the career choices and aspirations of IT employees” (Upadhya & Vasavi, 2006, p. 50). It is neither possible within the scope of this paper to strive for a complete picture of the social-economic framework of the Indian IT industry, nor is it intended to neglect the heterogeneity of individual aspirations and career plans among IT employees. Therefore, I will focus on two aspects in the following that – according to our own research and the literature studied – can be considered to be part of a general pattern of Indian IT employees’ labour market and career strategies and are closely related to the specific social-economic framework of the Indian IT industry.

Firstly, like their western counterparts, Indian IT professionals strive for challenging and attractive working tasks. The study of Lacity et al. (2008) on attrition rates in the Indian IT industry emphasises interesting working tasks as the most important determinant of employees’ job satisfaction. Given the monotonous and routinized tasks Indian IT service companies – who employ the bulk of IT employees in India – are often involved in, lack of job satisfaction in terms of dissatisfaction with the given working tasks is one of the most important reasons for Indian IT employees to leave their company and search for more interesting and challenging tasks. While this aspiration is not very different from IT employees in western IT industries like the US or Germany, there is an important difference regarding the kind of tasks, Indian IT employees consider attractive. A striking difference between German and Indian IT employees interviewed in our project was that Indian IT

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4 For a more detailed analysis of the social-economic framework of the Indian IT industry, see Mayer-Ahuja (2011); Upadhya and Vasavi (2006).

5 Indian IT service companies are slowly moving up the value chain into more challenging tasks, like IT consulting and some R&D areas, but the bulk of business for these companies still is in support and maintenance jobs for overseas client companies.
employees only rarely intended to specialise in certain technological fields or functional or domain expertise. Instead, employees rather wanted to be employed in a vast array of functions and domains, attempting to broaden their qualifications and work experiences.

Following Upadhya and Vasavi (2006, p. 56), this preference can at least partly be explained with regard to IT employees’ specific situation in the Indian offshore industry and the way labour power is produced and reproduced. Given the uncertainty of industry development with companies only loosely committed to the Indian production site and often changing demands, the specialisation in specific (often proprietary) technologies or single business domains can quickly become a dead end for their careers. Accordingly, by switching domains, functions and technologies often, employees try to sustain their long-term employability in the industry. We also did not find the “techies” we had expected. Being asked for the aspects rendering their work attractive, employees did mention working with latest technologies and newest methodologies (especially in the product company of our sample). But the perception was rather focussed on learning new technologies as these are considered to provide better options in the labour market. Technology per se or the expertise in that technology as an attractive aspect in itself was rare among the interviewed IT staff. This was very obvious at the service company of our sample. This company offers their employees a management as well as a technical career path. But although salaries were higher in the technical stream and the company put a lot of effort in persuading their employees to opt for the technical stream, the vast majority of employees would opt for the management stream. This may partly be explained with regard to the strategy to broaden qualifications outlined above, but on the other side also points to the educational background of the Indian IT workforce.

To expand the pool of available IT talent in face of the increasing lack of available IT workers, the Indian IT service companies started to hire graduates from all kinds of engineering streams. At the time of our study, the service company of our sample started to hire even graduates from arts and humanities. According to Ilavarasan, the majority of IT employees in India hold “an undergraduate engineering degree, not necessarily in computer science” (2007, p. 259; see also Upadhya & Vasavi, 2006). This strategy is only possible due to the elaborated and ambitious training facilities of IT service companies in India, who train graduates from diverse educational background according to their needs in relatively short induction programmes when entering the company. In the case of our sample’s service company, the initial training lasted for 3-6 months and management was proud to say that after the initial training, the newly recruited employees could be utilised in all kinds of projects. This leads to a situation where employees are over- and under-qualified at the same
time: on the one hand, employees do not bring any substantial IT-related expertise, except the general “analytical skills” engineering graduates were hired for, but are on the other hand formally over-educated with regard to the jobs they are put in, because their specific engineering (or other academic) skills are not needed or utilised at all in their actual jobs (Upadhya & Vasavi, 2006, p. 27). Accordingly, most of the employees interviewed in our sample companies did not enter the IT industry because they originally opted for an IT career, but for reasons of fast and lucrative career prospects. Hence, comprehensive technical specialisation was not very attractive for these employees.

Another point in explaining the limited interest for technology might be the social background of the majority of IT employees in India. As Mayer-Ahuja (2011) points out, most of India’s IT staff has an urban, English-speaking, middle class family background. One Indian manager characterised this background as ‘academically rich, but financially poor’. Hence, in sharp contrast to the German interviewees in our sample, only few interviewees in India had access to computers during their youth until they started at university, which might also explain limited fascination for technology (Feuerstein & Mayer-Ahuja, 2012).

Secondly, IT employees in India expect fast and reliable career paths including frequent promotions and salary hikes (see also Lacity et al., 2008). In this regard, the employers’ complaints about employees changing companies “for a few rupees” are not completely wrong. Although a “good salary” is clearly attractive for employees world-wide, financial incentives seem to play a more important role in India. Given the increasing scarcity of IT talent, employees are able to negotiate good and rapidly increasing salaries. And if they are not successful in their respective company, switching companies “can quickly increase their salary by over 50 percent” (Lacity et al., 2008, p. 212). But the employees’ notion of a “good” career is not only about financial aspects, it is also about titles and the status associated with it. According to our interviewees, formal job titles play a vital role in many situations of their everyday life. For example, interviewees reported that finding a suitable spouse is much easier when you are “project manager” at a famous company than merely “developer” or “software specialist”. According to them, the same is true for receiving bank loans, or getting one’s children admitted into ‘good’ schools. This might explain, why Indian employees quickly become unsatisfied with their job, when promotions are delayed, as we experienced in the product company of our sample (see below).

As a result, in face of the strong competition for IT workers in the Indian IT industry, employees, drawing on their “mobility power”, try to realise their ambitious career plans by
switching companies. Although the criteria for “good work” – attractive working tasks on the one and stable/fast career paths on the other hand – may seem similar between Indian and (in our case) German IT employees, the (sketchy) remarks above hopefully helped outline the Indian employees’ specific notion of “good work” that is closely connected to the socio-economic framework of the Indian IT industry.

I will demonstrate in the following by presenting key findings from the case studies that this individual and unorganised form of labour agency poses a challenge for IT companies and significantly shapes the way work is organised in the Indian IT industry.

The impact of attrition on corporate strategies – evidence from case study research

In the following, the impact of attrition on corporates’ strategies of work organisation will be demonstrated by referring to two case studies in transnationally operating IT companies. The focus will be directed towards the impact of attrition on operations in both companies’ Indian development centres.

Channelling attrition organisationally: the IT service provider

ServiceTec is one of the big Indian IT service providers being involved in ‘Offshore Outsourcing’. As pointed out elsewhere (Feuerstein & Mayer-Ahuja, 2012) working for client organizations involves (at least) three important implications for the work process of IT service providers:

Firstly, working tasks usually are of relatively low complexity because client companies tend to opt for outsourcing (and especially for offshore outsourcing) mainly in case of simple and standardized requirements like support or maintenance of existing software systems or customization of standard applications. Hence, support and maintenance projects represent the bulk of ServiceTec’s business.

Secondly, due to the character of most IT service projects outlined above, IT service companies mainly compete in terms of prices and their capability to deliver on time. In combination with the desire of many customers to monitor projects closely, this has resulted in a strong “process orientation” especially the Indian IT service providers have become

6“Offshore outsourcing” refers to a specific type of spatial relocation (“offshoring”) which goes along with a transfer of company functions to other companies or business partners (“outsourcing”).
famous for. “Process orientation” in this regard refers to the implementation of various kinds of standardised “business process models” (like ISO 9000, Capability Maturity Model (CMMI) or Six Sigma) that help split up tasks into various easy-to-handle work packages that require little problem-solving abilities and are easy to monitor (see also Prasad, 1998; Upadhya & Vasavi, 2006).

Thirdly, carrying out projects from Indian development centres for client organisations all over the world, the division between planning and executing tasks acquires a spatial dimension. It is the Indian IT service companies that have pioneered in developing a ‘Global Delivery Model’, effectively integrating operations at the clients’ site and at development centres in India (Athreye, 2005b). At the clients’ site, employees carry out tasks direct client interaction is required for (like requirement analysis or technical design), whereas the actual delivery (coding and testing) – which is subject to a higher degree of routinisation – is done in India.

For employees working in the Indian development centres this means that working processes are often monotonous and standardised, an aspect the employees interviewed in our study often complained about. Accordingly, the quality of work was often mentioned as the most important reason to leave ServiceTec by our interviewees. Due to the business model of IT service companies referred to above, ServiceTec had little free disposition to enhance the quality of work to increase job satisfaction of their employees and to reduce attrition this way. Hence, ServiceTec rather intends to utilize the ambitious career aspirations of their employees to bind them to the company by offering reliable, transparent and most of all fast career paths. Although, management is continuously suggestive of decisions about promotions and salary hikes being determined by no other considerations but the employees’ individual performance, there is a very clear notion regarding the timeframe for the next promotion:

“One important level, we have software engineers, like a person joins the company and gets time for 4 months in the company and then he becomes a software engineer. The typical career of a software engineer is from about .. up to 2.5, 3 years experience depending on the performance of a person. [...] He then moves on the next level, which is known as programmer analyst. The next step is the project manager, it’s about 5.5 to 6 years experience. Once it goes beyond that, than it is a senior project manager” (SI6).

In combination with a very transparent system of evaluation and appraisal, employees are well informed about their career prospects, an aspect management emphasises as an important means to manage aspirations and to retain employees:
“We try to be very open about the feedback that we give them. Because if they are not doing a good job, we ensure that we tell them. Because if we don’t tell them, later on during promotions or we are doing appraisals, we give them a bad score, then, that should not come as a surprise. And many times people would leave because of that. Because they are not satisfied the way [...] their performance has been managed.” (SI5)

Closely connected to the offered career paths is a salary system that favours staying with the company for a longer time combining relatively low entry wages (~480 Euros per month (gross income) in 2007) with rapid increases. In addition, large parts of the salary are variable (up to 30%) depending on company, unit and personal performance, even at the entry level of the company. Due to the rapid development of the company ServiceTec has been able to guarantee regular promotions and considerable salary hikes in recent years. Hence, in our interviews employees mentioned their bright career prospects as the most attractive aspect of their work and the primary reason to stay with the company.

The problem for ServiceTec is that most of the big Indian IT service providers follow a similar approach. Accordingly, ServiceTec competes with the other companies in terms of salary hikes and promotions. So in case a promotion at ServiceTec is retained, a person might leave for another company where he or she receives the desired promotion and a salary hike on top. So all in all, the offer of fast career paths does not do the trick for ServiceTec.

According to HR managers, attrition rates at ServiceTec were at 14% at the time of the interviews. Although this was beneath the industry average, it was still considered a problematically high number, considering that the rates are unequally distributed between the hierarchy levels in the company: most of the attrition happens at entry level, with the young employees. So, at the entry level attrition can be expected to be much higher.

As ServiceTec’s options to effectively reduce attrition by offering more attractive work (see above) are limited, the company’s dominant strategy to deal with “job-hopping” employees is to immunise the working processes against attrition. There is a wide range of measures taken to reduce the working processes’ dependency on individual developers.

Firstly, the standardisation of the working processes, introduced above as an outcome of the successful implementation of standardised process models, serves a double role: on the one hand, standardisation and formalisation of the working processes makes it easier to closely monitor the progress of projects and signals efficiency in service delivery according to international standards – both aspects clearly address the clients’ demands when choosing their offshore service provider. But on the other side, the standardisation and formalisation of
the working processes also reduces the complexity of the working tasks and – closely related to that – the qualification requirements for employees. According to managers at ServiceTec, freshly hired employees are put in an induction training lasting 3 to 6 months, where they are taught necessary programming skills and technical methodologies. After that, they are flexibly distributed between the projects according to companies’ needs. ServiceTec is striving to maintain this flexibility in terms of staffing as much as possible. The strategic goal is to make the projects “process dependent and not people dependent”, meaning that

“[...] the project should not be dependent on a particular person at any point. [...] Supposing this person leaves the company, ServiceTec, or leaves this project, then there is a major problem in the project, like, there is a major lack of knowledge there. We make sure that never happens.“ (SI13)

To this end the working process is organised in a way that developers are easily replaceable in case a team member leaves the company: project managers try to assign working tasks that do not exceed 8 hours and do not require in depth technical or domain knowledge. In addition, the implemented process models come with an extensive number of coding guidelines, templates and checklists employees have to use to work on their tasks.

Secondly, employees are constantly rotated between teams, projects and units. On the one hand, this can be considered an attempt to reduce monotony (see also Upadhya & Vasavi, 2006, p. 52) and to give employees opportunities to work in different technologies and domains, which is welcomed by most. But on the other hand, this serves as a means to prevent employees from specialising in certain domains or technologies or developing closer ties with clients, which would render them more difficult to replace, as a project manager explains:

“*We randomly associate different people so that everybody is capable of doing everything.*“

_F: So it doesn’t matter at all who is assigned which task?_

„*Yes, that is more to avoid the dependency on any particular person.*“ (SI20)

Thirdly, team members are usually assigned a backup person that is constantly kept in the loop and can take over in case a member of the team leaves:

„*Always there is a backup for everybody in the project. [...] Even our manager would have a backup, if he told, he has to leave, there would be one person, who will be knowing his work and who will be, who should be able to take care in his absence.*“ (SI13)
The measures taken at ServiceTec to immunize projects against attrition have been quite successful – according to managers, it takes only around 3 weeks to completely replace a leaving team member. This way, ServiceTec is able to “channel” attrition organisationally.

To sum up, the strong process orientation of the “Global Delivery Model” particularly the Indian IT service providers have become famous for (Athreye, 2005a; Boes, Kämpf, Marrs, & Trinks, 2007) cannot only be considered an outcome of a specific corporate business model. Instead, as the case presented above clearly highlights, the work organization in the Indian development centre reflects a struggle between corporate strategies and powerful employees, in which the standardisation and formalisation of the working process constitutes an important managerial means to counteract the powerful position of IT employees in the Indian IT industry (for a similar argument see Prasad, 1998).

**Undermining corporate strategy: the product company**

NovoProd is a German standard software product company. The case study focussed on teams in NovoProd’s German headquarters and its Indian development centre closely working together. When the Indian subsidiary was founded in the early 1990’s it was primarily used for rather simple translations and customizations of the company’s software products according to the Indian business needs. But the subsidiary quickly grew in importance. Facing severe competition, NovoProd started to develop its software products in a “distributed development network” meaning that the development is spread across various sites also comprising low cost destinations. Although NovoProd’s distributed development network – using the typology of Gereffi et al. (2005) – can formally be characterised “hierarchical”, because all development centres involved in the development are fully owned subsidiaries, the chosen business model reveals a rather “modular” approach when the working processes are more closely analysed (for the following, see also Feuerstein, 2013). In contrast to the early years of the Indian subsidiary the new approach is not supposed to contain a clear division of labour between research and technical design done in the German headquarters and rather low-profile executing tasks carried out in the Indian development centre. Instead, the software is split up into a number of modules which are developed simultaneously in various locations all over the globe. And although the development network is governed by a steering committee at NovoProd’s headquarters in Germany, NovoProd’s strategic goal is to give each team full responsibility – or “ownership” as it is called at NovoProd – for the detailed planning and execution of its module. So, a clear (spatial) division between planning and executing tasks that characterised ServiceTec’s Global Development Network is
explicitly not intended here. In contrast, working tasks at each location shall involve the full range of the software life-cycle, from requirement analysis to technical design, programming, testing and bug-fixing. Accordingly, working tasks at each location are meant to be of broadly similar complexity. Since the application is developed simultaneously in different locations and modules are highly interdependent, meaning that any change in one module might affect other modules as well, another key feature of the distributed development network to be established at NovoProd is that intensive communication and cooperation is essential. As a result, the realization of the “distributed development network” is highly dependent on the skills and the experience of the developers in the Indian development centre for two reasons: on the one hand, qualification requirements are high. Employees need to be savvy and experienced in latest technologies and methodologies to be able to handle their working tasks. Since the developed application is a business software, basic domain knowledge is also required. As requirements frequently change, options to standardise and formalise the working process are limited. Accordingly, NovoProd follows a rather “people-centric” approach resembling strategies of responsible autonomy in many ways: developers are given long-term tasks which require creativity and problem-solving abilities. Autonomy in planning and executing the tasks is granted and employees are requested to specialise in certain fields of technology and develop in depth knowledge about certain parts of the application (for a more detailed analysis of the control strategy followed at NovoProd, see Feuerstein, 2013). Accordingly, individual expertise and experience is a valuable resource for NovoProd and leaving developers are difficult to substitute because they need intensive training which takes time and raises costs.

On the other hand, according to managers and employees we interviewed, due to the interdependent character of development within the network, developers need to be able to autonomously communicate and cooperate with colleagues in different locations. According to project managers a formalisation of the communication processes – like channelling it through project managers – is impossible given the intensity of day to day communications. According to the developers, then, this kind of cooperation and communication requires close social ties and networks within the company because it is much easier to effectively cooperate within the network if colleagues have met in person and established some kind of personal relationship. So every time a team member leaves these social ties need to be re-established which is time-consuming and costly (people need to travel and visit each other). Accordingly, the attrition rates at the Indian site are a great problem for NovoProd. As already mentioned above, due to the specific character of work within the distributed development
network there are limited options for NovoProd to standardise the working process and thereby *channel* attrition organisationally. So, corporate attempts to *reduce* attrition are favoured here.

Obviously the most important means to reduce attrition is the work itself. Developers interviewed in our study state that the kind of working tasks given to them is considered very attractive. They often mentioned them as the main reason to enter and stay with company: developers engage with new technologies and are facing challenging tasks. The autonomy to plan their working tasks and the reduced pressure exerted by superiors are further positive aspects developers mentioned during the interviews. So, none of our interviewees stated that he or she wanted to leave the company for reasons of dissatisfaction with the work at NovoProd. This might be the reason why NovoProd was facing comparatively lower rates of attrition. According to HR managers NovoProd “only” lost 7.5% of the staff each year at the time of the interviews. Even though attrition rates were a highly debated topic because management expected this picture to change in the near future:

„*Last four, five years [the attrition rates – PF] have been much lower than the market. This year the indication is not so good. The kind of indication that we got for the first three months is a lot worse than what we have seen in the past […]. It’s a terrible amount of pressure on that issue at this point in time.*“  
*(NI16)*

This reason for the bad prospects was that NovoProd slowly ran into problems with the career aspirations of their employees. As outlined above, employees in India expect fast and reliable career paths, an expectation that is very much met by the Indian IT service providers. But being a product company, NovoProd cannot keep up with number and timeframes of promotions in the Indian IT service companies, because the business model is not based on rapidly changing projects but on rather stable teams, as an HR manager explains:

„*Most of the companies follow the same principle. I mean, people forget that we are in a product company and not in a service company. Because in services company, you move from project to project, right? So, if the number of projects grows, then there can be more project managers, right? If the project is big, then I can have couple of module leads or small leads, right? But in product, I know that my module […] will be 30 people only. Right? So, I cannot make all of them lead.*“  
*(NI4)*

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*Again: this number was stated for the whole organisation by HR management, so rates can be expected to be much higher at the entry level.*
Additionally, NovoProd is not a very hierarchical organisation in terms of corporate culture. In its German headquarters titles and formal promotions do not play a very important role. Developers rather value the work they do and the kind of responsibilities they are granted, while formally being a “developer” for a longer time is not considered problematic. NovoProd tried to export this culture also to its Indian subsidiary. But, as outlined above, the attitude towards formal titles and promotions is completely different in India. Hence, many developers interviewed complained about slow promotions and “bad” career prospects at NovoProd as a possible reason to leave the company.

The same is true for the salary structure. NovoProd pays comparatively high entrance wages in India (~ 750 and 950 Euros per month (gross income) in 2007). But salary hikes are rather moderate – especially with regard to the rapid salary developments in the Indian IT industry. The reason is that decisions about salary hikes are made by higher management in the German headquarters. According to higher management NovoProd tries to keep an “internal parity”, meaning that salary development shall be similar in all the company’s development centres. Accordingly, NovoProd slowly falls behind the rapid salary hikes in the Indian IT industry.

“NovoProd used to be a good pay-master. Not a good, but among the top pay masters ... till about two, three years back. But I think, we are now not keeping pace with the others. So we must be, say, 80 percent of... I mean [...] somebody, who is equivalent to me outside NovoProd might be getting, say, around 20 percent more than me or something like that.“ (NI13)

When comparing ServiceTec and NovoProd, salaries at entry level at ServiceTec may be much lower (480 vs. 750-950 Euros per month), but after five years – due to the fast salary hikes – an employee at ServiceTec might earn as much as his colleague at NovoProd.

In sum, although developers are very content with the work they do, many of them think about leaving the company due to “bad” career prospects:

„Because I have my friends in different service companies. So, it does also have to do with peer pressure. I mean, when you say that every two years or three years, they’re getting promoted. And then you feel: ‘what are you doing here?’ Yeah, I mean: Work is fine, but then, as I said – there is, like, different aspects.“ (NI7)

At the time of the interviews, management was thinking about different measures to counteract these complaints. An important means was to establish additional hierarchy levels in India. So, in India, we came across “senior” or “platinum” developers, formal designations
that are absent in the German subsidiary. Actually, these designations do not go along with any changes in the responsibilities or the kind of work assigned to employees in these positions. Additionally, in contrast to the corporate goal of “internal parity”, NovoProd started to promote faster in India. As a result, Indian project managers tend to be much younger and less experienced than their Germany counterparts. Hence, this measure is limited, because it often causes tensions in the cooperation between German and Indian teams: the German counterparts do not really take the young and inexperienced Indian project managers seriously, who in return often feel offended by the Germans. Another strategic approach was to loosen the “internal parity” and increase Indian salaries above average. This was actually done but management tried to limit it as much as possible because they were afraid that it might offend employees at other development centres and this way undermine to cooperation between employees in the distributed development network.

Accordingly, at the time of our interviews, attrition was a very relevant issue at NovoProd and even a rate of 7.5% partly undermined the corporate strategy to fully integrate the Indian development centre in its global development network: there were important differences in the extent to which the Indian teams were given responsibility for their modules. Teams that faced higher rates of attrition in recent times were not yet given full “ownership” for their module but were still closely instructed and monitored by managers from the German headquarters, while stable teams had already received full ownership. Accordingly “ownership” was a very controversial topic at NovoProd. While developers complained about German managers “micro-managing” their work, German managers complained about the lack of experience and expertise in the Indian teams, a view that an Indian project manager echoes:

“Those guys, Germans, they cannot give very critical work, because they know that: ‘ok, you don’t have the expertise’. And by the time somebody has this expertise, he will move out. And we also keep complaining that we don’t get critical work or important work. So that’s why we try to emphasize that: ‘ok, you need to spend some time in NovoProd – three years, four years. And then only you start getting more important, critical...’ That’s why we try to retain people, and put a lot of stress on that.” (NI4)

So, to sum up, in NovoProd’s case, it is even more obvious why a sole focus on corporate strategies is unable to explain the labour process outcomes in the Indian development centre. There is a severe struggle between management and employees who can draw on their mobility power to realise their career plans. Hence, employees’ aspirations and career plans
pose a serious challenge for NovoProd altering and even partly undermining corporate strategy.

**Conclusion: the impact of labour agency in the Indian IT industry**

The aim of this paper was to demonstrate the vital role of labour agency in the restructuring of labour processes in the course of the IT industry’s internationalisation. To this end empirical evidence from two case studies was presented. The presented sample companies follow very different internationalisation strategies with important implications for work organisation in India. ServiceTec follows a very process oriented approach inherent in the Global Delivery Model with highly standardised and formalised working processes in its Indian development centres. In contrast, NovoProd establishes a globally distributed development network comprising various sites including its Indian development centre and follows a rather people-centric approach in its Indian subsidiary trying to grant employees a lot of scope to autonomously deal with their working tasks. But as the case studies showed, corporate strategies alone do not determine the actual labour process outcomes. As was set out, the favourable situation of the Indian IT labour market enabled employees’ to pursue very ambitious career plans including a specific combinations of attractive work and fast and reliable career paths. In both cases, the struggle between management trying to implement their strategy and the highly mobile Indian IT employees who are easily switching companies if their demands are not met could be demonstrated. The results differ though because both companies can draw on different sets of options to negotiate with their employees.

ServiceTec, facing strong pressures from customers to standardise and formalise processes, draws on their ability to offer fast, transparent and reliable career paths meeting the employees notions of fast “growth”\(^8\). Besides, the organisation of the labour process rather follows the strategy to *channel* attrition by further reducing the dependency on particular staff. NovoProd in contrast does not have the option of channelling attrition by standardising and formalising the labour process to a great extent because of the complex interdependencies and interconnections within their distributed development network. Accordingly, NovoProd draws on the work they offer to reduce attrition hoping that increased job satisfaction will keep employees from moving. Although this strategy has so far been quite successful,

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\(^8\) Since the majority of IT employees start their careers in one of the big Indian IT service providers it could also be argued that the career aspirations are also further *shaped* by the Indian service providers effecting companies hiring employees at a later stage of their careers like NovoProd.
NovoProd slowly runs into problems with the employees’ career expectations. As a result, the realisation of the distributed development network is partly undermined by leaving team members and NovoProd needs to direct and monitor its Indian teams more closely than originally intended.

Hence, the cases presented above *firstly* underscore the importance to reflect the struggle between corporate strategies and labour agency on a local level in order to understand the labour process outcomes of globally distributed economic activities (Cumbers, Nativel, & Routledge, 2008; Rainnie et al., 2011; Selwyn, 2011; Taylor, 2010).

*Secondly*, the empirical evidence points to the limits of unorganized labour agency, like mobility power as a source for the employees, to improve the working situation. Surely, stiff competition between companies for scarce IT talent has significantly increased salaries in the Indian IT industry and given IT employees quite bright career perspectives. But of course, the labour market situation is dynamic. Especially the big Indian IT service providers have been hiring a huge amount of “freshers” right from university to meet their ambitious growth plans. So, the power of IT employees is obviously very much dependent on the economic development of the Indian IT service providers and the industry as a whole.

Finally, employees may quite easily change companies (and often increase their salary or speed up promotions) but they are not really successful in shaping the working situation and increasing the quality of work as such. In contrast, as was demonstrated above, the service provider counteracts the employees’ mobility with far-reaching standardisation and formalisation of the labour process leading to monotonous and routine work. And also at the product company the work organisation changed to more directly controlled working processes in teams that had faced higher attrition rates, significantly reducing the quality of work in terms of autonomy and the kind of working tasks given to the developers. So, all in all the employees’ ability to increase their working situation can be considered rather limited, as Carol Upadhya put it,

> “because software engineers ultimately must find and retain employment, at least for some period of time, during which they must conform to organisational norms and systems of control.” (Upadhya, 2009, p. 14)

In the end, high rates of attrition may even prevent upgrading processes in the Indian development centres. This was most obvious at the product company that was not completely successful in establishing their distributed development network the way it was intended. So, in some teams the intended “modular” structure of the product development was changed to a more “hierarchical” approach using Gereffi et al.’s (2005) terms. At the time of the interviews
this did not yet apply to the whole Indian development centre but given the tendencies set out above management was worried about the further development if attrition rates kept increasing. Employees’ career plans also became an issue for the service provider’s operational upgrading. In order to upgrade from rather low value development and maintenance projects that constitute the bulk of ServiceTec’s projects into more value added R&D related and consultant work requires deeper technical specialisation and domain knowledge of the employees. So, the establishment of a technical career path and increased domain expertise is an important precondition for moving into these business segments (see also Fernandez-Stark et al., 2011, p. 151ff.). But as demonstrated above, ServiceTec had severe difficulties in establishing its technical career path due to the employees’ preference for management careers. According to managers, this caused problems for ServiceTec because technical experts and consultants had to be hired from outside the company and were able to demand high salaries. So, the successful internal implementation of technical and consultant career paths was of highest priority for ServiceTec to successfully upgrade into value added activities.

So, although “job-hopping” is definitely a very strong force shaping labour process outcomes in the Indian IT industry, the consequences for employees’ in terms of improving their working situation are complex and contradictory.
References


