People matters

Leading People
Building Organizations

Vol. II, Issue 1, 15 Jan - 15 Feb 2011

Rs. 75

Ethical Storm Brewing

An unholy nexus between politicians, promoters, media and shareholders reflects the ugly side of India's growth. What are the economic costs of this collective loot and how do we guard behaviourally against this invasive vice?

IN SEARCH OF CHANGE MAESTROS

THE STATE OF EMPLOYEE ENGAGEMENT - 2010

TOTAL REWARDS SPECIAL


"As the *economy* *improves*, the war for *talent* will *resurface*."
-VP, Human Resources, United States

ESTER MARTINEZ
Managing Editor

A Question of Ethics

We hope 2011 will be a glorious year – for business, organizations and the economy. We look forward to the year with an ambitious plan to expand on the range of leadership and people management issues covered in *People Matters.*

The year starts on a somber note – with a topic that, while critical of the state of affairs, is far too crucial for leaders, managers and for organizations at large, to be given a miss. The cover story of this issue, *Ethical Storm Brewing,* highlights the ethical deficit in governance at all levels in India and specifically, the nexus between politicians, promoters, media and shareholders in the 'discount sale' of public assets to private enterprise.

The story attempts to build on the definition of corporate governance beyond protecting shareholders wealth to a broader definition that encompasses more stakeholders and takes responsibility for the long-term sustainability of the economy and society it operates in. It takes the view that while ethical behaviour is warranted irrespective of any incentives, the 'market way' of enforcing a collective corporate responsibility may lie in a collective understanding of the long-term economic setbacks that arise from such ugly practices.

Also included in this issue are the complete findings of this year's Global Employee Engagement Survey conducted by BlessingWhite and HR Annexi. Apart from some insightful recommendations for employees, managers and top level executives, the report introduces some interesting engagement models and sheds light on engagement levels of different population groups in Indian organizations.

In Rewards Special 2011, *People Matters* invites experts to share their views on top trends, the potential pitfalls of Pay-for-Performance plans when not designed and executed diligently, the importance of creating an emotional connect as a foundation for any reward program and finally the 'must know' about ESOPs to make long term-equity incentive plans work. In this special, as with every alternate issue of People Matters, HR professionals will find a detailed description of the top service providers in the area of rewards.

From this issue onwards, and with special thanks to Dr. Pritam Singh and Dr. Asha Bhandarker, *People Matters* starts a new leadership series based on the systematic and intensive research captured in their newly launched book "*In Search of Change Maestros*". The series focuses on identifying leadership traits of the seven *Change Maestros* studied by the authors (KM Birla, M. Damodaran, S. Jindal, KV Kamath, Sunil Mittal, Anil Naik and Kiran Mazumdar) and the characteristics of the organizational culture they have created.

We would love to continue hearing views, suggestions, criticism and comments; do write to us at editorial@peoplematters.in

Vol. II • Issue No. 1 • 15 January - 15 February, 2011

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Printed, Published & Owned by: Tejasvi Mohanram

Published at:
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Tel: +91 (0) 124-414 8101
ask@peoplematters.in • www.peoplematters.in

Printed at: Rakesh Press
A-7, Naraina Industrial Area, Phase-II, New Delhi
Tel: 011-45 666 555 (30 Lines)

This issue of *People Matters* contains 88 pages including cover.

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We value your feedback. Write to us at: editorial@peoplematters.in

Letters to the editor

Best of 2010
Congratulations to the *People Matters* team for yet another fantastic issue. As a regular reader of *People Matters*, I have seen the publication mature. I found the "Best of 2010" issue very interesting as it took me back to the more exciting stories of the stories of the year. It is great to have an online reference to read the complete articles as well. Many thanks and keep up the good work.
- Arsh Kumar (via email)

Guest Column: Social Media in HR
I congratulate Gautam Ghosh for the excellent foresight on the future of an enlarged HR function in the era of social media. This really needs to be understood by new budding HR professionals and it is necessary for their success. HR started as a silo in organizations, then moved to a more enlarged role of being part of the business, then proceeded to grow into a function which impacted all stakeholders of the business and now is further growing beyond the business and playing a major role in what shapes society and business strategy. This word needs to be spread and understood by all future HR professionals who aspire to be the leaders of tomorrow.
- Ujjal Ghatak (on www.peoplematters.in)

China Rising
With reference to "The perils of Reactionary policy" (December 2011), China is indeed the major threat to India. New Delhi must wake up to this reality and prepare itself to face the potential physical security threat. China is undoubtedly interested in Arunachal; it claims that the state has never been part of India. Kashmir also faces a territorial threat in view of China's growing proximity to Pakistan and its decision to issue stapled visas to Kashmiri visitors to China. Your editorial brought out the less-understood economic aspects of this 'battle' being fought between the two emerging giants.
- M. Kumar (via email)

Unique Directory of Service Providers
I found the special business directory in the December issue very useful as it compiled major service providers in one place – something that we would spend weeks googling or asking around! Please make these directories available online as I was not able to find it in www.peoplematters.in.
- Mayura Jumar, Chennai (via email)

Happy New Year
Dear team at *People Matters*, I wish you a very happy new year. Keep up the good work and we look forward to the Best of *People Matters* 2011.
- Jaya Misra (via email)

NHRDN Annual Conference Coverage
We thank you very much for sharing your magazine during the 14th Annual NHRDN conference in Gurgaon this year. It was a surprise to me to see the quality of the presentation and the layout as well as the fantastic story your team had drafted around the annual conference. Congratulations to you and we look forward to more of *People Matters* in 2011.
- Rajeev Kumar (via email)

More Research Welcome
Of late, I have noticed there are more articles and interviews in *People Matters* as opposed to India centric research that used to be covered in the magazine earlier in the year. I would encourage the editorial team to re-initiate research in the areas of HR Technology and HR Outsourcing. These surveys did not happen as we progressed through 2010 and it is a pity for the reader as we cannot analyze the trend from last year's findings.
- Sandesh Namdar (on www.peoplematters.in)

Every issue is an interesting surprise
Thank you very much for the December issue. I subscribed to *People Matters* just few months back and every issue has brought an interesting surprise. "Best of 2010" was well designed and a great referral for the year. Overall, I would like to congratulate the *People Matters* team and wish everybody a Happy New Year.
- Sanjay Banerjee, Mumbai

Send your comments at editorial@peoplematters.in


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UPDATE

Professor Jagdish Sheth conferred first Global Management Guru award

Professor Jagdish Sheth, Charles H. Kellstadt Professor of Marketing and Global Business at Goizueta Business School, Emory University (USA) was recently conferred the 'Global Management Guru' award instituted by Birla Institute of Management Technology in 2010, for his contribution and thought leadership in the field of management.

Dr. Jagdish Sheth is a renowned scholar and world authority in the field of marketing. His insights on global competition, strategic thinking and customer relationship management are considered revolutionary. Speaking to *People Matters,* Dr. Sheth said "This award is both a surprise and an honour. On the one hand, it is a privilege for me to be among the list of nominated people. They are all world class, and because the recognition comes from both Indian and global audiences, this recognition is a milestone to a journey that is forever. One needs to take a pause once in a while to reflect on what one has achieved, what impact it has had in the world and also to celebrate."

As said by Chairman of the jury Padmashri Professor Pritam Singh, "This is the foundation year of the award and BIMTECH has been working very cautiously to establish this award at an international level." The award ceremony has been planned for 21st of January 2011 in New Delhi with a grand meeting of thought leaders from India and abroad. In line with a few awards in memory of the late Shri G.D. Birla, the Board of Governors of BIMTECH decided in 2009 to institute an award for honouring global thought leadership in the world of management. It would be called the 'Global Management Guru' award and will be conferred on a thought leader who has influenced management thought worldwide in a fundamental way as a teacher, researcher, writer, trainer or a coach.

Population worries: India to overtake China in 2025

India's population is supposed to cross China in 2025 when it is projected to have 1.396 billion as against 1.394 billion

There may be a cause for worry in India as a US Census Bureau projects that the country is on its way to overtake China as the most populous country in the world by 2025. India's population is expected to cross China's in 2025 when it is projected to have 1.396 billion as against China's 1.394 billion, the report stated. India would surely dominate the number one position by 2050 when its population would increase to 1.656 billion people as opposed to China's which would drop to 1.303 billion. Presently, China is the most populous country of the world with 1.330 billion; followed by India with 1.173 billion. The United States comes third at 310 million. By 2025 its population is projected to be 357 million and 439 million by 2050. Incidentally, Pakistan and Bangladesh were among the other two South Asian nations apart from India which were featured in the top ten populous countries of the world. Pakistan came sixth with a current population of 184 million and will have 228 million in 2025 (sixth most populous) and 290 million in 2050, a projected fifth largest population after India, China, US and Indonesia. Bangladesh is presently seventh and has a current population of 156 million. It is expected to reach 197 million in 2025 (seventh), but in 2050 it would drop down to the ninth position with 2509 million, with Brazil, Nigeria and Ethiopia crossing its population mark.

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Early Withdrawals from PF may stop

Individuals in the habit of encashing their Provident Fund during tough times or while switching jobs are in for a rude shock. The Employees' Provident Fund Organisation (EPFO) has urged the government to restrain workers from pulling out their PF balances on changing jobs.

The wakeup call has been triggered due to an internal study conducted on this year's PF settlements at the Provident Fund office in Karnal, Haryana. It was found that as many as 89% of the cases settled at the office were those of workers withdrawing PF balance after resigning, surprisingly only 0.8% workers opted to transfer their PF account to their new job. There were some more alarming results revealed. For instance the settlement amount for 82% of the workers pulling out their PF was less than Rs 30,000. In addition, nearly 65% workers withdrew their retirement savings before the age of 35. Just 3% EPF members had continuous service of 10 years which is a prerequisite to be eligible for pension benefits from EPFO. The study also inferred that 50% of claims are from people withdrawing their PF at the age of 31.3, after working for 2.7 years.

The EPFO was set up with the objective that a working individual has some financial security at retirement and old age. Early withdrawals not only defeat that purpose but also affect EPFO's investment earnings. Incidentally, the existing PF rules state that an employee can withdraw his/her entire EPF contributions two months after leaving a job. However, there is a condition that the employee shouldn't start working elsewhere in that period. If another job is taken up within two months, the EPF balance must be transferred to the worker's new PF account at his/her new workplace. The problem stems from the fact that the EPFO has no systems in place to prevent workers from getting new PF accounts with every job switch. Its accounting systems are outdated and operations are still being computerized. For over a decade, the department has tried unsuccessfully to assign a unique account number for individuals to retain through their working tenure. In the absence of such a system, even if one changes jobs within a single PF office's jurisdiction, the department can't block withdrawal claims on account of resignation.

Although the PF commissioner has asked all field offices to do an analysis of their settlements over the past year so that the government can be convinced about amendment of existing rules , there is still a long way ahead as any change in policies and procedures will be time consuming and tedious.

India is world's 9th most corrupt country

According to a global survey conducted by Transparency International (TI), which gauges the extent of corruption in a country, about 54% Indians paid a bribe in the past year making it equivalent with countries like Cambodia, Nigeria, Afghanistan, Senegal, Uganda and Liberia. The survey measures public perception on corruption across the world. One metric asks respondents if they had paid a bribe during the past 12 months to providers of any one of the nine services such as education, judiciary, medical services, police, registry and permit services, utilities, tax revenue and customs. By this metric, India is the ninth most corrupt country in the world, in a ranking of 86 countries, with 54% of people accepting that they have paid a bribe. Iraq (56%), Afghanistan (61%) Liberia (89%), Uganda (86%), Nigeria (63%), Sierra Leone (71%), Senegal (56%) and Cambodia (84%) are at worse levels than India.

Interestingly, Indians perceived political parties to be the most corrupt, ranking them 4.2 on a scale of one to five. Political parties are followed by the police (4.1), parliament/legislature (4) and civil servants (3.5). Private sector, NGOs and judiciary are all seen to be similarly corrupt (3.1), with the media on a better rating at 3 as also the military (2.8) and religious bodies (2.9).

Zuckerberg is *Time*'s Person of the Year

Facebook founder Mark Zuckerberg was named *Time* magazine's '2010 Person of the Year' 'for connecting more than half a billion people and mapping the social relations among them' by starting the world's largest social-networking site in 2004. Facebook, with more than 500 million users, has helped people connect with each other and changed definitions of privacy, *Time* Managing Editor Richard Stengel said in a letter on the magazine's website.

Promotions and hikes at TCS, Infosys, Wipro: War to retain talent continues

India's IT industry is expected to hire 200,000 new staff over 2011, higher than the 80,000 additions reported last year

IT giants TCS, Infosys and Wipro start the new year planning promotions and lucrative salary hikes for their employees in a resolute effort to retain talent which seems to be slipping away to competitors in the domestic as well as multinational sectors. The recession in the past year had left the IT industry crippled as it struggled to cope with costs and had to cut corners by tightening perks and trimming payroll figures. However, this seems a thing of the past as these three leading names in software exporters plan to add 100,000 new staff in 2011, much higher than the 20,000 they added last year.

TCS alone plans to double the number of promotions next year, especially for the mid-level grades where retention is crucial. Market sources reveal that Infosys and Wipro are set to hand out at least 100% variable pay in addition to the double-digit salary hikes in 2011.

Over the next year, the country's IT industry is expected to hire 200,000 new staff, which is much higher than the nearly 80,000 gross employee additions the sector had reported last year.

Employee attrition has always been the foremost matter of concern in many IT companies. TCS saw a rise in attrition rate in the September quarter when it was 14.1%; this is despite giving an average wage hike of 10% six months ago. The company had also paid out a quarterly variable pay of 150% for the second quarter.

Things are no different at Infosys which plans to hire 36,000 new employees by March 2011. The company has also set apart Rs.600 crore for increments alone which include promotions for almost 20,000 employees. Wipro plans to announce salary hikes in February 2011.

Interestingly, many tech firms are also offering attractive stock options to their top executives which align them with the company's growth. For instance, Cognizant offers its top management double the number of stock options if the company registers over 35% growth and crosses the $6-billion mark. If the company grows by 20%, the top executives would get only half of the stock options offered as part of their compensation.

Another trend to watch out for will be non-traditional ways of rewarding employees such as with family holidays and other such innovative schemes which motivate employees to remain loyal to the company.

With the economy in its favour and the market at its peak, the war for attracting and retaining talent seems to be back.

Employee referral schemes at a new high

Employee referral schemes are getting a facelift this season. According to market reports, top tech companies like Wipro and Infosys are hoping to acquire quarter of their new talent through new and exciting referral schemes.

Companies like Wipro have offers which include doubling up cash incentives to encourage existing employees to look for and bring in new staff. Market sources also reveal that Infosys has already issued a mail to its employees offering double the usual amount for each new staff joining through their employee referral scheme. Employee referral schemes are becoming increasingly popular with all companies today. Though the concept is not new, this hiring trend has taken over all traditional methods of recruitment lately. In most companies 30-40% of the new hires come through internal recruitment. There are several advantages of the same. Firstly, referrals tend to yield best results as candidates are referred by the company's own employees who are aware of the organizational goals and what is expected of the employee in addition to the skill sets required for the position. Thus the chances that the employee joining through referral will be a right fit increases. Secondly, recruiting through referrals avoids company costs incurred in advertisements and huge amounts paid to placement agencies, making it at least 60-70% cheaper for the company. Lastly, referral schemes help encourage a strong commitment from existing employees and boost the company's image. New employees joining are reassured that the company is indeed an employer of choice and are already well-versed with the organizational culture and goals because of the information provided by their friends.

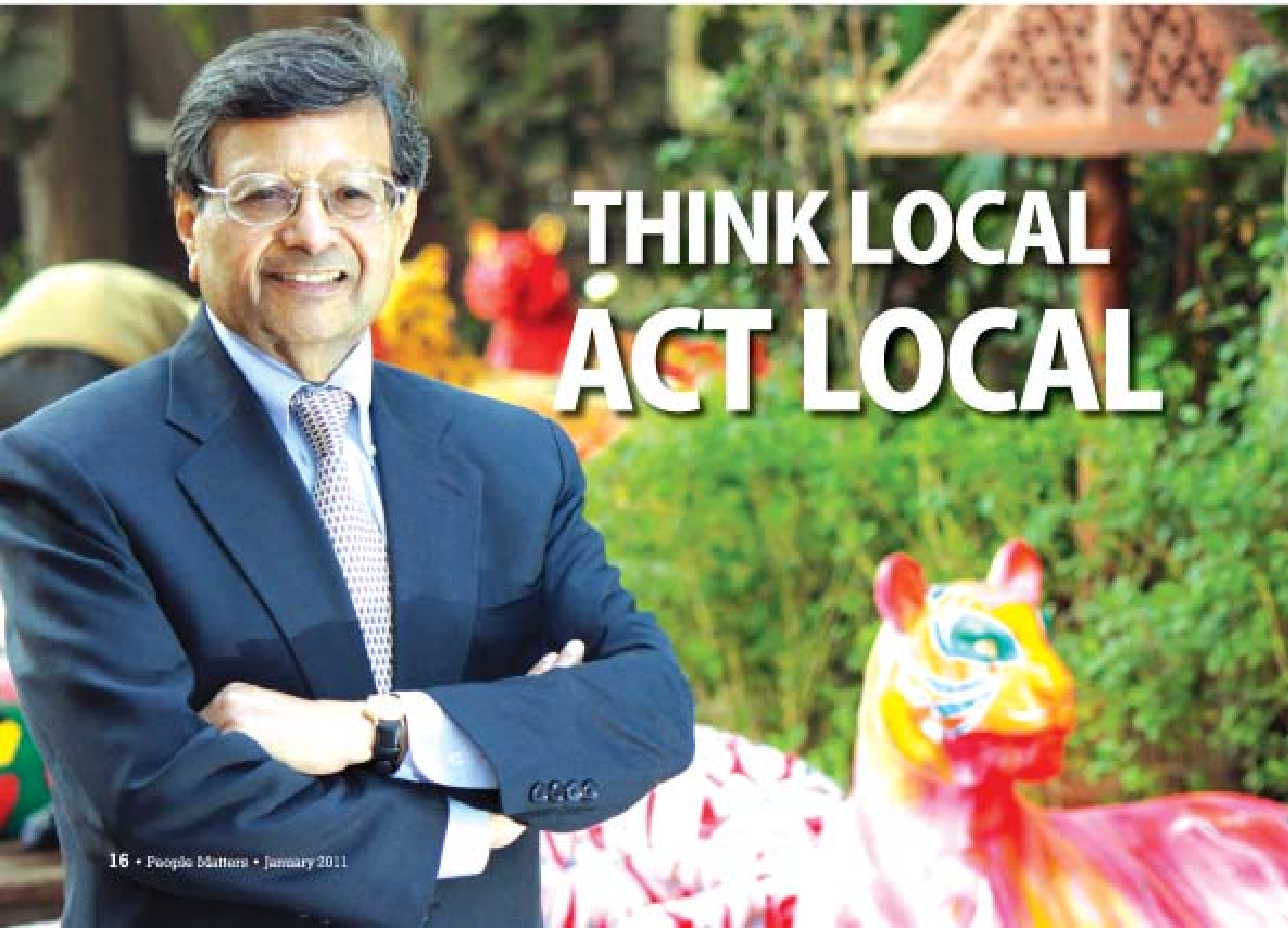
With the economy at an all time high, the country's $50 billion IT industry is expected to see a high number of employees being recruited over the next year. Where 80,000 gross employees joined the industry last year, 2,00,000 new employees are expected to be recruited over a span of twelve months. This is being done in an attempt to escape the fierce competition concerning recruitment which will initiate early next year, not to forget that this is also the appraisal period for most IT companies.

Professor Jagdish Sheth, Charles H. Kellstadt Professor of Marketing and Global Business at Goizueta Business School, Emory University, was recently conferred the first Global Management Guru award 2011 by Birla Institute of Management Technology. During his visit to India, Prof. Sheth talks to *People Matters* about the many parallels between employer branding for employees and product branding for customers

Your contribution to marketing both in terms of areas of consumer behavior and customer relationship has been revolutionary. In your opinion how do these apply to employer branding?

There is a very strong parallel between customers and employees when we look at the way the relationship is built between them and the companies, be it service or product providers or employers.

The first common denominator and probably the strongest is trust. Customers are willing to engage with a company when there is trust. That is especially true in service Industries but applies to many others as well. In all service industries, the customer looks for trust in the employee that delivers the service. We trust the people that represent the organization; we do that with banking, with life insurance, with lawyers, with doctors, accountants etc. The trust that is built between the customer and the person represent-



THINK LOCAL ACT LOCAL

ing the company should have a mirror trust between the employee and the employer to be sustainable over time. For example, during the recession period, many companies broke that trust with their employees and today those companies are suffering the consequences, with their employees becoming transactional with their work. There is a double negative to that - on the one hand, it has led to increased attrition and on the other hand, resulted in increased unhappiness. The parallel is enormous even taking trust alone.

The second one is commitment. The same way that customers have expectations from a service or product providers, employees have expectations from the employer. Companies need to be able to commit to expectations from their employees after recruitment. Employers need to invest in training and education, in culture orientation, in career planning and development, even before the employee asks.

The third parallel refers to the reverse relationship. In marketing we have seen that commitment cannot be one way. What should the customer do to make sure that the service or product providers keep giving best services/products? We have seen customers give in three ways: the first, customers begin to give more business to the same company, what we call the share of wallet increases and customers choose to have less suppliers and concentrate more on business; the second, the customer begins to buy additional products from the company and giving an opportunity for them to cross sell; Thirdly and most importantly, customers provide references and this targeted word-of-mouth can create immense value to the organization. The same is true for the employees, they also need to give back to the employers to maintain the relationship: firstly, they need to contribute more as they grow with the organizations, secondly, they need to engage in many more activities other than the ones they were hired for, sometimes from being a specialist to being generalists, and finally, they should be the best ambassadors for their companies for future employees.

You developed the principle of the 'Rule of 3' for competitive advantage and survival of organizations and you then applied the same for competitiveness of countries too. Does the 'Rule of 3' also apply to employers?

The 'Rule of 3' offers a universal model. In industry after industry, the three strongest companies usually control 70 to 90% of the market. The three "giants" will be surrounded by "specialists" that will own niche areas. It is tough to survive as a mid-sized player. The same happens with attracting and retaining talent. If you look at the concentration of employees, most likely a large number of employees work for the largest three companies, then the number drops considerably. There is also a trend that people who like to work with a niche player as the type of benefits and access to specialized work is higher. So when it comes to employer branding again, either you have the scale to offer opportunities across the world as the bigger players do, or you have the niche specialization to attract talent that wants to work in that specialized environment. Companies left in the middle will struggle to attract and retain people for their businesses.

> The trust that is build between the customer and the person representing the company should have **a mirror trust between the employee and the employer to be sustainable over time**

What are the trends you are seeing as the world emerges in a new phase of growth?

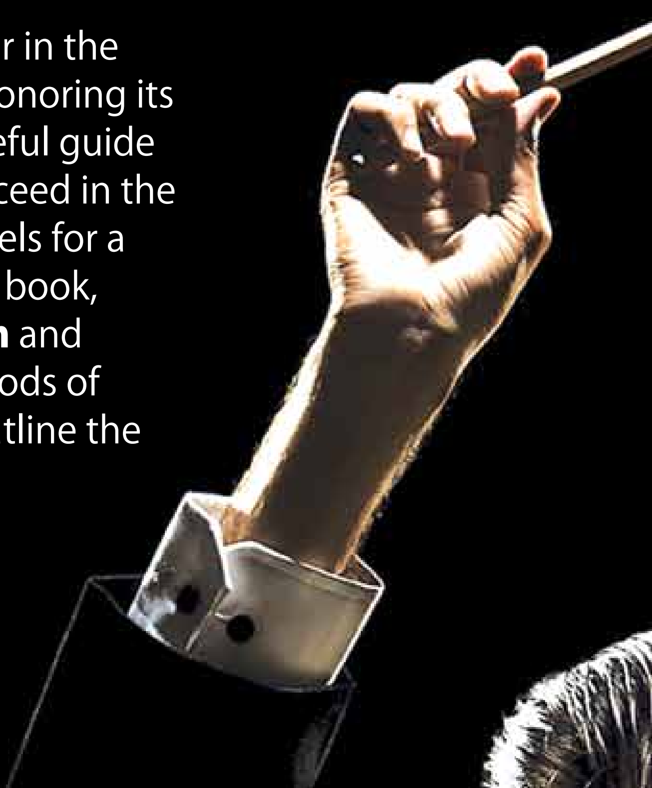
The first trend is that more and more power is shifting towards emerging markets – especially large countries like Turkey, Brazil, Malaysia. The business challenges faced in these economies are very different from those faced in the western countries. Concepts learned from these economies are not necessarily applicable to emerging markets. Here the needs are too heterogeneous and require special consideration. Some aspects are useful, especially the processes, infrastructure, technology. What is not useful is the mindset. For example, in the west there is still a misconception of China and India offering low quality or being low cost economies without resources or talent; they have not understood the power of these economies to innovate and many proven examples are there in pharma, automobile, etc. Future lies with emerging markets and developing countries. Think local act local is the new motto.

The second trend is the new look of leadership. Here the best combination is a mix of emerging and western with equal status. In science this is already happening. In management it is still not there.

IN SEARCH OF CHANGE MAESTROS

As India becomes a central and important player in the global economy, identifying, recognizing and honoring its leaders and their contribution creates a very useful guide for understanding the leadership traits that succeed in the Indian eco-system. It also helps create role models for a new generation of entrepreneurs. In their latest book, *In Search of Change Maestros*[i], **Dr. Pritam Singh** and **Dr. Asha Bhandarker** from MDI study the methods of seven successful Indian business leaders and outline the 'Change Maestro DNA' in the Indian context

This is the introduction to a seven-part series that will explore the stories of these seven leaders



In a society that is experiencing poor perception of leadership at all levels - political, social, economic, religious and academic, such 'Change Maestros' revive faith in the power of leadership for building organizational change. Following a systematic scientific analysis and intensive research spread over three years, the authors identify the leadership traits of the seven 'Change Maestros' and the characteristics of the organizational culture they have created, in their mission to understand what makes each of them a great leader in the Indian context.

The research unfolds the stories of the seven unique leaders who, in their unending quest to bring change in these organizations, also have a deep and positive impact on increasingly large number of people who become partners in the change process. The research reveals the following common elements of their leadership styles and their persona.

- Highly ethical, ambitious and global perspective coupled with innovative thinking.
- Significant understanding of themselves and alignment between their vision and their actions. They mean what they say, they walk-the-talk.
- Big dreamers with great ambition and global vision. Bold, courageous and passionate with a powerful entrepreneurial spirit.
- Strong connect with their past, their families and Gandhi as role models.
- Tremendous similarities in terms of their attributes and leadership competencies frameworks.
- Aesthetically turner in and particular about the places they create in the organizations, for themselves and for their employees.

These attributes are consistent across the very diverse and eclectic profiles of the Change Maestros researched; the results bring soul, mind and body together to describe the required traits and capabilities to be a change agent in the Indian corporate context.

7 Great
Indian Wealth creators and Institution Builders

Looking within, Looking Around, and Looking within

The story of a man who took over the reins of India's largest business empires and took the group to new heights. In a span of just 12 years, Aditya Birla Group expanded globally and transformed a traditional, conservative group into a modern institution.

*- **Kumar Mangalam Birla,** Chairman, Aditya Birla Group*

Renaissance Artiste

A look into the work of an administrative genius who left behind a rich legacy of contribution from district magistrate, to Joint Secretary of Department of Banking and Finance followed by Chairmanship of UTI, IDBI and finally, at SEBI. A man who rewrote the destiny of three commercial banks (Bank of India, UCO Bank and Indian Bank) and re-architected SEBI from being a regulatory body to a developmental institution.

*- **Meleveetil Damodaran,** Former Chairman of the Securities and Exchange Board of India*

Romancing Limitless Growth

The story of a man who transformed a manufacturer of steel pipes to a conglomerate with interests in steel, cement, power, and ports. A breathtaking journey of taking JSW from 93 crore in 1993 company to 12,700 crore company in 2008 and with an ambition to attain 50,000 crore by 2012.

*- **Sajjan Jindal,** Vice Chairman, Managing Director of JSW Steel*

Unfolding the Future with the Present

The journey of a man who redrew the Indian banking landscape. A stunning story of converting a traditional developmental bank into a vibrant, cutting edge, aggressive universal bank. Today ICICI Bank is the second largest Indian bank and its architect KV Kamath one of the most influential corporate personality in India.[ii]

*- **Kundapur Vaman Kamath,** Non-Executive Chairman, ICICI Bank*

The Game Changer

A story of David challenging the mighty Goliaths; Bharti Airtel exploded many myths of managing telecom business profitably by questioning and redefining well-entrenched business models. As a group they had the courage to create transformations that have become global benchmarks for the industry and today they are the fifth largest mobile phone operator in the world.

*- **Sunil Bharti Mittal,** Founder, Chairman and CEO of Bharti Enterprises*

Toward the Next Orbit

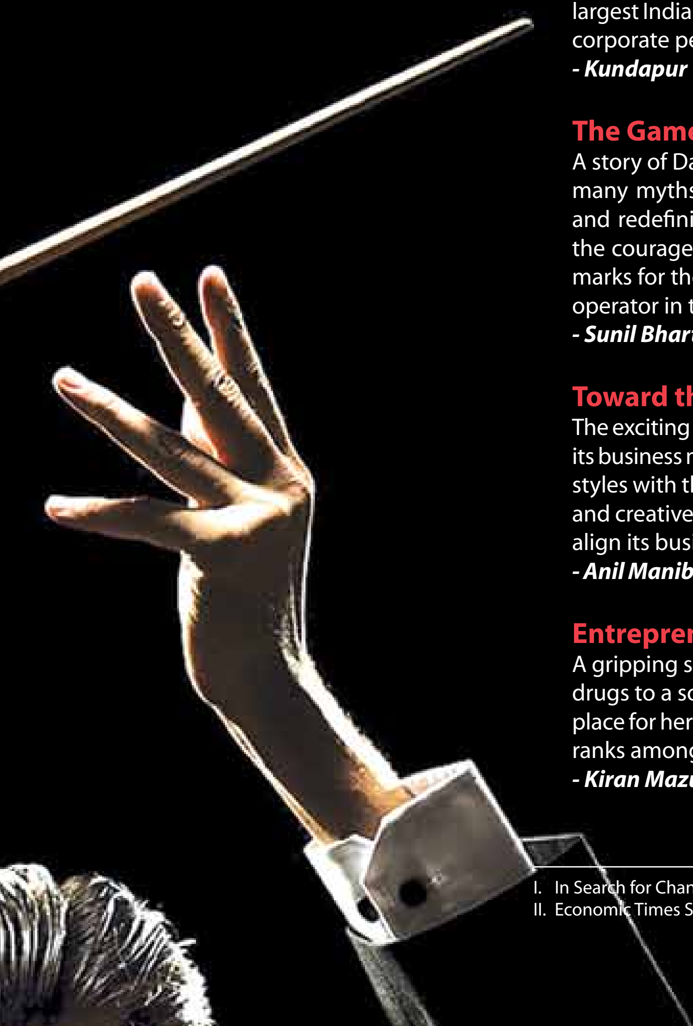
The exciting saga of a bureaucratic conglomerate that successfully aligned its business models, strategies, structures, processes, culture, and leadership styles with the emerging future. L&T has become one of the most vibrant and creative groups in the Indian corporate world with continued zeal to align its business strategies with national priorities.

*- **Anil Manibhai Naik,** Chairman and Managing Director of Larsen & Toubro*

Entrepreneurial Path Breaker

A gripping story of a woman who had the purpose to provide accessible drugs to a society in brink of a major health crisis. Today she has made a place for herself and for her organization in the pharma world. Biacon now ranks among the top 20 global bio-pharma companies.

*- **Kiran Mazumdar Shaw,** MD & Chairman of Biocon*



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THE PEOPLE PRODUCTIVITY PUZZLE

Is HR a help or a hindrance in solving it?

There are clearly steps HR has taken in the past that have grown productivity, while some other HR actions have stunted it. The ten inquiries raised here are prescriptions for some of the things we need to do differently to make productivity breakthroughs

BY **VISTY BANAJI**

India has had a patchy productivity improvement record. It is tempting for us in HR to blame this on the Government's neglect of labor reform, unions' carelessness with the life of the goose that lays the golden egg, the inadequacy of vocational skill-building and even the fortuitous economic happenstance that permits Indian businesses to substitute wage arbitrage for more sustainable sources of competitive advantage. It may be more useful, however, for us to avoid such a conveniently externalized 'locus of control' and instead turn the focus inwards. While productivity has complex causes, management and HR's contribution to it can best be understood if we ask ourselves some uncomfortable questions about what we, as leaders and HR professionals, do that helps or hurts people productivity the most.

Here are 10 question-sets, which should help the HR fraternity introspect about its role in resolving the people productivity predicament in which we find ourselves. The first and most general of the questions is:

Q1: Do we in HR own people productivity as the support function responsible for measuring it, crusading for its importance and catalyzing its increase? In other words, do we champion productivity as one of the prime reasons for HR's existence in an increasingly competitive world?

The other nine question-sets are grouped into what HR can do for the productivity of managers, of people at the bottom of the pyramid and of the service sector.

Managerial Productivity

Q2: Have we helped our organizations to encash India's demographic dividend? Have we championed the cause of untried sources of recruitment (which are not certified 'plug-and-play' and, therefore, make a genuine demand on HR's developmental capabilities)? Or do we continue to demand (and over-pay for) ever-higher degrees for ever-more-fragmented jobs? Great talent building programs mould strong leadership teams out of a mix of diverse backgrounds, the majority of whom make up in eagerness and the need to continually prove themselves what they lack by way of ready-packed management theory and elite institution-tags.

QUICK VIEW

- The lackadaisical approach of leaders, HR managers, organizations, government and other stakeholders has hampered the growth of people productivity
- To scale up people productivity in India, the HR Community must introspect and scrutinize their current approach to identify the weak links
- Achieving inclusivity and encompassing bottom of the pyramid is imperative to enhance people productivity

HR managers should 'own' people productivity improvement instead of blaming the Government or unions or other stakeholders for its stagnation

Q3: Have we designed our PMS to be a 'Productivity Maximizing System' or followed neutron Jack's forced hanging blue-print and created a 'People Maddening System'? As I am never tired of repeating, inappropriately or poorly implemented 'Bell Curves' become 'Hell Curves', which make the annual review the most dreaded moment in many managers' working lives. Productivity-building innovations cannot flow freely when "performance evaluations result in humiliation and take the joy out of learning and innovation" for at least half the population. The quote, of course, is from Deming – the father of the quality and productivity movement that defines modern manufacturing!

Q4: Are we making the most of our experienced, productivity-catalyzing managers and experts to groom and upskill the next generation of business and functional leaders? Or do we cling to anachronistic retirement rules that are wasteful of managerial manpower. Evaluation and retirement policies that penalize age were evolved during 'the Scramble for Jobs'. They are exactly the opposite of what is needed to fight 'the War for Talent'.

Productivity at the Bottom of the Pyramid

Q5: Have we the capability, confidence and concentration to make productivity gains from permanent employees on our 'rolls'? In several large manufacturing organizations, there is so much reliance on contract labor and so little attention paid to the relatively few permanent operatives directly employed, that it appears that the prerogative to manage, which used to be so jealously guarded and gripped, has slipped (or been fearfully passed) into the hands of run-of-the-mill labor contractors.

Q6: Do we respect, resource and reward manual and craft skills as well the


Visty Banaji

10 WAYS IN WHICH HR CAN KILL PRODUCTIVITY

1 IGNORING PRODUCTIVITY IMPROVEMENT

2 RECRUITING OVERQUALIFIED PEOPLE

3 PMS = PEOPLE MADDENING SYSTEM

4 EXITING THE EXPERIENCED

5 ABDICATING SUPERVISION TO CONTRACTORS

6 LOOKING DOWN ON MANUAL WORK

7 MISSING OR UNCONTROLLED 'JUGAAD'

8 DISEMPOWERED CUSTOMER-FACING EMPLOYEES

9 LACK OF 'LEAN SERVICE' INVESTMENT

10 INABILITY TO GAIN FROM PARTNERS' PRODUCTIVITY

For the bright generation of young talent that has started flowing into HR, **there is an opportunity to take the pole position to win the productivity race**

people who use them? Few developed societies maintain the hierarchical distance (verging on deference), between managers at the top and manual workers at the bottom of the organizational pyramid, that we do. Have some of our otherwise modern industrial organizations atavistically replicated a twisted version of India's caste system, with its low regard for manual work?

Q7: 'Jugaad' is a uniquely Indian answer to the challenge of spontaneous, incremental improvement. Are we able to shape it by the twin toroidal guides of discipline and shared corporate values? The consequences of unrestrained 'jugaad' were only too well demonstrated for us in the run-up to the CWG debacle!

Service Sector Productivity

Q8: How well-empowered are the customer facing arms of our service organizations? Quite apart from the productivity gains, even customers with grievances can acquire lifelong loyalty when empowered employees take remedial decisions on the spot. On the other hand, 'Moments of Truth', can become 'Eternities of Furious Frustration' when employees need to check back with some invisible supervisor or central authority before taking a single helpful step.

Q9: How substantive is the investment we have made to conceptualize and institutionalize a 'Lean Service' model, the way Toyota did for the manufacturing sector? Do we have dedicated structures and full-time resources for 'Service Engineering'? Or is our process improvement model still an imported one that is used for bolstering marketing claims rather than for raising productivity-reinforced barriers to competitive entry?

Q10: Do we have the strategic competency to manage an 'innovation ecology' through partnering with a host of other organizations? As service organizations in India move up the value chain, productivity gains will increasingly come out of collaborators' organizations and networking efficiencies rather than from a directly supervised entity, where a single CEO's writ is law.

Can HR Take the Lead?

There are clearly steps HR has taken in the past that have grown productivity, while some other HR actions have stunted it. The ten inquiries raised here are prescriptions for some of the things we need to do differently to make productivity breakthroughs. They may not be easily palatable medicine for those of us who have become successful with a certain way of doing HR. However, for the bright generation of young talent that has started flowing into HR, the logic of these suggestions will be obvious. With their commitment, HR can take the pole position for India to win the productivity race. pm

Visty Banaji is CEO of Banner Global Consulting

Ethical Storm Brewing

BY TEJASVI MOHANRAM & ESTER MARTINEZ

There are different degrees of greed, different forms of greed. Since the times of Enron, the concept of Corporate Governance and managerial ethics has concentrated on the role of management and of the board for protecting minority shareholder interests.

In India, this essence of corporate governance has been re-visited in 2008 & 2009, in the aftermath of the Satyam saga - with the underlying theme of how to guard the interests of minority shareholders from the wrongdoings of its promoters (read majority shareholders), who also manage the company. But the events of 2010 pose a new set of questions. With the playing out of the ugly telecom scam, the questions that confront us today are different – What happens when the interests of politicians, government officials, media, corporate managers, shareholders (majority and minority alike) – are aligned to loot the collective assets of a nation? Around this question does the debate on corporate governance and managerial ethics now revolve.

While individual incidents like the telecom scam seem manageable from an economy standpoint, the larger India growth story is at risk with this dirty and globally unique alignment of shareholder and corrupt government interests.

Ethics and Governance are downright boring topics. While we are all interested in the vicarious details of scam – how much money did so and so make, who was the go between, how was the physical cash handled, how pathetic that no one has been booked – few look into the origins of such behaviour and the possible mechanisms that could deter actions of the kind that have been exposed recently.

This story attempts to create a case for a new kind of Corporate Governance – one where the overriding principle of protecting the minority shareholder is replaced by a larger emphasis on behaviour within ethical boundaries. As compelling as it is to advocate 'ethics for ethics sake', the story tries to create a case for maintaining ethical behaviour to ensure long term economic growth and for managers to be the caretakers of such behaviour.

Corporate Governance is now centered around how to deal with shareholder greed that ends in corruption – how to save capitalism from capitalists

Protecting the small guy: From Enron to Satyam

The Enron scandal of 2001 created a new awareness in the failure of corporate governance involving the culpability and collusion of the company's management, board, auditors and stock market analysts. The situation led to a widespread debate and discussion on the control and stretegic responsibilities of the board, on alignment of management compensation with long-term company objectives and on the flow of information from within the company to its shareholders – all with the aim to protect shareholder interests.

India had its share of corporate scandal with the Satyam saga, wherein the control failure of the board working closely with the company's unscrupulous promoter-management led to a destruction of wealth for minority shareholders. The central theme in the post-debacle analysis was a re-examination of roles of the board, the management, the promoters, the auditors and market analysts – again with the purpose of protecting the interests of minority shareholders, a diffused entity with the least representation and with minimal access to information.

A new ethical dilemma

The last couple of years in India have demonstrated a different type of corporate scandal in sectors like telecom and mining – one where collusion between politicians, officials, media and promoters (with the aid of managers and the subtle nod of shareholders) has led to the siphoning of national resources on a scale hitherto unimagined. The gory economics of the telecom scam were made public by a CAG report and a subsequent media jamboree – including details like loss to exchequer, personalities / business houses involved and the nature of transactions publicized to an awestruck audience in the form of tapes. When it comes to the mining industry, such details are not so well known. A recent report by research house CLSA[1], highlights some shocking facts in this sector:

While touching upon the Reddy brothers' illegal mining scam in Karnataka, the POSCO debacle and the revoked permission for the Vedanta refinery, the CLSA report stated some shocking facts. In the past few years, besides Karnataka, there have been 3,200 illegal mining cases in Rajasthan, over 8,000 in Maharashtra, over 7,500 in Andhra Pradesh and over a thousand infringements in Chhattisgarh. A report by the Central Empowered Committee has noted also that over 60% of all mines in Orissa are illegal.[2]

There is a fundamental difference between the Enron-Satyam type of corporate scandals and the recent ones. The post-mortem of these recent scams is not centered around protecting the shareholder, not even the minority shareholder. Ironically, this analysis is centered around how to deal with shareholder greed that ends up in complex collusion – on how to save the system of capitalism from the capitalists.

Does bad ethics make for bad economics?

While most Indians are outraged by the unethical nature of such transactions, there is a common perception that such scams notwithstanding, the larger long term economic interests of the country remains intact – that the India growth story survives in spite of public-private corruption and will not be derailed by any such behaviour. What needs careful analysis here is if this belief is substaintiated and if not, how do such instances of collusion

> "Current concerns such as high inflation & eternal woes such as lack of infrastructure, all take a back seat today to India's invasive vice, corruption. India's growth story could be at risk due to the current negativity"

Deepak Parekh, Chairman of HDFC, at an event recently organised by the CII

and corruption adversely affect long term economic growth. And, how managers should be incentivized to first conduct themselves ethically and then look to maximize shareholder value.

There exists a very strong case for transferring public assets at affordable prices from inefficient government control to private entrprise for the benefit of both consumer and shareholder. Telecom itself is a prime example of how transfer of airwaves at ridiculously low license fees has ultimately benefited the customer and spawned a communication revolution that now touches the poorest and gives access to scalable solutions for information and transaction in an otherwise access-starved economy.

Hence the question: Is corruption, even of epic proportions, a small price to pay for accelerating the process of transfer of assets from lazy-public-sector to efficient-private-sector? A process that has demonstrated benefit to every stakeholder, including the lowest common denominator and one that reinforces our faith in the Invisible Hand of capitalism. The larger question here is one on consequence - Is there a larger economic price to be paid for such unethical practises and hence, can long-term economic interest become the motive for enacting or regulating ethical behaviour? Or, are businesses destined to become the 'new politicians' – representing a class whose economic interests are rarely affected in spite of their most visible flouting of laws, rules, norms and ethics?

Reputation, Hot Money & Disparity

In spite of what most think, the primary negative effect of corruption is the damage it causes to the India Shining story - in terms of reduced long-term investment and reduced direct investment. This view was reflected by Deepak Parekh, chairman of HDFC, at an event recently organised by the Confederation of Indian Industry (CII). "Corruption has become synonymous with Indian society, as ethical lines are crossed in all professions on a regular basis, and as the country's moral universe shrinks. While we should be celebrating India's newfound confidence, we are in the throes of something that is eating India from within. Current concerns such as high inflation, and eternal woes such as lack of adequate infrastructure, all take a back seat today to India's invasive vice, corruption. India's growth story could be at risk due to the current environment of negativity", Parekh said while addressing a session on corporate governance.

The reasoning is simple – unethical behaviour will make it difficult for companies

Publicly held firms in countries perceived as less corrupt are valued at bigger market premiums than those in places considered more corrupt

"The notion of trust is very central to the market and capitalism"

Gurcharan Das
Author, Management Consultant and Public Intellectual

When you look at the problem of corruption, I think the primary initiative is with the government. In the case of a bribe, yes, there is always a bribe giver and bribe taker. The bribe taker is in the position of power and has the ability to destroy the bribe giver's enterprise. It is therefore an unequal relationship. Hence, the primary guilt attaches to the bribe taker. The bribe taker can make a choice to make the regulatory process transparent and make the rules that are non-discretionary.

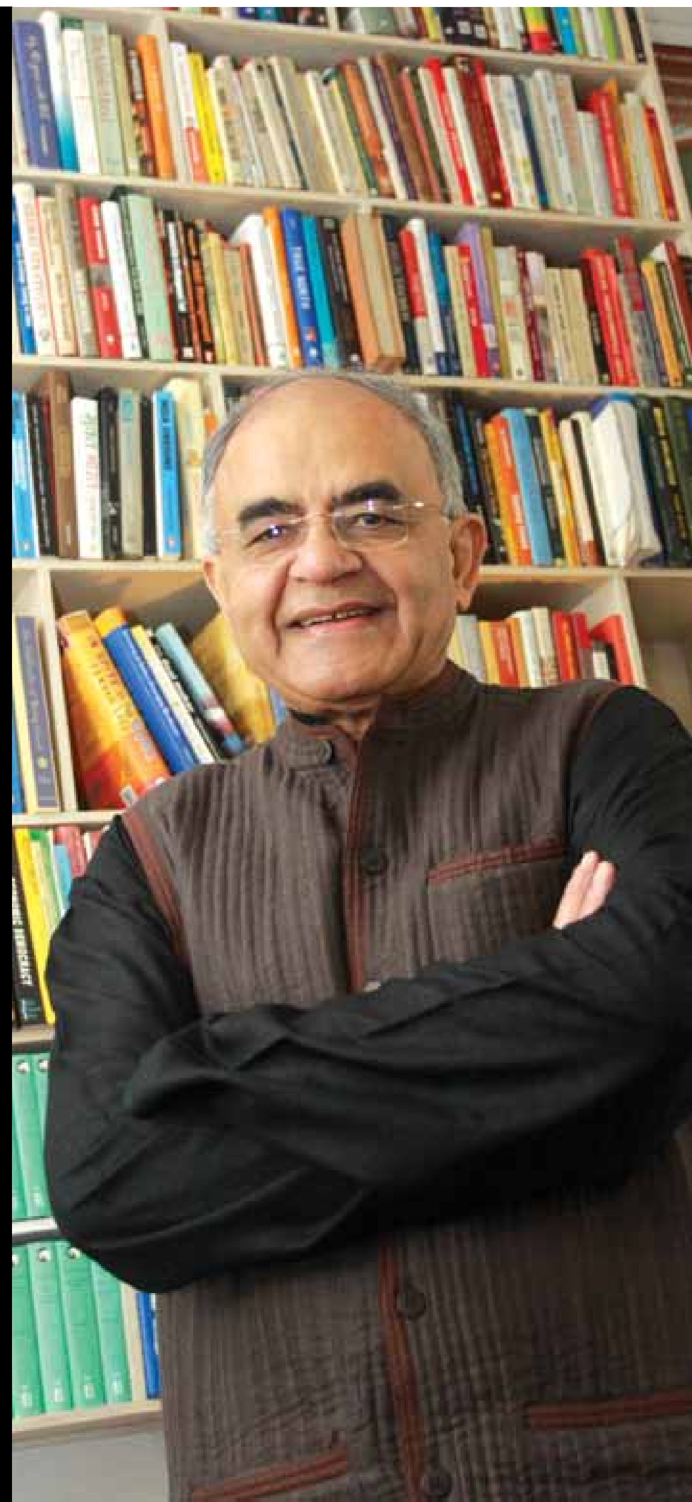
The choice for the company is not to do business that is vulnerable to corruption—for example, refuse to enter a business in which the government is the main customer, such as arms supply or civilian aircrafts. Or to draw a line and not take an order or license which entails paying a bribe. At the end of the day companies are also measured by reputation. One has a greater inclination to do business with a reputed company as opposed to one that uses unethical or illegal business means. So reputation is a valuable asset.

Many people believe that capitalism is efficient but it is not moral. I disagree. I believe that the market sends strong signals that make companies behave in a moral way. For example, if a company misclaims about the virtues of its products, customers will punish it by re-buying the product and buying its competitor's; if it does not treat its employees well, talented people will not join the company. There is thus a moral foundation to the marketplace. Transactions in the market place are also based on trust. Another meaning of Dharma is trust. The notion of trust is very central to the market and capitalism. We behave by trusting each other.

Good companies understand the importance of reputation and they invest in building that reputation—in the way that they transact with customers, employees, and suppliers. I think we need to build on this. Becoming more transparent, publicizing your process, sharing success stories that entailed doing the right thing; and penalizing employees who do not follow that culture the company is trying to create. It is a daily process of repetition. A company is like a child. It has a basic inclination to both good and bad. Like a child, once a company starts to do the right thing it too will become a habit, and that habit will become the company's character, and character in turn becomes its destiny.

It all begins when you hire a person. Good companies make a great effort to recruit people with character. Whom you bring in is one of the most important decisions of the organization for they will collectively determine the character of the organization. Young recruits when they join an organization are like infants. This is the time they learn what is right, what is not and they build the right habits.

I thus see an opportunity for companies to take a stand on corruption as they have done about the environment. The concern for the environment has changed the mindset of many companies.



Is corruption a small price to pay for accelerating the process of transfer of assets from lazy-public-sector to efficient-private-sector?

OR

Is there a large economic price to be paid for unethical practises and hence, can economic interest become the motive for enacting ethical behaviour?

to associate with investors, businesses and consumers in countries with strong policies for preventing dishonesty. A recent study by Charles M.C. Lee, an expert on markets and accounting at Stanford's Graduate School of Business shows that ethical lapses matter in the market value of companies. Over the long run, publicly held firms in countries perceived as less corrupt are valued at bigger market premiums than those in places considered more corrupt, according to Lee. In his research, corruption was defined as the "misuse of public office for private gains." This could include bribery of public officials, embezzlement of public money, and kickbacks in public procurement. Corruption isn't just a matter of appearing "unsavoury", Lee said during a public address. There is evidence, linking corruption to "social and economic ills" such as lower economic growth, less foreign direct investment, higher military spending, and worse health care and education, he added.

To most, it does not take research to re-iterate belief in "good karma", but research such as Lee's helps in an environment where even the most ethical are beginning to question if corrupt practises will ever be punished. And maybe it helps reinforce values in a younger generation that is starved for ethical role models - something that Parekh lamented in his recent talk, "Most troubling is that there is not even a sense of remorse from the people who are involved. It is difficult to tell the younger generation to be ethical, when the very preachers of morality are embroiled in controversy."

Another long-term economic repercussion of a corrupt system is that of hot money flows, both inward and outward. A decent portion of proceeds from corruption in India has funded asset booms – like the one in real estate, taking prices and rentals beyond the reach of ordinary citizens. Simultaneously, a large portion of 'corruption money' leaves the country to havens abroad and is never deployed in the local economy. Estimates predict that between 2000 and 2008, India had a mindboggling USD 125 billion in cumulative illicit capital flight.

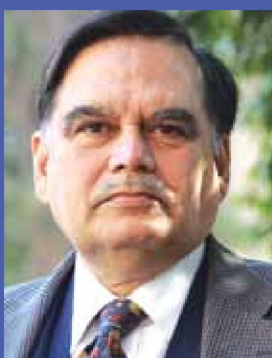
A different kind of hot money that follows corrupt practises in the transfer of state assets to private enterprise is that of short-term focused foreign (and domestic) investment. The expectation and immediate aftermath of companies receiving licenses/rights for a fraction of their 'real value' prompts speculative rallies and dramatic pullbacks much before such companies can actually demonstrate operational capability. This could well be one of the main contributors for the tremendous rise in telecom service provider stocks by early 2009 followed by a near 50% loss in market value over the period since. In the long run, such hot money flow (and flee) could have devastating effects – something our South East Asian neighbours witnessed a decade ago.

The final long-term impact of corrupt practices is the increased disparity in income and wealth levels between various sections of society. With the kind of collusion seen in the recent telecom scam and in various mining scams, the profiteers include the new 'masters of the universe' - politicians, officials, promoters of companies, media persons, senior corporate managers and ultimately, minority shareholders as well. Which leaves out the non-white-collared, non-shareholding class that comprises more than 90% of the legitimate populace. While this class does occasionally benefit as consumers, the question of increased wealth disparity between them and the new 'masters of the universe' is beyond debate.

The long-term costs of huge income and wealth disparities are slowly becoming clearer to all. The maoist naxal problem has its roots in this growing disparity caused by a simultaneous misappropriation of mining land by companies (with active government support) and the state's inability (or lack of intent) to provide adequate relief, rehabilitation and skills to tribal populace. The invest-

"Strong regulation and laws with implementation are necessary"

Sushil Tripathi
Former Secretary, Ministry of Petroleum and Gas



How do you see this alignment of shareholder-manager-official interests undermine the national interest? Do you think a longer play of such 'scams' could undermine the India growth story?

The alignment of shareholder-manager-official interest is the most dangerous situation. It is clarified here that official interest is not the public interest but the interest of political and or bureaucratic/technocratic "cabal" that may be in the position of making or influencing decisions ostensibly in public interest but actually does so in his/her own and in the interest of promoter/managers .In some cases all shareholders may gain but in some other case, only promoters and managers may gain. The first and the foremost thing here is to have strong regulation and laws with implementation left to independent regulators who should be persons of unimpeachable integrity. A proper selection procedure for regulators, transparency in procedures adopted by regulators and system of appeal, is necessary in all such cases. The lessons learnt from 2G scam in telecom and gas pricing in KG basin of petroleum ministry should be internalized.

How can managers act under the umbrella of ethical behaviour when shareholders implicitly demand a certain level of unethical behaviour for business continuance?

Involvement of Government with promoters and management is happily not seen so far. Although the involvement of lower functionaries in a large number of cases cannot be ruled out. There are adequate regulations to bring erring officials of Government or regulators in line. But the best deterrent is total transparency in procedures and quick prosecution as well as punishment. A specialized agency like Serious Fraud Cell needs to pursue such cases in specially designated courts.

At the corporate level, the role of Statutory Auditor and Independent Directors has to be emphasized. The Statutory Auditor and Independent Directors should be chosen by management/ shareholders only from the panel of names given by the sectoral and market regulators. These should all be professionals and public servants of high professional competence and unimpeachable integrity. Every quarter statutory as well as Internal Auditor should make presentation to Independent Director about detailed compliance of laws and Code of Ethics. In case the public shareholding in a company is 50% or more, the market regulator should appoint one of the independent directors as chairman of the board.

ment community is slowly waking up to the potential ill effects of such massive problems – it is time for the management community as well.

The imperative for managers and b-schools

In an age of tremendous pressure for managers to deliver results and of sufficient compensation to justify such pressure, there is little to dissuade managers from indulging in unethical behaviour to deliver better results – except for ethical motivation from within and for peer pressure. And this is where HR and senior managers can make a difference by recruiting for the right ethical attitude. Author and management guru Gurcharan Das has a strong view on this, "Hiring the right people is extremely important - recruiting people with character; what the person knows or his intellect is not as relevant. Hiring people is one of the most important decisions for the organization; people you bring inside the organization will collectively determine the character of the organization. The time when people join the organization is the time when companies need to tell them what is right and what is not right and create the right habit. Of course, the management should behave as they say and may need to protect their employees for any business misjudgement but never for ethical lapses."

Hiring people is one of the most important decisions; people inside the organization will collectively determine the character of the organization

There is a larger role for education, especially business education, in reinforcing ethics that is vital for business sustainability and for economic stability at large. Post-Enron, there was a huge emphasis on teaching ethics in American business schools. While the results of such initiatives are neither predictable nor easily measurable, Indian business schools could help in creating a better ethical base for tomorrow by emphasising on ethics.

Prof. M.J. Xavier, Director of IIM Ranchi is a firm believer in the role of holistic development of an individual as a part of business education. "Business education should be reformulated with the triple bottom-line approach - Profit, People and Planet. Currently management education is entirely focussed on the first P - profit. When it come to people, business should be relevant to the society in which it operates. Inclusive growth, ethical behaviour and regional development must form a key component of business education. The last P is increasingly becoming important as we are destroying mother earth very rapidly. Sustainability and green initiatives should also form a major part of business education", he says.

Solutions galore

In the face of a large-scale collapse of ethics, most solutions seem either thin or impractical. Yet, ironically, there is widespread dismay at the current state of governance from people across professions and the call for systemic reform is uniform. Most of the experts polled point to systemic reforms in the reduction of discretionary powers with ministers that have increased with economic growth and with larger access to resources. Another pointer for systemic change is to increase the autonomy of investigating agencies and to fast track the judicial process that handles financial crimes, bolstered by laws that fine corporate entities breaking laws and make it difficult for companies to deflect blame on independently acting employees in the event of bribery. However, any such change would require political will and corresponding legislation – something that is completely missing and worse, is the biggest obstacle in the path of reform towards ethical behaviour.

At a corporate level, the role of a company's board requires greater attention. While its role as shareholders' representative has been scrutinized over the last decade, the board's role as a company's conscience keeper and strategic advisor has not been explored sufficiently. Also, an expansion of the Whistleblower Bill to include corporate whistleblowers (which the bill surprisingly omitted) could create a way for protecting employees willing to provide information on corrupt practises within the company.

A very interesting point here is one of creating sectoral and market regulators to oversee ethical behaviour and act in the public interest. The views of Sushil Tripathi, Former Secretary, Ministry of Petroleum and Gas might form the base for actionable ideas in this context. "At the corporate level, the role of Statutory Auditor and Independent Directors has to be emphasized- they should be chosen by management / shareholders only from a panel of names given by the sectoral regulator. These should all be professionals and public servants of high professional competence and unimpeachable integrity. Statutory as well as Internal Auditors should make quarterly presentation to the independent director about compliance of laws and Code of Ethics. In case the public shareholding in a company is 50% or more, the market regulator should appoint one of the independent directors as chairman of the board", he says.

The consumer and the employee can also make a significant impact in forcing companies to behave ethically. When consumers and employees consciously begin to discriminate between brands from ethical and 'unethical' companies, companies will be forced to re-think their corporate decisions. Gurcharan Das is a believer in the balancing role of reputation within the capitalist system – "There is such drive for success and for self interest in companies, but brands are also measured by reputation. I am more likely to do business with a reputed company as opposed to one that uses unethical or illegal business means. So reputation is a very valuable asset. Many people believe that capitalism, as a system is efficient because there are very strong signals that make companies behave in a moral way", he says. However, there are two obstacles to this consumer / employee preference for ethical companies. First, it frequently requires customers to buy more expensive products or for employees to go for lower compensation. Second, the notion of corporate reputation is a function of media inputs, something that is understood to be actively 'managed' by corporate interests.

The role of the board as a company's conscience keeper and strategic advisor has not been explored sufficiently

"Corporate Governance needs to start in the promoters' head first"

Sanjeev Bikhchandani
Founder, Info Edge

I think the benchmarks of good governance have not changed. What has changed is the realization that today we need to include a larger group of stakeholders other than just shareholders when we talk about good governance. The implications of actions that are against the law have a larger impact than just on shareholders; for example, taking the telecom 2G spectrum allocation process, the loss in potential revenue for the government is a loss for the public at large and for the country, as those revenues were to be used for government spending on development.

It is a huge challenge for entrepreneurs to operate in highly regulated areas where governments have wide ranging discretionary powers because that is a breeding ground for corruption. The problem is that the power of the government is much higher than that of each private player individually. It is, therefore, the responsibility of the government to set fair rules and then play by them and ensure that each of the companies in the space also adheres to them. If people in the government decide to play by rules that result in their personal enrichment, then companies who are already massively invested in the space will face a very difficult choice – be totally clean and go out of business or else play the game by the rules the government has set. And that's a hard choice.

It is an easier choice to not enter a particular sector because there is too much government regulation. Once you have invested tens of thousands of crores, you are stuck. As far as we are concerned, we consciously decided long ago not to operate in highly regulated spaces precisely because we want to stay clean and also run a viable business operation. We prefer free competitive markets where the customer is king and there are minimal licensing requirements from the government. Follow the law, pay your taxes, don't take stupid risks, be good to your employees and customers, keep your commitments and sleep peacefully at night.

Corporate Governance needs to start in the promoters' head first. Everything else is an add-on to strengthen that position – audits, audit committees, independent directors etc. If there isn't the intent on adhering to good governance practices between the entrepreneurs, then none of the add-ons will help.

Ethics in politics, anybody?

At the end of the day, however, none of these solutions would work without a general ethical awakening among the masses – a task for religious bodies, schools, media, NGOs and individuals alike. After all, the rot visible today should be a fair reflection of the drop in individual and community values. Reflecting this is Bikhchandani, who believes that it is the leader of an organization who dictates its ethical standing – "Corporate Governance needs to start in the promoters' head first. Everything else is an add-on to strengthen that position – audits, audit committees, independent directors etc. If there isn't the intent on adhering to good governance practices between the entrepreneurs, then none of the add-ons will help", he articulates.

When consumers and employees begin to discriminate between ethical and unethical, companies will be forced to re-think their decisions

Finally, there is one critical issue on which few people have a favourable view – one of ethical behaviour among people occupying positions of power. At a time when ministers are appointed to 'protect' friendly business interests, when corruption in public office is an expected norm and when personal conflicts of interest in public office are no longer a hindrance to operate, faith in public officials and politicians is at an all-time low. While the media and corporate India are going through a period of intense reflection and soul-searching, the measures taken by government to curb such behaviour are cosmetic at best and largely non-existent. The need of the hour to solve this collective problem of "global warmingesque proportions" is one of serious structural reform and a visible return of propriety and ethics in public life. While that may sound logical and may be the only way ahead for governments, experience suggests that it might be too much to ask of our leaders.

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"We need to strengthen the education system which must include morals & ethics"

Maj. Gen. D.N. Khurana

Corruption emanating from a nexus between the politicians, bureaucrats and the corporates is undermining credibility in governance and institutions. It erodes the moral foundation of State and society. These malpractices threaten our parliamentary democracy. Such warped policies lead to wrongful and inadequate use of public funds and resources, are not aligned to national interests and are likely to impact national growth.

Unfortunately, we do not have strong regulators who should be the watch dogs. Most of the regulators are ex-babus who have been used to quiet acquiescence during their entire service. Our judicial and criminal justice system is weak and slow. The penalties are either not imposed or are not stringent enough. Media has the power to keep the corrupt under the scanner but unfortunately there is a growing perception that media needs to put its own house in order and needs some regulation lest they become privy to corrupt practices to gain undue advantage from the immense power that they yield. Another important component of civil society in this battle against the corrupt practices - the NGOs, also need to look within so that they can remain effective watch-dogs on behalf of the society.

It is my view that we should formulate strict codes of ethical conduct in the government agencies as also in the corporates which should be widely disseminated and enforced. The penalties for violation should be stringent. The judicial system needs to be made faster and strengthened. We need to separately identify the responsibilities and accountabilities `of the political authorities and the bureaucracy. The powers for transfers, promotions and extensions of the bureaucrats should be vested in independent bodies and not with the political authorities as at present. Minimum tenures of bureaucrats must be laid down and any deviation would need to be justified. As I said earlier, the system for selection of regulators and independent directors needs to be refined and strengthened. The media must self regulate and remove malpractices such as the practice of 'paid news'.

Lastly and importantly, we need to strengthen the education system which must include morals and ethics in all curriculum in the schools. We should look at the next generation to ensure a cleaner society and governance.

"We need the right kind of role models"

Sunita Thawani, Chief Legal, Jusco

Where do you see the deterrents of unethical behavior for the corporates world?

Firstly, I believe that the Right to Information Act should be used more extensively to make government more accountable. On the corporate side there is need to have a more effective system of selecting, training and assessing the "Independent Directors" to make them more accountable. The legal system also needs to be more robust.

Do you see any system changes that can contain this kind of pilferage of public assets? What kind of checks and balances can curtail such behavior?

In the emerging business landscape as an evolution from IQ and EQ (Intellectual and Emotional Intelligence) to now SQ (spiritual intelligence), leaders with high SQ will have a stronger inclination towards ethical and moral behavior in their modus operandi. I think the forces that can curb corruption in India today are media, education and technology. Media needs to understand the importance of their role and their strong power to influ-

ence the society. This is a big responsibility. Media should identify and project right role models and behaviors and give a balanced view in talking about incidents instead of sensationalizing them. Public at large certainly needs to be conscious and aware of the problem but should not be encouraged to make biased decisions.

The importance of education can never be undermined and imparting such education is responsibility of both parents and the institution. Children get confused when they are taught something but see a totally different behavior around them. The right kind of role models should be presented to them, so that they are able to absorb the right values for their adult lives. If this can be done, then future generations should be able to reduce the problems that we face today. Technology is also playing an important role in creating this transparency both in terms of providing access to information across the country and also automating processes and reducing the level of potential intervention of unethical behavior.

Unethical behavior has always existed in society world over at different points of history in different levels of intensity; I wonder if it can be eradicated completely. India is going through a churning process and in the course of its growing up, I feel quite positive that good governance practices and need for ethical conduct in individuals will come out for the larger good.

"Today we need a new freedom struggle in our country"

Anil Sachdev, Founder & CEO, SOIL

The earliest mention of 'corruption' in India is dated during the ruling of the Mughals and those cases intensified when India was ruled by the British. For the first time in the history of India, it became important to be close to those in power. So in order for you to do this, you had to do 'favors'. When you asked yourself a deeper question on why people felt the need of doing this, we find that there was some kind of lack of connection with each other and within the country. When India got independence, people had some kind of idealism, but the economic model that was chosen was not appropriate. The involvement of the government in all major sectors of the economy involved centralizing all decision making power in the hand of the new rulers. It was as if the old set of rulers had gone but a new set of rulers had been introduced.

When the constitution of India was made, again, not enough thought was given to how we are going to be governed in a democratic system, how people would get equal opportunity, how people would have an opportunity to make money in an ethical way and so on. So all these controls, licenses, etc. created an opportunity for the few to make money in an unethical way. I think the nineteen seventies witnessed, soon after emergency, the first systematic attempt of taking away the rights of people and concentrating power on few leaders in the country. What followed was the first major institutionalization of corruption. If you wanted a license or you needed something to be done, and then a parallel process was created. Governance model inside companies also adapted to this new reality. Inside the organization, only few people called the shots - those that were close to the government. There was a need to develop new processes to generate 'black money' to get things done and thus the parallel economy began to thrive.

From the 'need' of people to make money, it is now their greed that is fuelling corruption. Today we need a new freedom struggle in our country. We need to create a powerful network of the good. Fortunately, we still have some honest leaders in business and public life who truly care for the country.

"Important to articulate components of ethical governance"

Dr. Pritam Singh, Professor of Eminence, MDI

Corruption is a global phenomenon today. For the first time in human history the globe is struggling, and it is not about war, but about the crisis of ethics.

What has gone wrong? Ethics have been defined in terms of money transaction only, that has been the first problem. I think we should be defining ethics and governance in a more holistic manner, we should define it in terms of three main elements: purpose, process and people. If you want to build ethical governance and a strong foundation, we must first define and articulate the components of ethical governance.

The first element is Purpose. If you compare Gandhi with Hitler, the latter was not much inferior in terms of capability to mobilize people in the country, evoking people's response, building a sense of pride; as a leader, Hitler had enormous capacity to mobilize and create constituency… he was not like Gandhi but he was not much inferior. What went wrong was the purpose that he was pursuing. First we need to ask the purpose on why are we here, why do we exist as a corporation? Why should we have an institution or corporation at all? What is the purpose of our existance? Today, we need to talk of stakeholders, employees, customers, shareholders and society at large.

The second thing that you need, to define ethics and morality, is that you must define the process. Is it the right kind of process? For example, look at the case of child labor, you might be having competitive edge, but is it the right process? Labor cost is a big thing for India and China. But being careful as it means that we are more busy in saving labor cost rather than looking at how to heighten the productivity of labor. Whole mechanization is being used for displacing human beings.

The third one will be the People part. That is where the role each of us plays is very important. When you think about the people part and think about India, it is a political statement. For example they say today that the Prime Minister is an extremely ethical man, his integrity is beyond doubt. I ask the question on how we define "integrity" that will need to be defined in terms of role that you are occupying. If I do not do justice to my role, am I man of integrity or honesty? This is one question we must ask. If you look at Mahabharata, when defining the role of the King, it says that his foremost duty and dharma is to punish scandals. Are we punishing scandals? Are people playing their role?

"Our education has become too left-brain oriented"

MJ Xavier, Director, IIM - Ranchi

Where is the incentive for the individual to correct actions and follow a certain 'dharma'? How do you see corporate India evolve in this respect?

People born and brought up in a shortage economy generally tend to seek more and more of material rewards. No amount of preaching `dharma' to them is going to work. Those who take bribes in India are interestingly very religious too. They share their booty with their God and by making such offerings, they feel that their sins are washed clean. In the process `dharma' becomes a casualty.

In your view, what is the role of education?

Educators have a key role to play in sensitizing people to the need for an inclusive and holistic growth. Our education has become too left-brain oriented. That way we are making robots. In order to make better human beings, we

must resort to the Gurukula method of holistic education. Apart from maths and science, we need to teach our children subjects such as Indian culture, Indian ethos and Indian history and geography. Reintroduce subjects such as arts and craft. Make multimedia courses compulsory at school level so that they not only develop computer skills, but also develop an aesthetic sense. This must continue at the college level too. Business education should be reformulated with the triple bottom-line approach - profit, people and the planet. Currently, the management education is entirely focused on the first P, namely, profit. Business has to be relevant to the society in which it operates. Inclusive growth and regional development should also form a key component of business education.

What is the Role of HR?

We should produce leaders who are like the philosopher Kings of yesteryears. Pick people with vision that is holistic for leadership positions. Our selection methods should not only look at IQ, but also EQ (emotional quotient) and SQ (spiritual quotient). It should be made mandatory for organizations to play a key role in the development of the region in which it operates. More legislation should ensure that the organizations go green and employ sustainable practices. HR should create organizations that bring out the individuality in every person to benefit the whole organization.

"Ethical behaviour is a way of life"

Professor Bala Balachandran, Professor Emeritus of Accounting Information & Management, Kellogg School of Management, Northwestern University and Founder & Dean, Great Lakes Institute of Management

Shareholder interest is definitely a priority for all organizations in order to ensure availability of future resources from the same purse. However, in many cases, one sees that the office bearers do resort to unscrupulous behaviour in order to increase profits and thereby their incentives. So long the vision-mission-values-culture of the organization are all in tandem with each other and remain within the accepted ethical boundaries, I don't see how the nation's interest can be at jeopardy. Once the harmony between all these variables and goals are achieved, there is no cause for concern.

Ethical behaviour is a way of life. It is cultivated in the very early years with continuous inculcation received from parents as well as teachers. You can't learn it by writing a paper (which you can score full marks on, by cheating). Courses on ethics in higher education are meant to mature the existing thinking and show the way to function as responsible corporations and socially conscious entities. Thus the line is very clear - there is no grey area. The manager is like the driver of a car. If the passenger insists that the driver violate a traffic signal, what do you think the driver should do? Likewise, the manager is the doer and he need not be driven by the shareholder or the top management in making decisions which are detrimental to the interests of company or shareholder and by extension the nation.

Corruption thrives only because people are willing to give. To quote the words of our former President, Dr. A P J Abdul Kalam, it is all about building a brand about oneself. He has stated that in his entire career, he was never approached even once to do something that was incorrect as he had created a strong brand that approaching him for a short cut or for an unjustified favour would bear no fruit. Likewise, individuals and organizations need to also create a brand of their own – in the matter of ethical practice and moral soundness, which will ensure that no one even approaches them for doing something incorrect. This takes time and is not always easy, however, in the long run, the fruit of this labour will be infinitely sweeter.

"Not merely a question of motivation... but one of purpose"

Peter Block, Author and Consultant

HR is a player in the question of corporate and societal ethics. Most unethical or corrupt behavior starts from the HR/Management philosophy of compensation and rewards; they think that money motivates people and they also believe that variable pay is the way to motivate performance. The extreme version of this is including stock options as a serious component of executive pay. This philosophy creates a context of excessive short-term orientation where unethical behavior is more likely. If companies link payment to stock prices, they are creating a false god. Then CEO will not be incentivized to invest in the long-run, they will be incentivized to cut costs, maximize short-term profits, and postpone development.

What is interesting about this compensation philosophy, especially at the executive level, is that companies are not rewarding for commitment and long-term alignment of these managers but actually creating conditions to encash compensation and leave the organization.

It is not only a question of compensation and motivation philosophy, it is a question of purpose. Leadership needs to look at their business with a larger purpose than shareholder value. Leaders focusing on just making money will not build companies or the country. Asking oneself what is the larger purpose of the organization is the ethical question that managers should pose to themselves. Pay fair salaries to avoid bribing, make salaries transparent and even publish them to avoid excessive focus on compensation. The systems already exist to prevent unethical behavior, more checks and balances will not help. When controls do not work, adding more is madness. What is needed is more internal and external transparency. Whistleblowers also will not lead to systemic change, because the case just appears to be an exception. Board of Directors again cannot help as most of the times they do not know enough details to find questionable practices until something blows up. It is the coming together of corporate leadership, business schools, citizen groups and government to call for a shift in pay practices and purpose. The purpose of companies should be for the common good.

This is possible because it is in human nature to do the right thing. I believe that given a choice, most people will choose a larger purpose. Unfortunately, our western economic system is based on the assumption that men are driven by self-interest and the most valuable things are those that are scarce. This is not true, it is just popular. We need to break this assumption. We are cast under the spell of conservative, last century economic thinking. Luckily, that is not working well in the west.

It is not correct that the entire universe around the individual today is going wrong; what is going wrong is the narrative; we need to change the conversation to change the reality. As long as we continue the problem narrative that people are selfish, government and leaders are corrupt, more control is needed, and the west is the model for our future, nothing will change. The new narrative is about abundance, those who act on higher purpose, and the possibility of the common. It is close at hand, we just do not think it is news.

A STORY OF TRANSFORMATION

In conversation with **Ramanathan Ramanan,** CEO, CMC, *People Matters* discusses the winning recipe of combining innovation, processes and people to completely transform an organization

CMC was a Public Sector Enterprise until 2002, what were the major challenges the company faced in transitioning to a privately managed company?

Before 2002, 90-95% of CMC business was domestic of which 90% came from the government. The government was our largest client. The major changes were firstly, to transform ourselves into a more agile and customer focused organization and secondly to develop a global mindset. Previously, we were inwardly focused on government projects; over the years, we drifted from solution services to box-selling, which was the lowest end of the value chain.

These two things meant that the mindset of the sales force had to be changed. Sales had to understand and communicate to clients what the real differentiator of CMC was. Our SBUs have, in fact, since then changed their offerings to customers as this focus started coming into the organization. I think this is what is reflecting today in the confidence of our shareholders and the high stock price as well. Today, there is focus on two things – accountability of Research & Development as well as continuous innovation, and to have solution orientation rather than being mere box sellers. Our business results have changed dramatically.

Where is CMC today in this process of transformation?

In 2002, our net operating margins (EBIDTA) were 3-3.5% and today they are 18-20%. Only 5% of business in 2002 came from overseas in 2002 and this has increased to 50% now. In terms of people, we have probably doubled in size from about 3,000+ people in 2000 to 6,000+ people today. In addition, CMC's customer focus is also reflected on our wider customer base now – from 90% of the domestic business coming from the government in 2002, we now have 50% of the domestic business coming from sources outside the government. In 2002, 50% of our business was low on the value chain of solutions for customers – we were selling a lot of hardware etc. and today, only 10% of our business comes from such areas. This small portion cannot be eliminated since as part of large integrated projects, one usually has to be able to provide services from the lowest to the highest end of the value chain.

Ramanathan Ramanan

These are all enduring changes, long lasting. It has helped us build a lot of credibility in the sector. For example, we did the passenger management system for the railways which carries millions of passengers across the country. We have also IT enabled the law and order systems in some states as well as the tourism ministry.

This is actually a huge transformation that seems to have come about in just 6-7 years. How did CMC become an "agile" organization from one that had a steady customer base in the form of the government?

We did this through focus on processes and innovation. We decided to focus on the "bottom of the pyramid" innovation that can improve the lives of thousands of people. We also had to ensure that we were cost competitive in order to be able to reach such a large base. Many times this meant that at lower costs than our competitors, we were forced to provide the same quality of service to our clients. There was no compromise on quality and we aimed at excellence in three areas:

1. Processes: Training people on high-quality processes like CMMI5 (Capability Maturity Model Integration) and Balance Score Card brought about international acceptability for CMC. Once processes are in place, people can focus their energies on innovation, which was our next focus area.

2. Research & Development of core products: We discerned an emerging need for control in the market. For instance, we created a GPS based system for tracking vehicles for logistics companies / large companies that transported goods from one location to another. We also created an e-governance platform for the state of Chhattisgarh, which was also a job creation platform for the internet-kiosk runners – this is a self-sustaining solution for which we recently won the CSI award as well. We have also done the computerization of VAT for the state of Kerala, which is being now asked for by other states as well (as they see the success of this in Kerala).

3. Training / Development: We built new skills among our people. A new embedded systems team has been started, which now comprises of more than 1,000 people. This young team has already got international credibility and some global clients.

How did CMC manage its people to achieve these results?

I think what worked for us is that we treat all our staff equally. We have a large portion of our workforce that is on contract and they have access to the same infrastructure, same trainings and same responsibilities as full time employees. We also launched the PCMMI (People Capability Maturity Model) which looks at tapping the true potential of all employees. Sometimes, people have certain skill sets that are ignored due to project pressures or just lack of information. Other times, people's potential can be tapped with a little bit of support from the organization leading to growth in performance and responsibilities. At CMC, there are many channels to ensure communication at all levels and all employees have one-on-ones with their managers to discuss their skill sets and aspirations, which is then matched to training programs and project allocations. We aim to do one training per person in a year, in reality we have been able to do much more than that. Additionally, there are many programs to engage not only employees but also their spouses and families.

> We focus our transformation in processes and innovation. **Once processes are in place, people can focus their energies on innovation**

What is the vision that CMC is working towards in the future? How will your people help you achieve that vision?

Our vision states that we want to be one of the Global Top 20 systems engineering and integration companies by 2020. Our people are aligning themselves to this vision. Our three areas of focus for meeting this goal are Providing Solutions, Integration and a Service Mindset (where any large project is followed by a few years of service and maintenance).

A global outlook is necessary to achieve our vision for 2020. In addition, continuously innovating and having a strong process capability will ensure we achieve our mission. As long as we can put in place strong employee engagement systems, our people will work towards this mission. There is, of course, always resistance to change. By the same token, there are always people who will welcome change. We have to create a joint movement of all people at CMC. There is already an aspiration of wanting to be the world's best solution providers.

CHANGE

ABOUT THE PEOPLE, BY THE PEOPLE

Prabir Jha, Senior VP and Head-HR, Tata Motors, argues the case for change leaders to listen to their teams and celebrate the small victories, to win the war

I recall an organization that began a major change intervention, engaging a very renowned global consulting firm, to ensure a near magical upswing in its business fortunes in just four years. The logic was clearly intelligent, if not brilliant, and the promise seductive. The effort was being led by exceptional minds and the CEO ensured enough tailwind support. Yet in less than two years, the intervention was all but abandoned and buried. Such stories are not stray cases. More organizational change efforts fail, miserably or partially, than succeed. Clearly, this is not because of any lack of brilliance in thought, so I have often wondered what these bright business leaders not do well enough

Every change, big or small, has a compelling inherent logic. Either newer leadership recruits bring in the fervour or a business downturn provokes reflection. Competitive pressures have their own triggers, and in some cases, it may just be the desire to do better. Whatever be the logic, changes invariably are about people and by people. Consequently, evangelizing the change agenda and engaging people fully are both vital. This is where most change strategies which seem very logical and comprehensive on a PowerPoint presentation, start floundering. Unfortunately, change is more a social process than a logical one, and leaders must realize that if one has to win the mind, one must equally win the heart.

In a frenzy to look accurate, change programs also have the susceptibility to ignore contrarian signals. Leaders either get blinded by the logic of their actions and miss the cues or worse, steamroll any dissenting views. In another organization, a number of senior managers switched off a change agenda

QUICK VIEW

- Evangelizing the change agenda and engaging people are both vital
- Change leaders must hear what people say and, even more so, should discern from what people do not say
- Celebrating small wins can go a long way

because the change leader was acutely headstrong and dismissive of others' views. Maybe the change logic was strong, but it is equally possible that it was not. This leader's repeated shout-you-down gestures were reason for many workshops where people were consistently busy on their laptops and BlackBerry smart phones, visibly disengaged while the circus was on! The change anchor ended the two-day program asking if anyone had doubts and predictably there were none. Everyone was happy to go home – the participants for the sheer relief from the torture, and the change leader blissful that no questions meant full support! It is good to acknowledge that a different thinking is not always illogical, and allow some debate for a consensus to emerge. However, often certain decisions get imposed through a notional pretence of consultation and such superficial buy-in nurtures pockets of dissidence that can derail the change journey. Clearly, while change leaders must hear what people say, more so they should discern from what people do not say.

I have found that many change scripts are very rigid, and at times lose out on ground-level wisdom and experience. This alienates the goodwill and support of the troops, only to its essence when it is too late and the exercise already discredited. While those who are most led by logic and processes may think that every change initiative has one 'right way', my experience has been different. It is possible, even desirable, to make small concessions which can become huge psychological signals for building the required coalition for change. Losing a few skirmishes to win the war is advisable, with change being more of a political process than a logical one.

Another typical miss in change programs is the belief that celebrations must wait for the eventual victory of the change agenda. Many leaders are very conservative in their appreciation of small changes, which is a strategic blunder. Every small step can be a giant leap, if applauded. Change is not easy for anyone and top leaders must see the value of positive psychology. Celebrating small wins by applauding individuals and teams on their small accomplishments can go a long way, while waiting for the final victory may ensure there never is one.

It is possible, even desirable, to make small concessions which can become huge psychological signals for building the required coalition for change. **Losing a few skirmishes to win the war is advisable, with change being more of a political process than a logical one**

The problem with change is that it triggers anxieties and insecurities. Each individual wants to know how the change addresses his or her personal interests. While not every organizational change will or should deliver personal gain to every individual, there is a need for change leaders to connect the strategic intent of change with each individual. Very often, companies are unable to go beyond how the change will benefit them - if only they could tweak this sales pitch!

Finally, organizational change is about people and it is good to maintain this on the agenda. One must communicate ceaselessly, and also listen and acknowledge. The subalterns must be able to connect with the change unequivocally; else, the logic of the generals will be wise to hear, but not inspiring enough to get the troops to win the war. pm

Prabir Jha is the Senior Vice President and Head-HR of Tata Motors. His views are purely individual. He can be reached on prabirkumarjha@yahoo.co.in

Stress - Incompetence CONUNDRUM

Learn to say no, Acknowledge, Change and Team up: the recipe for managing stress when growth in career is faster than growth in competencies

BY **ELANGO R**

The challenge with stress is recognizing it before it is too late! Recently we rushed a young colleague to the hospital only to realize he was in the throes of a heart attack and had to be operated on immediately! Having worked with him – there was no way any of us would have said that he was under pressure. He was always calm and composed… but looks like behind the calm exterior the stress metre was ticking away!

Stress in our working lives is inevitable. Actually stress in the right doses is good… the challenge is when we start overdosing. It starts simply – a new job, new manager, extra project… oh! It is a passing phase… 80 hour working weeks, no time with family… and finally bad health, bad performance, strained relationships and burn out!

What do most of us do? We try and take a break, change jobs, change managers… read books on stress management, take up yoga and meditation! All of this is like taking paracetamol for fever without understanding the underlying reasons; we are dealing with the symptoms and ignoring the root cause!

What is the root cause? Most often (I may even be ambitious and say always) it is our inability to cope or manage something or someone in one word "our incompetence". Oops! I know you want to stop reading…that is a natural reaction to the word incompetence… humor me, read a few more paras and you won't regret it.

Take our young heart attack colleague; eighteen months ago he was the epitome of success. He was a top performer, not only within his team but across the organization. This meant larger projects and more calls – meetings – project reviews - travel schedules, the works. Sure, he put in all his efforts into making the most of this success but he wanted to move at 6th gear, in a car that had only 5 gears! He still didn't have the skills needed to operate at this new level even though his role demanded it.

The truth is that we are always operating at our highest level of incompetence (Peter's principle- to read further log onto http://en.wikipedia.org/wiki/Peter_Principle). The question is- are we in the conscious incompetence or the unconscious incompetence state? Most of us are in the unconscious incompetence state. Classic symptoms of this are when you catch yourself holding everything and every one around you accountable for your failure.

QUICK VIEW

- When aspirations are huge, many advance through the corporate ladder rapidly, however, not necessarily with the required competencies, this results in unconscious incompetence
- This unconscious a incompetence leads invariably to stress
- The author shares a few ideas on how to bridge the gap of competencies and regain control of your life

I was operating in that stage many years ago I moved jobs, changed managers all the while complaining… until one day realization dawned upon me when my spouse very nicely pointed out that one thing common in all these changes was "me"! I am still smarting at the comment but haven't forgotten the lesson!

Now that we know unconscious incompetence is probably at the root of our stress incompetence cycle – what do we do? Here are a few ideas that work for me and for folks that I have coached...

I call it ACT
Acknowledge, change and team up.

De-stressor 1 – Acknowledge and own your capability gap and seek councel from a trusted colleague or friend.

5 TIPS TO STAY AWAY FROM HEART ATTACK

1. Be aware that you always operate at your highest level of incompetence
2. Focus on the root cause - don't blame and treat the symptoms
3. Learn to say no – remember quality not quantity matters
4. Focus on skill not scale
5. Understand your capability and match your aspiration

De-stressor 2 – Change your approach. Stop doing what you have been doing or start doing something (I have a boss who is so fast with numbers that it stresses me. I brushed up on my tables and now, carry a calculator)

De-stressor 3 – Team up with those who complement your skills (I am terrible with documentation; I hired an assistant who is an ace at it)

The most important De-stressor of all, which is why I took it out of the bullet list – learning to say no!

In our eagerness to advance, we blithely take on more and more! We all get into the trap of bigger, better, more. Recently a newly promoted manager met me upset that her manager gave a portfolio that she believed fitted in well with him to another colleague. Size of portfolio, number of people reporting to them – scale has an allure for many ambitious professionals. I had to coach her that she was better off creating a dramatic win in her current portfolio rather than expanding. Quality mattered more than quantity.

This leads me to the last piece of the puzzle: the aspiration – capability mismatch. Our aspirations are huge, most of us want to advance through the corporate ladder rapidly, however, not all of us have the capability or the chance to do so. Some of us reconcile and find interesting options but many of us are never able to reconcile and this becomes the beginning of bitterness, negativity and ultimately stress, all of which ZAP the mind and body off its energy!

Hopefully, you now have the answer to the conundrum. And if you don't yet, once you are out of the denial phase, you will. pm

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B-SCHOOLS: LARGER PLAYER IN TALENT MANAGEMENT

In an interaction with **Professor Subhamaya Panda,** Dean, Institute of Management & Information Science, Bhubaneswar, *People Matters* explores how classifying MBA programs can bring value to industry by facilitating the choice of schools for different roles within the organization

All MBAs that are produced by various b-schools do not get absorbed by the industry at the same profile. Categorization of b-schools can help industry differentiating between programs more effectively

Where are we in business education now?

Today, business education in India is maturing. I personally believe that the first wave of creating mass institutions and facing challenges to create the basic level of end-to-end integration (admissions-academics-placements) is fairly taken care of. What is required now is to face the second wave in business education in India which is even more challenging.

Why do you think categorization of MBAs is a good idea?

I think every business school has more or less the same Program design at the basic level, and they are trying to differentiate themselves highlighting certain aspects that are essentially non-core. Though some form of categorization has started, for example, the sectoral MBAs, but still ideas on differentiating the basic MBA Program design remains crude when it is mirrored against the industry ground realities. All MBAs that are produced by various b-schools do not get absorbed by the industry at the same profile. Rather, very often the industry does a force fit and further invests on them to bring in the required competencies. Actually the industry has already started doing a categorization of b-schools based on their own requirements.

What do you think are the industry requirements today?

The industry requires candidates who are educated in business to perform different roles within their organizations. Few of these roles are strategic/consulting and hence they prefer to hire from top institutions that typically have trained their minds in terms of strategic thinking and have capabilities suiting to such kind of roles. But a majority of the roles offered by industry are to manage the strategic intentions of organizations. An even greater number of business educated graduates are required at the operational level to take care of the frontline needs of implementing plans of an organization and to do firefighting at the tactical level. But interestingly, all MBA program designs primarily focus on developing strategic thinking in every subject without taking into account the actual business relevant competencies of the student.

What could be done to ensure that there is a better fit between the industry requirements & actual supply of business graduates?

The issue is far more complex than it seems to be. There is no easy solution to this. It is easy to decide that based on the industry requirements, a three tier hierarchical pyramid can be designed where every business school goes for a fit. But I believe that the entire issue of splitting MBA programs can be done at the preliminary level where entrance tests are conducted to check the quality of the student.

How b-schools should view placements as a part of their core activity?

I personally think that the time has come to move to a higher grounding in terms of placements by b-schools. This function should not be viewed or measured by mere percentage of placements or average salary levels. One should view it more as 'Talent Deployment' rather than simple placements. The measure of such a function may be taken as the ability to deploy institutional talent as per the talent acquisition needs of an organization.

Industry often talks of super-specializations during the MBA program suiting to certain niche needs. What is your opinion on that?

Till date MBA is seen as a generic educational program. Super-specialization is essentially possible when a special training component is added in the basic educational system. But the question is whether there is enough interest among business houses to foray into such kind of training that is built into the basic MBA curricula design? What are the risks for both the parties? Once these questions are answered effectively, every MBA program can have a super-specialization league within each batch provided the industry is ready to partner with b-schools in the true sense. pm

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- **Mr. Bhaskar Chatterjee,** IAS, Secretary to the GOI, DPE, Ministry of Heavy Industries & Public Enterprises
- **Mr. N K Raghupathy,** IAS, Staff Selection Commission
- **Dr. U S Awasthi,** Managing Director, IFFCO & Conference Chairman
- **Prof. (Dr.) Vinayshil Gautam,** Department of Management Studies, IIT-Delhi
- **Mr. Anil Swarup,** Director General (Labour Welfare), Ministry of Labour & Employment
- **Mr. M Damodaran,** Former Chairman, SEBI, UTI & IDBI
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NEW PARADIGM IN TALENT MANAGEMENT

Dave Millner, Consulting Director, Kenexa, shares with *People Matters* his views on the role that HR will play in the future and how technology will help in overcoming some of the talent challenges to come. Excerpts:

What is your view on the role that HR professionals play today in businesses?

Right now HR doesn't put itself in a credible position that shows our ability to have business discussions with other business leaders. Is the HR function truly aligned to the business? We know the answer. HR needs to look to become a commercial business partner with a commercial mindset. The word strategic provides the wrong emphasis. We need to change this inane desire to be strategic. A 5 year study across a range of different companies revealed that organizations with an effective Human Capital/HR strategy and practices create substantially more (3 times more) shareholder value than those that don't value such an approach or implement ineffective commercial HR practices.

What should be the focus of the HR function?

The focus of HR has to be to prove value to the organization; be seen to be more commercial; drive change in the organization; provide leadership. We need to start with the science and the use of the core behavioral science as the foundation for our talent practices. We need to eliminate complexity by redesigning our processes to be simple to use and understand. And we need to add real value by providing line managers with solutions they understand and help them achieve their objectives. If you cannot clearly show how HR contributes directly to increase profitability, revenue and market share – no one will take HR seriously at an executive level.

In your opinion, what are the broad talent risks that companies face? Are these risks specific to industry and / or geography?

Companies currently face a real global talent shortage regardless of the industry or geography. Everyone is seeking the best available talent with global competition for good people becoming a reality. Organiza-

QUICK VIEW

- Organizations with an effective Human Capital/HR Strategy create more shareholder value
- Organizations need to improve capability in key positions and devise strategies to retain them
- Technology can help assess talent in a mass scale more accurately

Companies currently face a real global talent shortage regardless of the industry or geography

tions need to improve their capability in key positions and identify high potentials earlier and devise strategies to retain talent – if they don't competitors will! There is less loyalty to organizations than in the past. And right now there is an ever increasing cost of replacing employees (minimum 1½ to 2½ times annual salary from our studies). Addressing talent shortages by increasing compensation won't work this time or indeed be on offer! Organizations need to maximize existing talent and to do that they need to understand what that talent is; it's all about information and data!

How can technology help in overcoming these challenges?

Technology can help in introducing ways of assessing talent. For example, in mass hiring scenarios when jobs attract many candidates with lower-than-average literacy levels, through careful interface design, coupled with the use of animations and audio, the use of simulation technology allows us to reliably assess such candidates. In usual written formats, candidates with lower-than-average literacy levels may perform poorly because their comprehension of a particular scenario, and of the possible responses, affects their results. Research in the 1990s indicated that replacing text-based scenarios with video and audio scenarios had a positive effect on minimizing some of these literacy effects and we can now measure skills specific to certain roles with a higher degree of accuracy, because we do not have to assume a certain level of literacy from the candidate. And because these tests are online, we can put tens of thousands of candidates through them with no additional work or effort on the part of recruiters.

Technology can also bring psychometrics tests accessible to companies, which are a measurement of the innate attributes and behaviors of an individual in terms of what they like to do; what they want to do and in the area of reasoning tests what can they do from an intellectual point of view. Whereas Simulation based tests have been designed to create a realistic job based situation in which the applicant or candidate is being asked to operate and demonstrate through their behavior how they would actually do a particular job.

As organizations try to make their recruitment processes more robust at an earlier stage, more assessment type solutions will become common place as a way of introducing efficiency data into the process, ensuring that people who get to meet representatives of the organizations have the core capability to fulfill the role. pm

THE STATE OF EMPLOYEE ENGAGEMENT - 2010

ROLE OF THE LEADER

A BlessingWhite & HR Anexi Global Survey Report

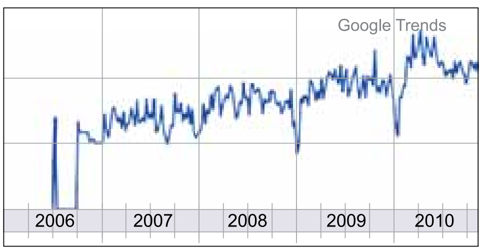
BY **ASHISH ARORA**, MD - HR ANEXI

Hiring and retaining talented people isn't enough these days. If your skilled human resources aren't focused on the right things and motivated to provide maximum contribution, the organization can end up like a sports team with a big payroll, a bench of sidelined stars and a losing season. You don't need us to tell you that your organization's success depends on your employees being committed and focusing their unique talents on what matters most. HR Anexi shares with *People Matters* the Global Employee Engagement - 2010 and its India findings on how enthused and in gear are our employees to use their talents to make a difference in our businesses

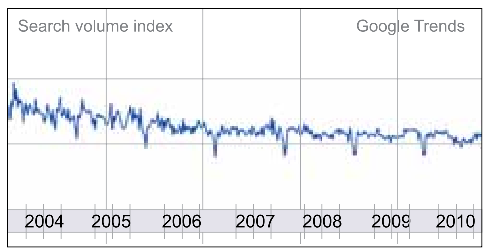
Employee Engagement has been a hot subject in corporate circles for several years now. It's a buzz phrase that has captured the attention of business leaders and HR managers. And it's a subject that employers and employees alike think they understand, yet can't articulate very easily. In fact in the recent Economist Survey, employee engagement is listed with revenue growth and strategy development as a top management challenge.

If we look at the Web search trends over the last five years, the search for Employee Engagement or related material has been on the rise. On the contrary, Leadership Development has steadily decreased in search volume, refuting the argument that some may make that internet volume has significantly increased over the years, creating an upward trend in search term volume.

"Employee Engagement" Web Search Trend



"Leadership Development" Web Search Trend



Engaged employees have alignment between their own future success and achievement of the organization's mission and goals

The Engagement Equation

The term Employee Engagement means different things to different organizations. Some equate it only with job satisfaction and morale, which unfortunately can reflect a transactional relationship that is only as good as the organization's last round of perks or bonuses. Others measure engagement by gauging employees' emotional commitment to their organization. Although commitment, job satisfaction and morale are important ingredients, they are only a piece of the real engagement equation.

Organizations are keen to maximize the contribution of each individual toward achieving corporate goals - imperatives and metrics, while individual employees need to find purpose and satisfaction in their work. Consequently, BlessingWhite's engagement model focuses on two independent variables - an individual's:

- Contribution to the company's success
- Personal satisfaction in their job role.

Aligning employees' satisfaction - determined by their personal values, goals, and aspirations, with their efforts to achieve the organization's goals and support the organization's values defines true 'employee engagement'.

Full engagement represents an alignment of maximum job satisfaction ("I like my work and do it to the best of my ability") with maximum job contribution ("I am focused on achieving the goals that are important for my organization's success").

Engaged employees are not just committed. They are not just passionate or proud. They also have alignment between their own future success and achievement of the organization's mission and goals. They are enthused and in gear, using their talents and providing discretionary effort to make a difference in their employer's quest for sustainable business success.

The recently concluded BlessingWhite – HR Anexi Global Engagement Survey – 2010 research plots employees on these two axes and identifies five distinct levels of engagement:

1) Fully Engaged
2) Almost Engaged
3) Honeymooners & Hamsters
4) Crash & Burners
5) The Disengaged

The Global Study

The Employee Engagement 2010: The Leader's Role global study reflects tens of thousands of responses to an online survey and in-depth interviews conducted during August to November 2010. India made up 21% of the global data pool from individuals in North America, China, South East Asia, UK/Europe, Australia & New Zealand and India.

The study was designed to re-evaluate and build on lessons learned from past BlessingWhite research into employee engagement (previous studies have been completed in 2000, 2004, 2006 and 2008), providing insights into what employees are looking for at work, the factors that drive engagement and what people believe makes for a 'good' career.

This 2010 study reveals a particular emphasis on the essential role of leaders in determining and either enhancing or reducing engagement not just with their own direct reports but also across the organization they work with. We obtained input on both the direct manager and senior leaders' performance revealing significant insights into where leaders are failing to solve the engagement equation and where they should be focussing their efforts.

The global survey ranks India as No. 1 country with 37% fully engaged employees (a little over 1 in every 3 employees)

The study provides an insight into what employees are looking for at work, the factors that drive engagement and what people believe makes for a 'good' career. This 2010 study showcases and emphasises the essential Role of Leaders in companies today. The report unveils the impact of leader's role in determining, enhancing and reducing engagement of their direct reports as well as across the organization. The study captures both the direct manager and senior leaders' performance revealing significant insights into where leaders are failing to solve the engagement equation and where they should be focussing their efforts.

Indians are Highly Engaged vis-à-vis their Global Counterparts

The global survey ranks India as No. 1 country with 37% fully engaged employees (a little over 1 in every 3 employees).

Close to another one third of employees (30%) are Almost Engaged - with reasonably high levels of both Contribution and Satisfaction.

However, more than 1 in 10 (12%) are actively Disengaged – unhappy and a drain on the organization's success.

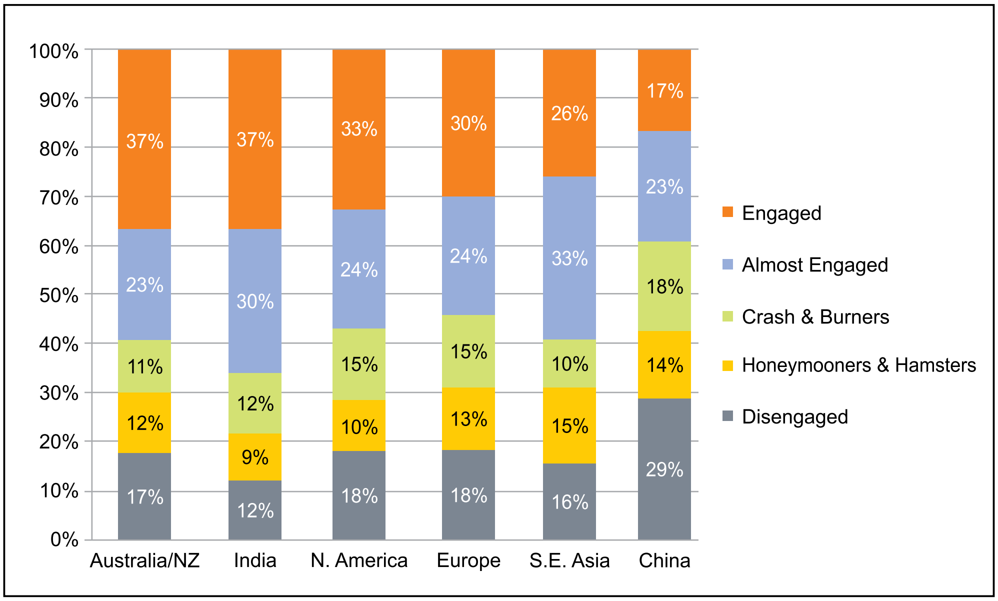
Almost 1 in 10 (9%) are Honeymooners & Hamsters, made up about equally of 4% Honeymooners – still new in their job, feeling satisfied and ready but as yet not capable of maximum contribution and 5% Hamsters – happily spinning their wheels.

In addition, more than 1 in 10 (12%) are Crash & Burners, currently maintaining a high level of Contribution while feeling 'used', taken advantage of or bored and not challenged. In any event, these employees are likely to quit and leave – taking their high level contribution with them in search of a 'better' job, or quit but stay – withdrawing their discretionary effort and contributing less.

India Tops the Chart

India has the highest number of engaged employees in the world (equal with Australia / New Zealand) and the lowest level of disengaged employees, whereas China has highest number of disengaged employees.

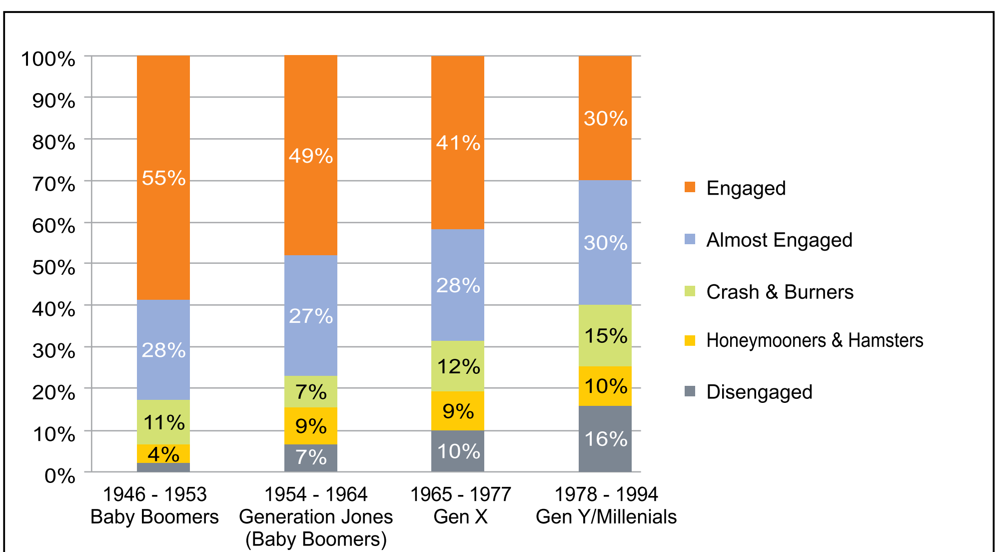
India ranks no.1 along with Australia in Fully engaged category and with least number of disengaged employees. China scoring the least number of engaged employees and maximum disengaged employees.



India has the highest number of engaged employees in the world and the lowest level of disengaged employees

Younger Employees are Less Engaged

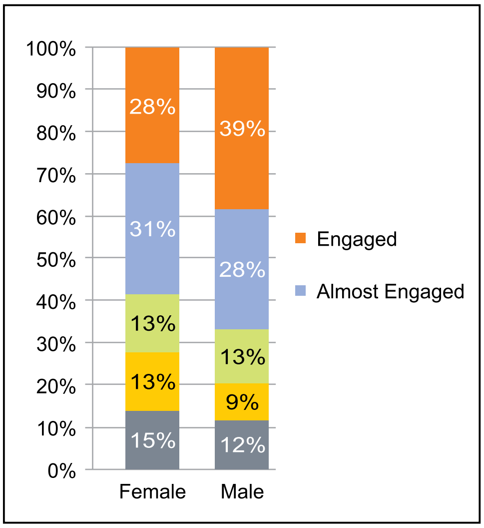
In terms of future organization success Generation Y respondents, the youngest employees (born 1978 – 1994) show significantly lower levels of Engagement and higher Disengagement as compared to Generation X (born 1965 – 1977) and then Baby Boomers (born 1946 – 1964) and this is true across the globe.



Males are More Engaged

Men are almost 40% more Engaged (11% more are 'Fully Engaged' and 3% less are 'Disengaged') compared to the female population.

While this difference in engagement levels between males and females is even more apparent in China, where overall engagement levels are significantly lower, this is not so much the case in Australia, USA or UK/Europe. Females are more disengaged than the males in India.



Things Look Rosier at the Top

More than half of vice presidents or above are fully engaged – compared to about a quarter of individual contributors such as administrative staff or specialists.

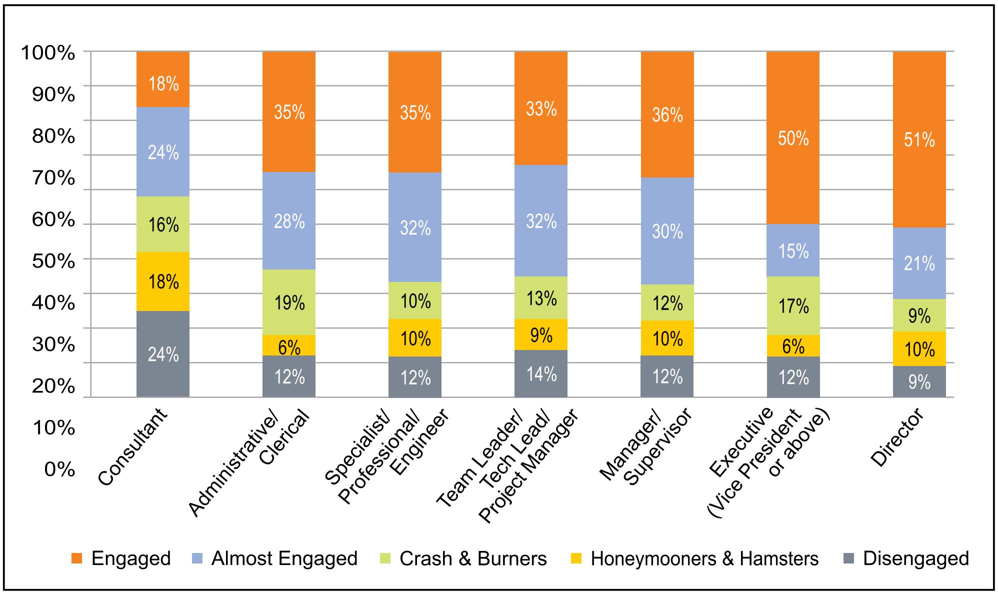
Leaders drive engagement and if 50% of them are not fully engaged, younger managers might be at a loss

So if you think of the generational differences – the question is: How much of younger employees' disengagement results from being low man on the totem pole? (or bottom of the food chain)

Another factor to consider... Are the individuals who are more engaged the ones who are getting promoted and continue to be engaged regardless of their position?

From another perspective, organizations need to consider this aspect with caution as this also indicates that the other half of the senior executives might be instable and are sitting on the fence.

We have already established that Leaders drive engagement and if 50% of them are not fully engaged, younger managers might be at a loss.



Would you Remain with your Employer in 2011?

"No way" rose from a low 2% to 8% in 2010

Engagement and Retention in India

...who will quit and leave?
...who will stay?
...who will quit and stay?

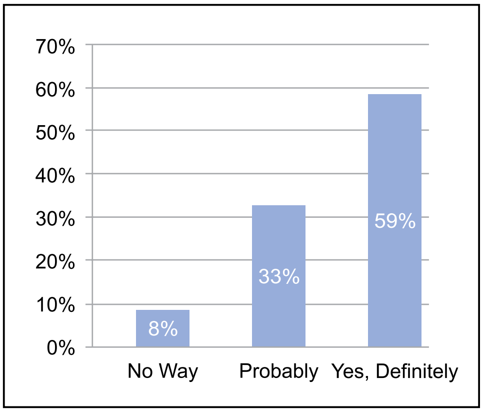
Talent retention is a challenge many organizations face and yet high average tenure is not directly correlated with high-performance organizations. Staying doesn't necessarily indicate motivation to do great work.

Organizations need to focus on keeping and motivating the right people, ensuring they have the right environment to produce maximum contribution and obtain maximum satisfaction.

"Assuming you have a choice, do you plan to remain with your organization for the next twelve months?"

Only 59% people answered as "Yes Definitely" It fell by 22%, compared to a high 81% in 2008! "No way" rose from a low 2% to 8% in 2010.

This means that more than 1 in every 3 employees is potentially on the move. There are considerable implications for talent retention strategies. The 'best and brightest' are looking for more opportunities to do what they do best and be rewarded for doing it!



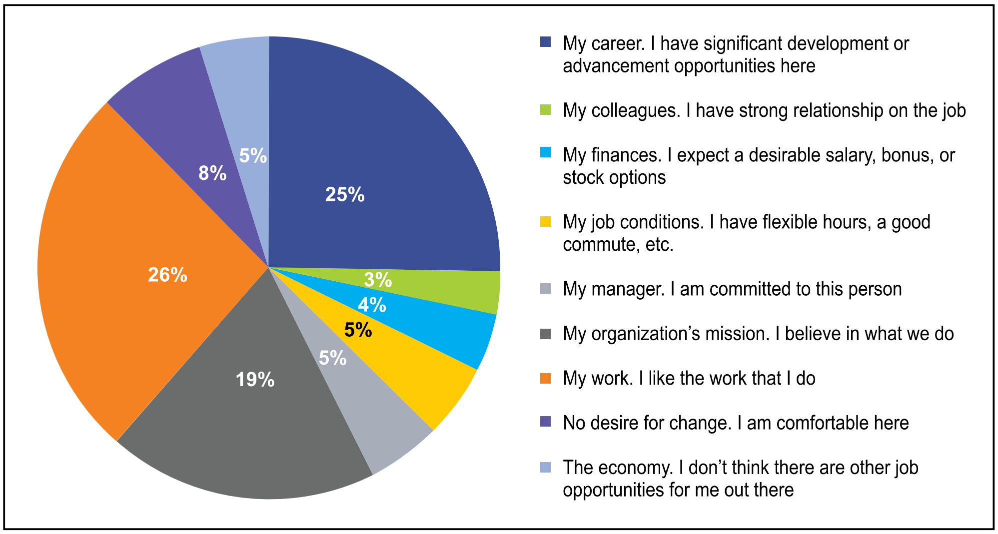
There are considerable implications for talent retention strategies. The 'best and brightest' are looking for more opportunities to do what they do best and be rewarded for doing it!

What would Make you Stay?

When asked "What is the most important factor influencing your plans to stay with the organization?

Career opportunities, work and a belief in what the organization is aiming to achieve stood out as the most significant reasons to stay. These are all much more significant than financial rewards (4%).

Regardless of their current engagement level, people are looking for similar things. So, the number one reason for those Crash & Burners choosing to stay and continue giving it their all, despite low levels of satisfaction, was thatbecause they like the work that they do. They are also still hoping for career opportunities (21% selected this as their number one) However, a significantly higher number, compared to those Engaged, are staying for



the financial rewards (11% vs. 2%) – ‘golden hand-cuffs’, considering their low level of satisfaction!

The majority of both Generation X (15%) and Generation Y (16%) are choosing to remain with their current organization for their career and the significant development or advancement opportunities that they have believe will be offered where they are. Whilst Baby Boomers are choosing to stay for work they like (28%) or a corporate mission they believe in (15%).

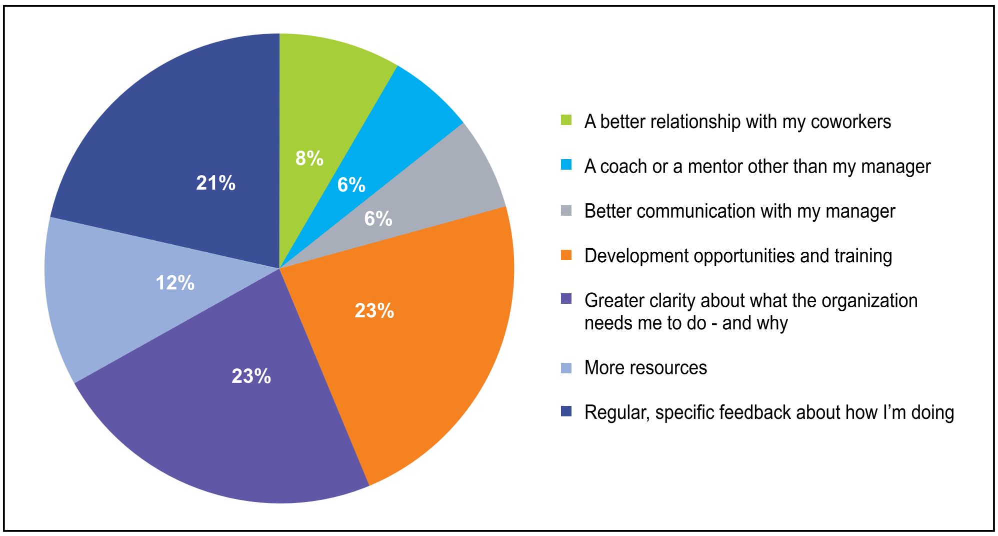
What Drives Engagement? – Contribution & Satisfaction

What Influences Employee Contribution

The most important way to improve Contribution is to provide greater clarity about the ‘what’ and the ‘why’ of performance (23%). This finding is similar to our observations that the most important reason for a failure to achieve goals is that the actual goal and the expected standards of achievement had not been made clear in the first place. Of equal importance was providing development opportunities and training, closely followed by regular, specific feedback (21%).

The most important way to improve Contribution is to provide greater clarity about the ‘what’ and the ‘why’ of performance (23%)

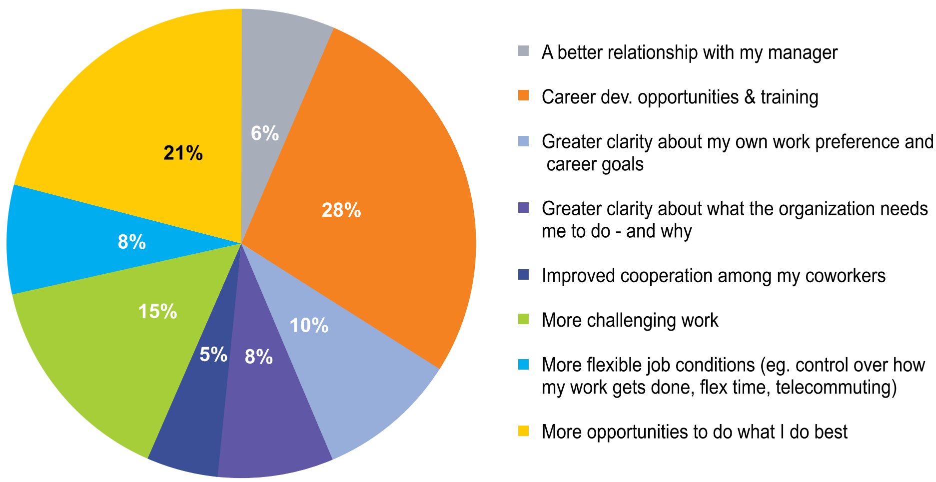
Choose the item that would most improve your performance. (Select only one)



What Drives Satisfaction

In India, as in China and South East Asia, the top factor identified by respondents as influencing job satisfaction is ‘career development and training’. Nearly a third (28%) of India respondents selected this and then ‘More opportunities to do what I do best’ ranks second (21%). While in Australia/NZ, Europe and North America the number one response is ‘More opportunities to do what I do best’.

Choose the item that would most improve your job satisfaction. (Select only one)



Who Owns Engagement

Employee engagement is a complex equation which reflects each individual's unique personal relationship at workplace. The study shows that progressive organizations drive engagement initiatives at all 3 levels – Individuals, Managers and Executives.

Managers in India are amongst the best in the world on encouraging employees to use their talent freely, asking for their suggestions and inputs and also taking action on them. This is respectively 9% and 7% more than the global average. However, managers in India may need to focus more on recognizing and rewarding the achievements of the Crash & Burners - only 9% report receiving acceptable levels of recognition and reward from their direct manager.

My Manager...	Engaged* Vs.	Disengaged*	India Average	Global Average
Encourages me to use my talents	88%	46%	77%	68%
Asks for and acts on my input	87%	44%	76%	69%
Recognizes and rewards my achievements	77%	26%	62%	56%
Offers regular & specific feedback	78%	31%	65%	54%
Delegates assignments effectively without micromanaging me	79%	35%	66%	67%
My manager builds a sense of belonging in our department or team	82%	36%	70%	59%
I understand how my own work priorities support the organization's strategy	99%	45%	87%	83%

Managers in India are amongst the best in the world on encouraging employees to use their talent freely, asking for their suggestions & inputs & also taking action on them

One of the most important ingredients of increased engagement is constructive feedback from managers about how employees have done and what they need to do more. But only 65% of employees in India report that they receive regular and specific feedback from their manager; compared to a global average of 54%.

The second most important ingredient is when Managers and senior leaders build a sense of community and trust among the employees and make them feel belonged. The Engaged (82%), the Almost Engaged (79%) and the Honeymooners & Hamsters (64%) all indicated they felt a reasonable sense of belonging to their team. However, the Crash & Burners (44%) & the Disengaged (64%) report that their managers are not offering them a sense of belonging. This gives birth to the strong need of increasing communal relationship building in the organization.

Trust in senior leaders for India (75%) is higher than the global average (61%).This score was recorded high across the levels of engagement also - the Engaged (92%), The Almost Engaged (82%) and the Honeymooners & Hamsters (70%).

The region- wise comparison in the study also places India at the top with 75% of people trusting their senior leaders in the organiszations, followed by china with 65%.

Implications & Key Recommendations

One of the most important ingredients of increased engagement is constructive feedback from managers about how employees have done and what they need to do more

Employee engagement is a complex equation that reflects each individual's unique, personal relationship with work. As such, there are limits to what organizations can do with broad-brush workforce processes or communication programs.

Consequently, progressive organizations drive initiatives at three levels of the workforce: individuals (I), managers (M), and executives (E).

Individuals are advised to

- Own their engagement. They come to work with unique motivators, interests and talents. They must be responsible for their personal and professional success.
- Be clear on what is important to them. If employees do not know their most important values and goals, they will not achieve satisfaction on the job.
- Take action. Employees cannot wait for a tap on the shoulder to signal a move into their next job. They need to take initiative to build their skill sets and find opportunities to apply their talents to drive the organization's goals.

Organizations must help employees redefine career success to encompass lateral moves, skill development, stretch assignments and special projects – not just promotions or advancement. They need to provide development opportunities and tools to help younger employees, in particular, determine their personal definition of success so they can achieve it at their current employer rather than go elsewhere in search of a vague or misguided career aspirations.

Managers are advised to

- Take control of their own engagement. They, too, are employees. And a dead battery cannot jump start another. A mis-directed manager cannot align team members to organizational goals.
- Facilitate team members' unique engagement equations. Managers cannot "make" employees engaged. They can build their understanding of each team member's unique

The Survey Methodology

BlessingWhite (a global consulting firm based in the US), in strategic alliance with HR Anexi (a leading HR consulting, outsourcing & training organization with its HQ in Mumbai), conducted a global research study which captured responses across continents towards the state of employee engagement in 2010.

For more details on survey, log on to www.hranexi.com or write to engage2010@hranexi.com interests, talents, and aspirations. They can coach each employee to higher levels of engagement.

- Align every individual's passion and proficiency with organizational priorities and projects. Disengaged employees are disconnected and disillusioned. To prevent this from happening, managers need to stay in regular contact with their teams to ensure employees are reminded of the things they can do to increase both their contribution and satisfaction.

Organizations must ensure that managers have a clear line of sight to organizational goals so they can align employee efforts and talents accordingly. They need to equip managers with processes and tools for building mutually beneficial employee relationships that support effective, efficient coaching.

Executives are advised to

- Commit or quit. Senior leaders need to reflect on why they joined and why they stay. They need to monitor and manage their own engagement or they will bring down the workforce around them.
- Set a clear direction. They are responsible for shaping the organization's direction and definition of success, without which the maximum contribution of employees is impossible.
- Inspire commitment. They need to ensure that all employees not only understand what needs to be done but also care enough to apply discretionary effort.
- Build a culture that fuels engagement. Culture has been likened to the tide: As the tide rises, so do all the boats. Senior leaders set the tone for culture in what they do and what they say.

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Experience: 0 - 2 Years
Profile: Role includes team handling and business development in the assigned region.
Location: Chennai
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Executive-HR

Experience: 1 - 2 Years
Profile: Required a candidate to assist in HR Generalist activities.
Location: Delhi-NCR
Shine Job ID: 218926

Executive-Recruitment

Experience: 0 - 1 Years
Profile: Role includes handling end to end recruitment process.
Location: Delhi-NCR
Shine Job ID: 219736

Executive - HR

Experience: Min 1 Year
Profile: Required a candidate for managing routine HR tasks and payroll management.
Location: Mumbai - Thane
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Profile: Candidate required to handle the complete recruitment and selection process.
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Manager-HR

Experience: 5 - 8 Years
Profile: Role includes includes decision making , implementation and closely managing the P & L for the business lines.
Location: Delhi-NCR
Shine Job ID: 219654

Manager-HR

Experience: 4 - 7 Years
Profile: Required professional with experience in recruitment cycle and sourcing through portals.
Location: Hyderabad
Shine Job ID: 197855

Assistant Manager-HR

Experience: 5 - 7 Years
Profile: To lead HR Process delivery systems and identify/ develop which enhance /create value.
Location: Delhi-NCR
Shine Job ID: 219843

HR Manager

Experience: 4 - 6 Years
Profile: Responsible for employee engagement and implementation of HR initiatives.
Location: Bangalore
Shine Job ID: 212936

Payroll Analyst

Experience: 5 - 7 Years
Profile: To administer & process India payroll along with activities of time & labour system.
Location: Bangalore
Shine Job ID: 210405

Team Lead-Recruitment

Experience: 4 - 5 Years
Profile: To Coordinate with BD Team and to follow up with clients and managing a team of 5 - 7 recruiter.
Location: Hyderabad
Shine Job ID: 211899

Recruitment Manager

Experience: Min 5 Years
Profile: Professional required for managing key accounts & client servicing.
Location: Pune
Shine Job ID: 218361

Senior Recruiter

Experience: 2 - 5 Years
Profile: Role includes business development & client interaction at senior levels.
Location: Pune
Shine Job ID: 214238

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Senior Jobs

Head-Recruitment

Experience: 12 - 20 Years
Profile: Required MBA's with over 12-25yrs of work experience.Role Head/ VP/ GM-Recruitment.
Location: Mumbai-Thane
Shine Job ID: 204332

Recruitment Manager

Experience: 10 - 15 Years
Profile: Candidate with 10 years of experience in recruitment. Should have managed a team of recruiters and delivered.
Location: Mumbai - Thane
Shine Job ID: 213785

Senior Manager - HR

Experience: 12 - 15 Years
Profile: Responsible for recruitment, talent acquisition and manpower planning & productivity.
Location: Bangalore
Shine Job ID: 199871

HR Consultant

Experience: 10 - 12 Years
Profile: Role includes people strategy action plan implementation and talent management support.
Location: Bangalore
Shine Job ID: 207218

Sr. Mngr.-Talent Mgmt.

Experience: 12 - 15 Years
Profile: Responsible for performance management, career planning and learning management
Location: Bangalore
Shine Job ID: 199876

IR Manager

Experience: 10 - 12 Years
Profile: To develop and implement all personnel and IR strategies at the plant.
Location: Pune
Shine Job ID: 204381

DGM HR(Generalist)

Experience: 11 - 15 Years
Profile: To handle all gamut HR activities, talent management and organization development.
Location: Delhi-NCR
Shine Job ID: 205204

Consultant-Recruitment

Experience: 7 - 8 Years
Profile: Required recruitment consultant to manage a department individually.
Location: Delhi-NCR
Shine Job ID: 217069

Top Management Jobs

Enexco

VP Operations
Experience: 15 - 25 Years
Profile: Required Mech. Engineer having good administrative, commercial & comm. skills
Location: Delhi-NCR
Shine Job ID: 216328

Mancer

Head Talent Acquisition
Experience: 12 - 15 Years
Profile: To lead the recruitment function, resourcing strategy & manpower planning
Location: Delhi-NCR
Shine Job ID: 218562

Adonis

VP-Ethical Sales & Marketing
Experience: 15 - 25 Years
Profile: Professional required to head the domestic Sales & Mktg.
Location: Chennai
Shine Job ID: 191665

Olive e-business Pvt Ltd

Head-Design Engineering
Experience: 11 - 15 Years
Profile: Professional will be responsible for client comm., project estimation & resource allocation.
Location: Delhi-NCR
Shine Job ID: 219260

Mancer

Head - Employee Engagement
Experience: 12 - 15 Years
Profile: To lead and drive culture and change management.
Location: Delhi-NCR
Shine Job ID: 218555

Marg Ltd

Head MEP
Experience: 8 - 12 Years
Profile: Role includes to supervise installationand commissioning of electrical equipments.
Location: Delhi-NCR
Shine Job ID: 218684

AIMA - 5th National Conference on "Women in Leadership Roles"

Since 1987, AIMA has been actively advocating larger participation of Women in Leadership Roles. The 5th edition of this critical Conference was held on 3-4 December 2010 at Hotel Le Meridian, New Delhi. Dr. Reena Ramanchandran, Strategic Advisor, Innovation University Project was the conference Director and the gathering featured a galaxy of eminent speakers both from industry and academia and attracted participation over 100 women professional across the country. The conference focused on understanding the role of women as business leaders and what difference would women leaders make to business, understanding and exploring the needs of women managers who aspire to be on the top and initiate the personal and personnel processes of mapping and designing action plans to address these needs and exploring ways to actualize dreams and chart career path for potential women leaders.

SHRM - Leveraging Diversity in Corporate India Webinar

SHRM organized an online seminar for their members on the topic "Leveraging Diversity in Corporate India" on 16th of December. Organizations are increasingly focusing diversity initiatives to enhance business effectiveness; people from all over the country joined the online chat to learn from the SHRM comparative study of diversity trends over period of 5 years from 2005 to 2010. This study shows how distinct shifts in the way corporate organizations define, value and manage diversity. From an initial focus on diversity for creating greater inclusiveness, they are now beginning to harness the potential of diverse cultures to drive innovation, flexibility and effectively manage change in an increasingly uncertain and complex environment.

IHRD - Bangalore HR Summit 2010

Bangalore HR Summit 2011 was held last December 16th and 17th. This International Convention for Human Resources Professionals had the theme "Learning & Development Strategies for HR Effectiveness" and was hosted at The Le Meridienin Bangalore. The conference successfully brought together HR Professionals, Academicians, Researchers and Management Professionals on a common platform to deliberate on various aspects of the summit theme. The HR Summit had presentations by Eminent CEO's, HR Directors, Researchers, Academicians and Scholars. As Human Resources Management evolves to fine tune itself and enhances its effectiveness and Managements expects greater participation of HR in the formulation of Business Strategy, focusing on Learning and Development Strategies must contribute for enhancing the effectiveness of HR function. Eminent Speakers of national and international repute shared their expertise in Learning & Development Strategies.

NHRD Seminar on Measuring HR Effectiveness

The NHRD organized a one day session on HR Effectiveness both in their Delhi and Mumbai Chapters this December. The Seminar was conducted in an experience-sharing interactive and networking mode, encouraging high level of active participation by the delegates. The Seminar format included Presentations, Panel Discussions, Case Studies & Q&A. The Seminar was designed to create the linkage between Business and HR. The areas covered during the seminar were Linkage of Business to HR, Strategic HR Planning & Resource Maximisation, Financial Performance Indicators attributable to HR, and Balance Score Card.

ITM 7th National HR Conference 2010

The 7th National HR conference organized by ITM group of institutions was held at ITM Business School in Mumbai on the 18th of December. On the theme of "Business Excellence Through Innovative Human Resource Practices", the event focused on entrepreneurship excellence in HR and how it involves a lot of innovation and risk taking which needs to be reflected in the HR practices adopted. Entrepreneurship and HR management was the base of the conference this year.

For more details on events and trainings please visit www.peoplematters.in/events or connect with Bhavna Saxena at bhavna.saxena@peoplematters.in

EVENTS	DATES	LOCATION	ORGANIZED BY
National Conference in Compensation & Rewards	21 January	Mumbai	AIMA
Skills Summit: American Experience - Indian Initiative	4 February	Bangalore	NHRDN - IACC
World HRD Congress 2011	9 - 11 February	Mumbai	Asia HRD Congress
29th Annual National Conference	16 February	Delhi	NIPM
Total Rewards Conclave	23 February	Mumbai	People Matters
IBA International Conference on "India Emerging: Opportunities and Challenges"	25 - 26 February	Greater Noida	Indus Business Academy
International Symposium on HR and Leadership Challenges	28 February	Calicut, Kerala	IIM-K
Total Rewards Conclave	4 March	Delhi	People Matters

Note: Please note that this list is not exhaustive. We update this information on a regular basis. Please visit our website www.peoplematters.in/events for more information on events. If you wish to share information about upcoming events, please contact Bhavna Saxena at bhavna.saxena@peoplematters.in

***People Matters* aims to bring updated information about training programs available in the areas of Leadership and People Management. This is not an exhaustive list and we are always on the look out for outstanding programs. Please mail us at editorial@peoplematters.in to share more learning opportunities with the rest of the readers.**

TRAINING PROGRAM	DATES	LOCATION	ORGANIZED BY
High Impact Presentations	13 - 14 January	Mumbai	Dale Carnegie
Quantitative Methods for HR	14 - 16 January	Mumbai	People Matters
Introduction to Expatriate Compensation	14 - 16 January	Gurgaon	People Matters
Certification on Finance for Business	20 - 22 January	Mumbai	People Matters
Persuasive Communication Skills	21 - 22 January	Bangalore	Dale Carnegie
Learning Centre Workshop on Strategic Thinking & Alignment	22 January	Pune	NHRDN
Base Pay & Pay for Performance	27 - 29 January	Mumbai	People Matters
Learning Centre Workshop on HR Financials	29 January	Hyderabad	NHRDN
Introduction to Expatriate Compensation	03 - 05 February	Mumbai	People Matters
Leadership Training for Managers	10 - 12 February	Mumbai	Dale Carnegie
Quantitative Methods for HR	10 - 13 February	Delhi	People Matters
Building High Performance Teams	17 - 18 February	Delhi	Dale Carnegie

People matters

Leading People | Building Organizations

TOTAL REWARDS SPECIAL

Mirroring the growth in recruitment across levels and the increasing competition for talent, companies in India will need to take a fresh look at their reward programs in order to remain attractive to employees. Many questions arise at this time of the year for HR professionals: how should I structure my rewards package going forward? What are the trends in my industry? What are my competitors doing? What combination of base, incentive, ESOPs should our organization maintain? This Jan-Feb special of *People Matters* brings to you the latest trends in rewards, specific articles on incentives, ESOPs and rewards strategies and a directory of experts and service providers and their specialized offerings.

REWARDS

The new workforce is eager, forward-looking, inquisitive – and perpetually shopping around. Hence reward managers would do well to take a leaf out of their Marketing colleagues' book to market or sell reward policies

New Year Resolution

BY **OSCAR DE MELLO**

The new decade is one down, with nine to go. And considering India's quicker recovery from the downturn, it's indeed a Happy New Decade! The Human Resources fraternity, and their leadership teams, are busy working long hours to meet the April deadline when they can finally convey positive news to their employees.

The Indian market is buoyant again. Consequently, compensation trends are finally looking positive too.

Hay Group's General Market report for October 2010 forecasts overall merit increases in 2011 at 12 %. Employees should indeed feel pleased – and high performers, even more so.

The litmus test for the coming decade is whether this optimistic state of affairs will be sustainable. I believe that by making some resolutions and sticking by them, there is no reason why we can't enjoy more years of growth. Here are nine to get the ball rolling:

1. Communicate, communicate, communicate

We cannot overstate the importance of communication. Employees must know what they are earning and how it is related to performance. The return on reward investment depends on how well employees understand their reward packages well enough to put in the discretionary effort that makes the difference between break-even and profitability.

QUICK VIEW

- A total reward statement would make benefits and reward investments opponent to everyone
- Tighter variable pay would ensure the new population comes in with the mindset of performing to ear.
- Local reward managers should translate the global reward strongly into locally implementable action plans

The new workforce is eager, forward-looking, inquisitive – and perpetually shopping around. Hence reward managers would do well to take a leaf out of their Marketing colleagues' book to market, or sell, reward policies. Treat reward like a product portfolio, and employees as customers.

2. Make Reward transparent

As reward policies become sharper and scorecards become tighter, employees will need to be kept constantly educated on what they are earning in totality. Not just what they take home or what they can make if they worked harder. Hence the need to make transparent to employees, their overall package in a user friendly, customized statement.

Enter: the Total Reward Statement.

While this is a traditional approach wrapped in paper and intranet sites, in the next decade, Reward managers should be able to say: There's an app for that! Real-time, and available 24x7 on a mobile device. Now, how cool is that!

3. Total Reward – the Market Benchmark

According to Hay Group's General Marketing Remuneration report (April 2010), a significant number of companies use base pay as the basis of their remuneration policy. An equal number uses Total Remuneration, which includes base pay, total allowances, cost of benefits, short-term variable pay and long term incentives. However, it must be kept in mind that Base pay as the basis of the remuneration policy puts pressure on the overall wage bill – year on year. At the same time, companies may be investing in benefits and rewards that employees may not consider useful.

Presenting the concept of Total Reward to the employee may at first generate some amount of resistance or cynicism but eventually employees would begin to appreciate it once the benefits become apparent. Hence, it is important to declare everything the company is investing in to ensure that employees come to work with a smile!

Going forward there will emerge a standardized approach on how compensation is defined. Such that the entire reward investment will be apparent to everyone – internally as well as relative to the market. An approach that would consider both the tangible and intangible elements of Reward – Total Reward.

4. Paying for performance

Pay for Performance: This should be a no-brainer, provided the concept of 'performance', in definition and design and measurement, has been buttoned down. Reward managers should now foster a performance culture where reward is aligned to metrics that drive profit and revenue growth. And this should reflect in the scorecard.Also, goals around revenue growth and profitability should read: Company, Unit, and then, Individual – in that order.

The overall success of a company playing a strong role in the measurement of individual performance should be a given – a part of the next decade's culture. **No individual should expect to be called a high performer in isolation**

The overall success of a company playing a strong role in the measurement of individual performance should be a given – a part of the next decade's culture. No individual should expect to be called a high performer in isolation.

5. Variable Pay – where the rubber meets the road

Variable pay should take its place in the sun – finally! Traditionally, actual variable pay as a share of the total cost to company has ranged between 3% and 16% across levels and across sectors, averaging at a meagre 9% (Hay Group's General Market Remuneration Report, October 2010). This needs to go up significantly with a larger percentage of 'at risk' pay in the overall package. While this is likely to happen – and increase – at senior levels, it needs to be brought into the reward culture across the enterprise as a whole.

The reward environment in the coming decade will be aggressive, focused and result oriented – much like the next generation workforce entering the market. Challenging, yet rewarding, times ahead!

As reward managers plan for the April salary review, they should consider allocating a larger percentage of the increase into the variable pay component. Consequently, basic salary – the component that drives retirals and the total cost to company – should receive a lower allocation. This would reduce the overall wage bill and mitigate risk in the event of either troubled times – or low performance.

Also, as hiring is once again gathering momentum, it is a good opportunity to start a clean slate with the new incoming talent. New compensation packages should be constructed with a significantly higher variable pay component. This would ensure that the new population comes in with the mindset that they have to perform to earn.

6. Motivating the middle order

Of course, it is necessary to focus on top performers and develop innovative ways to retain them, and to prepare high potentials for their next step upwards. However, the reality is that a majority of the workforce falls in-between the high performers/potentials and the low performers. These are the solid, average performers. The "Century club" – steadily coming in at a 100%. They are competent, have been trained and consistently ensure the smooth running of the organization by just meeting goals set for them. It is important to consider this critical constituency in the overall reward strategy because if they are not kept engaged and motivated, there is a greater chance of them regressing than performing better.

Hence scorecards and incentive plans should cater to the needs and aspirations of the middle order giving them the comfort that (a) they are doing a good job and their contribution is appreciated, and that (b) if they perform better, they can earn a greater reward

7. HR as strategic partner to the business

HR would continue to be the custodian of People practices and ensure that they look ahead, in line with the growth plans of the company. Yet not allow reward practices to regress to costly stereotypes of the past for which a high price has been paid.

In order to achieve this, HR managers would need to enhance their understanding of the company and its goals right from the planning stage. Reciprocally, business managers too would take on a People hat and become evangelists for reward policies.

8. Centralization of Reward policy

In the attempt to reduce costs, many companies took steps to centralize reward policies. Some went even further to centralize reward decisions and even administration.

Hay Group's research indicates that for a global reward strategy to be successfully implemented, it is necessary for it to be more than a mission statement, yet should specify areas that are non-negotiable. Local market reward leaders should be consulted on any global philosophy to ensure that it does not clash with market practices, culture or regulations which may make it either non-compliant or less competitive. Local reward managers should be able to translate the global strategy into locally implementable action plans as well as educate employees on the rationale. Finally, consistently measure and test employee satisfaction with the policies.

9. Reward begins at home – first

With exponential growth comes the need for a strong leadership. The tendency is to look for leadership from outside because there is the belief that finding leaders from within is difficult. An expensive belief!

By no means should it be construed that hiring talent from outside is a bad idea. The point is that developing talent from the inside is a much better proposition.

In conclusion, the next decade will be all about performance, and reward will revolve around this. *Employee engagement, communication* and *market referencing* will become important and necessary facilitators for reward design and implementation and would attract higher investments in time and money.

The reward environment in the coming decade will be aggressive, focused and result oriented – much like the next generation workforce entering the market. Challenging, yet rewarding, times ahead! pm

(**Sources:** Hay Group Market Remuneration Report; Hay Group report on the Changing Face of Reward global study, 2010)

Oscar De Mello, Country Head – Reward Information Services, Hay Group

"HR and Leadership Challenges for Businesses in India"

INTERNATIONAL HR & LEADERSHIP SYMPOSIUM 2011

INDIAN INSTITUTE OF MANAGEMENT – KOZHIKODE- 28 & 29th January 2011 - Website: http://hrls.iimk.ac.in/

India is at a crossroad where there is an emergent interest in establishing businesses in India while at the same time Indian businesses set base abroad. It is also a country unique in many ways, the most prominent being the diversity we see in its people, language, its culture and many of the paradoxes we live with. Given this scenario managing businesses and especially managing its people requires a very pertinent understanding.

SYMPOSIUM OBJECTIVES

- To provide a forum for the Industry experts and renowned academicians to share their ideas and experiences regarding the unique HR and leadership challenges in the Indian context
- To provide a networking platform for the participants

SUB-THEMES OF SYMPOSIUM

- Talent crisis: India at crossroads
- Compensation, rewards and meaning of work in Indian context
- Inspiring and nurturing talent
- Socio-political and cultural challenges of managing the workforce
- Plenary and Concluding Session: Sense making and future ahead

KEY SPEAKERS AT THE SYMPOSIUM (updated on 15th Dec 2010)

Hon'ble Minister Dr. D Purandeswari, Minister of state for HRD
Dr. Bhaskar Das, Executive President, Times of India Group
Mr. Aquil Busrai, CEO, Aquil Busrai Consulting
Mr. Sanjeev Bikhchandani, CEO, Naukri.com
Dr. V Prakash, Advisor, Fowler Group
Dr. Pallab Bandyopadhyay, Director HR, Citrix Systems
Ms. Meena Surie Wilson, SEA, CCL – Asia Pacific
Capt. Girish S, Global Head HR, TCS
Mr. Yogesh Bansal, Founder & CEO, Apnacircle.com
Mr. Arun Balakrishnan, Chairman, HMEL
Mr. Sridhar Ganesh, Director - HR, Murugappa Group
Mr. Ashwin Ramesh, CEO, OrganicApex
Mr. Anand Shiv, VP, Head Research, Star Network
Dr. Prasanth Nair, President & HR Head, Thomas Cook
Dr. Abinash Panda, GM & Head, TM & LD, Suzlon Energy
Mr. Rohit Dhody, Sr Director HR, Intelli Group
Ms. Anjali Bansal, Managing Partner, Spencer Stuart
Mr. Ashis Sen, DGM, Balanced Scorecard HPCL

How to register for the symposium?

- Log on to http://hrls.iimk.ac.in/ for the registration details
- Interested participants can register with us by sending the filled in registration form(s) [downloaded from the website http://hrls.iimk.ac.in/RegnDetails.html] along with the requisite symposium registration fee before **20th January 2011**.
- The registration fee payment can be made by sending us the Demand Draft in favor of 'IIM Kozhikode' payable at Kozhikode/Calicut to the address on the right. (Please mention your Full Name, Contact Details and Organization/Institute name you belong to at the back of your DD).

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Symposium Registration Fee:

Category	Residential (Rs.)*	on-Residential (Rs.)**
Industry Participants	15,000	8,000
Academicians	10,000	5,000
International	US $500	US $300

Note: * includes all lodging and boarding expenses from the evening of 27th to evening of 29th January 2011. ** For non-residential it includes the cost of conference material, tea/coffee, and lunch for the conference period (January 28-29, 2011)

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Value Proposition starts with Emotional Connect

Sandeep Banerjee, MD & CEO, Edenred India, in conversation with *People Matters* explains how organizations need to build an emotional connect with their employees before investing on reward programs

QUICK VIEW

- Looking at only a reward program in isolation will not be sufficient to attract and retain talent
- Unless there is a sense of engagement for employees, no reward program will work
- Organizations need to invest in creating an emotional connect with their employees by devising ways to acknowledge, trust, involve, communicate and listen to their employees

The year 2008 brought a pause to many initiatives, especially in regard to investments on reward and engagement activities in many organizations. Looking ahead, I do not see much difference in the way managers will plan their approach towards employee engagement in 2011 as well, and this can be a missed opportunity. I think we are back in the year 2008, both in terms of, challenges of attracting and retaining talent, and in engaging people. But we need to leverage on the learning from the recession period and invest more in building the emotional connect with our employees.

Employees have not changed, and fundamentally, they are asking for the same from their employers. It is not only the monetary component, but employees are also saying "acknowledge me as a person", and "trust me and give me responsibility", "allow me to be a part of this organization by involving me more", and "communicate and share more with me on what is happening". So looking at only compensation or a reward program will not be sufficient for attracting and retaining the right talent.

Many organizations need to go back to basics and revisit their engagement initiatives and budgets. Drawing a parallel from an airline's frequent flyer reward program, one would understand that such programs will only work if the basic service that the airline provides is good; no program will work unless the service or product offered is to the expected level of quality, which can then only be complimented by loyalty and privilege programs. Similarly, no company's reward program will work unless there is a sense of engagement for employees that is imbibed in the culture of the organization.

Companies tend to look at reward programs in a transactional manner, which is a big miss. These initiatives will not work unless the organization invests in creating an emotional connect with their employees. A reward program that is not built on a strong employee engagement platform will be perceived as another HR program where people gather, clap, take their certificate or gift and forget about it, which does not quite serve the purpose of a reward program.

Organizations, at every stage of maturity, need to transform towards creating an emotional connect, and this is not an easy task. It is a long journey where employees may be suspicious at the beginning, but if

Sandeep Banerjee

the commitment of the leaders is firm, soon results will start to show. Only then it makes sense for the organization to initiate a rewards and recognition program. A program alone cannot create a sense of pride, as a program is more tactical. Therefore, a program will not be sustainable if the culture of the organization itself does not enable an environment of trust, commitment and openness to ensure the right emotional connect.

Often the objective that HR has in mind while implementing a reward program is to make the employees feel valued, bring in a sense of pride and finally, rewarding for good performance, that will induce the right behavior. Further, there are other objectives of creating a culture of celebration and teamwork which go beyond just temporary recognition or a feel-good factor that does not last long enough.

Many companies face internal roadblocks while implementing reward programs successfully. It may be due to the absence of adequate buy-in from the leadership team on the need for such programs, or just a short-sighted view of looking at such programs more as a cost than an investment. Finally, the challenge of how the program will be constructed, implemented and administered successfully often comes in the way of the success of most employee engagement programs. A typical program, where fundamentals are in place, takes 2 to 3 months to be rolled out, and once the program is designed and the pilot completed, it takes another 6 months before the company can start to see any effect at the grass root level. Majority of these roadblocks can be overcome to a great extent through a partnership with an expert in designing and executing reward programs.

Companies that will invest adequately in devising ways to acknowledge, trust, involve, communicate and listen, to their employees, while providing an environment of development and recognition, will be able to differentiate themselves. And this will then become their tool to attract and retain the best talent in today's competitive environment.

Manage your **incentives plan...**

or else they will manage you

The merits of incentives plans, variable pay plans and bonuses have become unquestionable. However, organizations need to be aware of the pitfalls to incentivizing performance this way

BY **GOPAL NAGPAL**

If there was one lesson to be learnt from the global financial crisis, it was the negative effects of poorly designed pay plans. While much has been written about the financial crisis itself, more can be said about the bonus plans which caused the meltdown. Unfortunately, the unquestioned merits of incentive plans, variable pay plans and bonuses have become a part of management wisdom. There may, however, be many pitfalls to incentivizing performance this way.

First we should consider the history of incentive plans - they began in the industrial era and were a primary source of improving productivity on the shop floor. They consisted of simple mechanisms of linking pay to production volume. The problem started when organizations starting applying the concept to the more complex phenomenon of managerial work. Application of such concepts itself was not an issue, it was the over-reliance which caused the problem.

Leadership, values and character can't be substituted by pay plans.

The key difference between the shop floor and management is the scale and complexity of subjective judgment. Managements across the world are trying to reduce this to a few simple metrics which can then be used as a foundation of pay plans. In my view, this approach is unlikely to work. Doing the right thing for your business in an ever-changing environment requires insights, courage and values. A fixed set of rules stemming from a variable pay plan can get in the way of doing the right thing. There can be many occasions when maximizing individual payouts will not align with maximizing organization performance and sustainability. The only thing that then stands in the way of shorted-sighted behavior is quality of leadership and strength of character. Over-reliance on incentive plans

QUICK VIEW

- By incentivizing groups of the organization, we create a dysfunctional relationship between individuals, teams and departments
- When organizations focus primarily on financial measures, they put customers, operations and staff at risk
- Creating group incentives for encouraging collaboration in a complex organization is not just important, it is critical

makes it increasingly difficult to bring these factors into play.

Poorly designed plans can threaten the social fabric of the organization

In many organizations individual performance is celebrated and highlighted but this is not necessarily a bad thing. However, when individually-driven incentive plans are added to such a culture, it can become an explosive mix. System theory tells us that maximizing parts of the business may not lead to maximizing of the whole. Nowhere is this more evident than in an organization. When we focus on incentivizing parts of the organization as if they were standalone entities we create a dysfunctional relationship between individuals, teams and departments. Some conflict is always healthy, but when taken to an extreme it starts tearing the organization apart. Incentive plans which over-incentivize performance of some parts of the organization or choose a measurement system which exclusively focuses on local performance, run the risk of not just delivering poor performance, but also creating a dysfunctional culture which can take a long time to repair.

What is good for an organization may not be good for an economy

Over-reliance on incentive plans can also impact a nation's economy. Studies have shown that when incentive plans become a large component of the overall compensation for a large component of the workforce, it can induce economic volatility. The logical explanation is easy to follow. In good times, higher payouts drive increased disposable income which leads to higher consumption. This pushes the business cycle to greater highs; however, in times of economic weakness, the exact opposite occurs. Depressed payouts, leads to shrinking consumption, which in turn leads to a downward economic spiral.

What should be done?

There are several actions that leaders in organizations need to think about.

Firstly, establish a reasonable mix of compensation. Ensure that your incentive plan as a proportion of your total compensation has not grown out of control. It is indeed tempting to move towards variable pay because it brings about better cost control. While this is an attractive concept, the risk it poses to your quality and character of leadership, collaboration and sustainable performance must be considered.

Gopal Nagpal

Secondly, choose your performance measures well. Choice of measurements can cause distortions in two ways. The first is time horizons, when organizations focus primarily on short-term measures; they tend to put the long-term at risk. Choosing lead indicators and deferred pay plans are possible solutions to the problem. The second is the types of performance measures, when organizations focus primarily on financial measures, they put critical dimensions like customers, operations and staff at risk. Organizations need to focus on creating a multi-faceted balanced measurement system which addresses all stakeholders.

Thirdly, create some form of group incentive. Encouraging collaboration in a complex organization is not just important, it is critical. Ensure that your plans have a significant component based on group performance. It is best to weave this into the plan at multiple levels. Leadership could consider doing this at a team, department or organizational level. Parts of the organization where interdependencies are especially important should be given particular attention.

When used with the right degree of emphasis and the right design, incentive plans can become a key driver of growth. However, if left unchecked, they have the potential of taking on a life of their own. They can cause damage, which can go beyond an organization and impact an entire economy.

Incentive plans are an issue that should be discussed in boardrooms and should be a priority area of research for the academic community. Thankfully, the types of dangerous pay plans we saw on Wall Street are still limited to the financial industry. One shudders to think what the consequences would be if similar thinking on incentive plans was applied to the wider economy. pm

Gopal Nagpal, Principal - Mercer Human Capital

Equity Compensation
Looking Beyond Legality

ESOPs can emerge as vital compensation tool to attract and retain talent if design of the program is aligned to company's need and the plan is communicated well to employees

BY **HARSHU GHATE**

Equity based compensation, popularly known in India as ESOPs, gets talked about quite often – in the Board meetings, management huddles and also sometimes in HR conferences. Most of the times, these discussions hover around the legal aspects, the tax impact and off late also the accounting charge. Invariably, all the interactions that one hears on this subject include everything but the 'compensation' angle of ESOPs. This instrument is still perceived as a legal and financial instrument, which is very complicated to understand given its own jargon and terminology. Unfortunately, many HR professionals also have the same view. This instrument needs to be looked at as a potent compensation tool to attract and retain talent.

QUICK VIEW

- Discussions on ESOPs needs to go from taxation and legal aspects to the power of attraction and retention of talent
- The success of an ESOP plan is largely dependent on how well the plan is communicated and administrated
- ESOPs should be as part of the total rewards strategy and HR should play an instrumental role in design, communication and administration of the plan

For ESOPs to be "sold" to employees as a part of compensation, it is critical that the entire Plan is designed, communicated and administered like any other component of compensation. It is very common to see the HR function getting involved in ESOPs only till the Plan is designed and rolled out to employees. The baton then is usually handed over to either Finance or Legal team. There is very little effort invested in communication and administration of the Plan. Interestingly, the success or otherwise of an ESOP plan is largely dependent on how well the Plan is understood by the employees (communication) and whether the process for them to encash their value is streamlined and hassle free (administration). If at the time of granting of Options, employees are only told about the enormous value of what they are getting but later they encounter difficulties in realizing their gains, the entire HR exercise of implementing ESOPs would actually boomerang, as it does in many cases.

Customized design

Even while designing a Plan, the tendency is to follow a publicized success story, without factoring in the specific needs of a sector or the company. Some companies follow the industry leader often ignoring that it is much larger and well established as compared to you. It would greatly benefit if you were to design an option which is specific to your needs and profile of the employees you plan to cover. Many are not aware that it is possible (and perfectly legal) to design different option structures for employees of different levels. For instance, one

ESOPs are still perceived as a legal and financial instrument, which is very complicated to understand given its own jargon and terminology. **ESOPs need to be looked at as a potent compensation tool to attract and retain talent**

can have options for senior management at the market price with performance based vesting, whereas for the middle and junior management they could be at discount with time based vesting. ESOPs structured with performance based vesting are essentially another form of variable pay whereas with time based vesting they are essentially deferred pay.

Effective communication

The companies usually go overboard while communicating the attractiveness of ESOPs. While ESOPs do provide a significant upside potential, there are situations and periods when ESOPs may not look that attractive. Even though usually such periods (falling stock markets for instance or a bad business year) are a passing phase, it is important for the employees to know about them. The tendency of the employees to perceive ESOPs as a pendulum (swinging with the stock markets) needs to be rectified by emphasizing the long term nature of the instrument. Many of us would have experienced that the same options which were underwater not more than a year and half ago are now worth a fortune. Given a normal option life of five to six years, this was a small period of aberration. The heartburn that the employees felt during those days could have been avoided if the long term element of this compensation was adequately communicated.

Communication is an on-going exercise. As a part of the HR function, one would have enough opportunities and occasions to interact with employees. It could be Town halls, one on ones, open house forums, et al. ESOPs, their valuations, information on business performance, recent changes in regulations and their impact, et al, should form part of the agenda at such events. Such communication is all the more critical when the going is not good and option values are sliding down. Unlisted companies have a different challenge of communicating the value and appreciation when there are no market quotes. Involvement of HR is extremely critical during the entire Plan period.

While talking about communication, an important side issue that is worth a discussion is whether ESOPs are only about compensation. Do we grant ESOPs just to reward employees? One of the top three stated objectives of ESOPs is to encourage employee ownership. Does this objective go beyond compensation? When we say ‘employee ownership’, we are talking about employees as owners. It means that employees have to think like owners would in a given business or economic situation. They have to take similar risks like an owner would and take a bad year or a failed business decision in a stride and move on with optimism and positive frame of mind. This is easier said than done. A well thought of and structured communication program is essential to bring about this change in the employees’ mindset and cultivate their behavior.

Last mile process hiccups

Coming back, if ESOPs are to be accepted as a potent compensation tool by the employees, it is crucial to streamline the process for them to encash their value. At the end of the day, it is the cash in hand that the employees will be checking. If the process to get the cash is fraught with delays and market uncertainties, it will drive the employees away. The challenges here

Harshu Ghate

The tendency of the employees to perceive ESOPs as a pendulum needs to be rectified by emphasizing the long term nature of the instrument

are different for listed and unlisted companies. In case of listed companies, the challenge is not about the visibility of the value but about its realization. Most of us believe that if the company's shares are quoted, the realization of the gains is not a big issue. However, that's not true thanks to some of the regulations and procedures. Let us take the following example:

Options granted – 10000	Rs	Options exercised – 10000	Rs
Exercise price	100	Exercise price payable	10,00,000
Market price on date of exercise (1st December)	150	Perquisite tax payable (30% of the appreciation (150-100) for 10000 options	1,50,000
Market price on the date of allotment (15th December)	140	Total funds required by the employee to exercise	11,50,000
Market price on listing of shares (23rd December)	130	Perceived gross realization (based on market price on date of exercise)	15,00,000
Market price on the date of sale of shares (26th December)	110	Possible gross realization (best case – market price on date of listing of shares)	13,00,000
Date of receipt of cash (29th December)		Actual gross realization (based on market price on date of sale of shares)	11,00,000

Every listed company is required to list the ESOP shares separately as and when they are allotted. The shares so allotted to employees can be traded in the market only after listing. The employee needs to be communicated about the date of listing so that he can trade. So we are talking about four relevant dates – date of exercise, date of allotment, date of listing and finally the date on which he/she can trade (after listing is communicated to him/her). In the example given above, the time lag between the date of exercise and date of receipt of cash is close to one month. One irritant here is the shere time lag but the other and more important one is the market risk, which the employee takes during this period. Given the price movements in this example, the employee hoped to pocket Rs. 3,50,000 post tax when he chose to exercise. In reality though, he is out of pocket by Rs. 50,000 by the time he could sell the shares. After all the hard work that one does in communicating and educating the employee and generating the enthusiasm, it would be very frustrating if the employee were to shell out cash instead of earning a bounty. Very often, HR teams express helplessness citing the legal process and time lags. Usually the buck is passed to the Finance or Legal teams who handle the allotment and listing process.

Both the bottlenecks, time lag and market uncertainty, can be addressed completely if the company were to follow the practices followed globally, namely cashless exercise and same day sale. Use of technology to facilitate on-line exercises and payments, email alerts and pop ups will help in reducing time lags. It is also important to allot ESOP shares more frequently than the usual monthly or quarterly schedules.

Trust route can be very effectively used to ensure availability of listed shares on the day when employees exercise. It is possible to bring down this time lag to less than three days. This will lead to minimal market risk.

In case of unlisted companies, the challenge is visibility of the share price. But the bigger challenge is how to provide liquidity to the employees. It is important to spell out the alternative options the company would explore to ensure liquidity of the shares. Some of the common choices used are buying by the investors or promoters. Rarely, buy back commitment from the company is provided. In case of broad based coverage of employees, a regulated internal market place should also be explored.

As the process owner, HR is the key stakeholder in making ESOPs successful. If ESOPs are to be accepted enthusiastically by the employees as the sought-after compensation, it will have to be ensured that the entire experience of owning an ESOP is as enjoyable and rewarding as the cash it generates. HR managers should ensure that ESOPs are not looked as a legal instrument with complexities but a user-friendly and attractive component of compensation. pm

Harshu Ghate is Co-Founder & Managing Director, ESOP Direct

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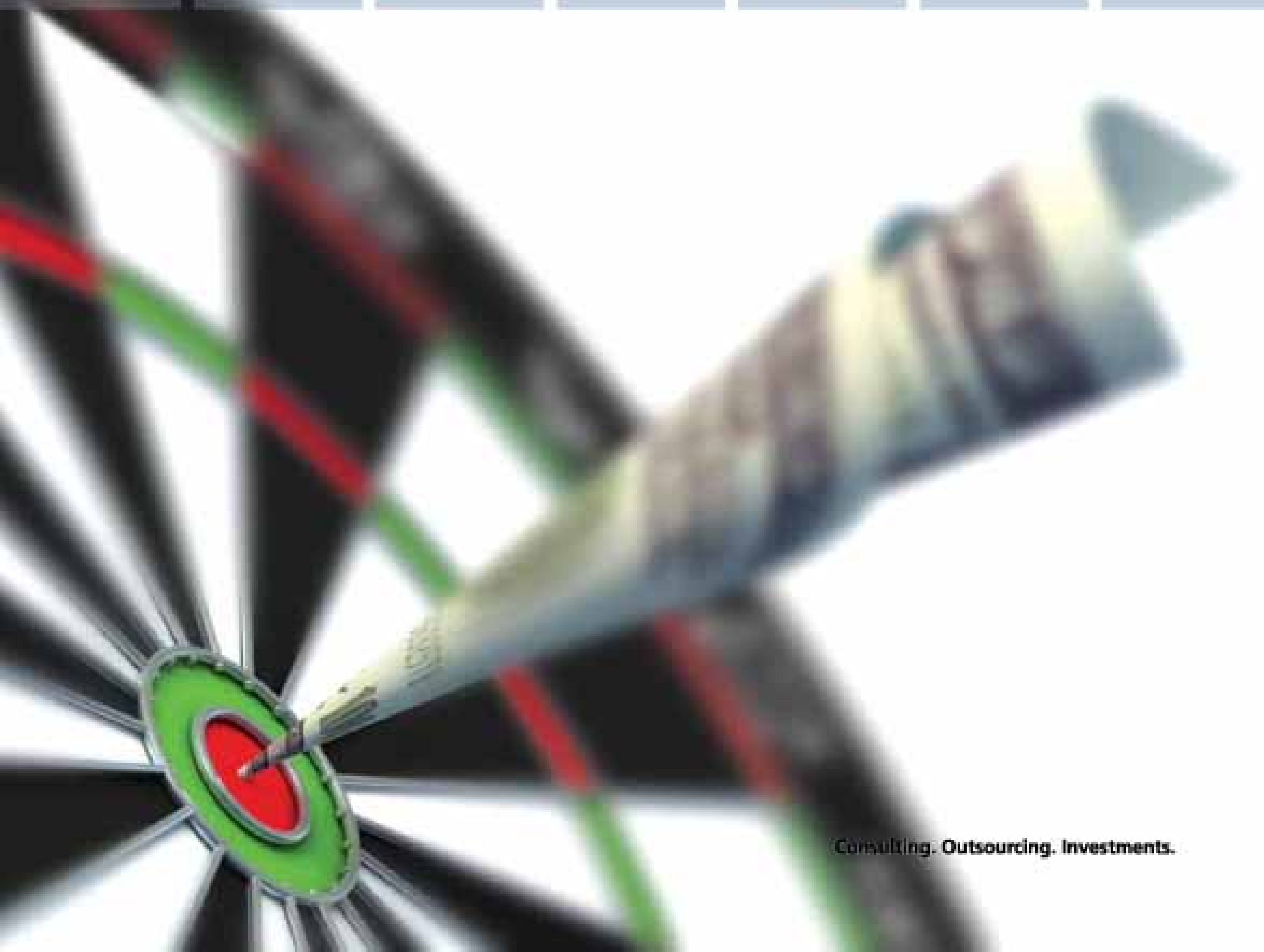

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TEJASVI MOHANRAM
Editor-in-Chief

WHEN CAPABILITY IS ACCOMPANIED BY ETHICAL BEHAVIOUR

Most people would agree that when it comes to entrepreneurship, risk-taking and building businesses, Gujaratis stand apart and have created an exceptional track record. But even by those exceptional standards, investment commitments amounting to USD 450 billion at the recently concluded 'Vibrant Gujarat' summit, totalling roughly 35% of India's GDP, is an acknowledgement of something extra-ordinary happening in Gujarat.

A lot of good and bad has been written over the years about Nardendra Modi, Gujarat's chief minister; but this sort of economic achievement does cement his reputation as a man whose achievements speak louder than the collective hoarseness of his critics and as a man with impeccable personal integrity. Even today, there are many who argue that most economic achievements of Gujarat – 10.4% 5-year annual growth and 15% of national investment – have little to do with the state government.

I agree. Gujarat's economic miracle has less to do with the institution of government and more to do with governance and with the people who govern the state. A few things stand out in the way Modi and his team govern, administer and manage the state. The first is speed in decision-making. The prime example being that of Tata Motors, which opted for Gujarat over several other states for its Nano project because of the speed at which the state acted after the auto major was forced to pull out of Singur in West Bengal – a decision that has brought in USD 6 billion in investment and roughly 60,000 jobs.

The next aspect of Gujarat's governance is the clarity regarding the state's role – one that provides the setting of good infrastructure, law & order, investor confidence and education - and lets the private sector achieve growth and wealth creation. Such clear thinking and drawing of lines between state and private enterprise is reflected in everything the business community and people of the state like about Gujarat – good infrastructure, job creation by the private sector and most importantly, the promise of growth.

The final thing that stands out about Modi – and may be his biggest differentiator – is his personal integrity and the near absence of corruption at the state's top-most political levels. At a time when many governments are enmeshed in the ugliest – corrupt politicians, fixers, middle-men, backdoor media access, acquiescing businessmen – Modi's corruption-free image and the effect it has had on the top decision-makers in his cabinet, is a visible symbol of what ethical behaviour in governance can achieve.

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