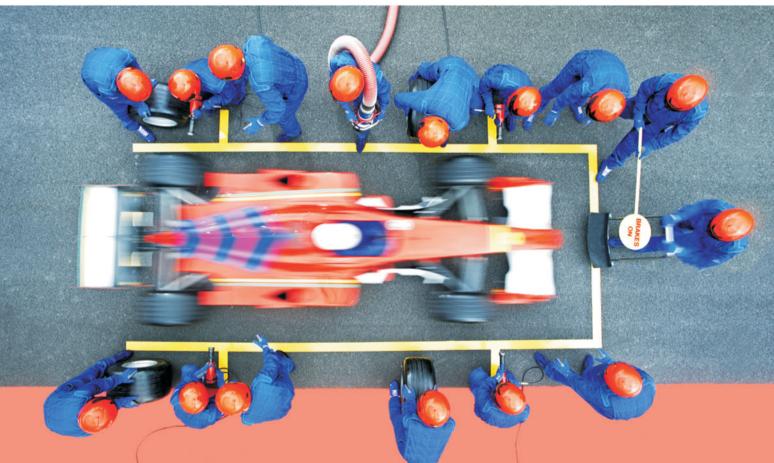
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dare to lead Dr. Anil Khandelwal PEOPLE DEVELOPMENT -THE ANSWER TO SUSTENANCE TOTAL REWARDS SPECIAL 2011

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ESTER MARTINEZ Managing Editor

#### The Invisible Industry

When we thought of writing a story about the HR industry in India we did not realize the complexity that this task will entail. This hugely fragmented, complex, and diverse industry is where client organizations and service providers aim to partner for a common goal - to equip organizations with their people needs to cope with the rapid growth. The 'Industry of HR' is estimated to be more than INR 10,000 crores and growing at a rate of 14%. As we go along, we will see huge transformation in this market as customers - CEOs and CHROs demand better quality, broader scope of services, greater transparency and accreditation.

The complexity of this industry is two-fold: at one end of the spectrum, newer & innovative players are entering this growth space, benefiting from low barriers to entry and ability to monetize fast; at the other end, the industry is consolidating, fueled by the need for service providers to build capacity and capabilities in capturing this evolving market. This complexity leaves client organizations confused about who the major players are, what do they offer, how to correctly assess the capabilities of these players and how does one ensure delivery of promised service levels.

We thank all industry professionals, consultants and CEOs of service providers who shared their time and knowledge in helping us put together this top-down view of this landscape, probably for the first time in India. *People Matters* is committed to bringing transparency and information to our readers and we hope this story will help many HR practitioners in their quest to identify, select and partner with the right service providers.

This action-packed issue also presents a special report on Total Rewards as we do at this time of each year. Following *People Matters'* events on this theme in Mumbai and Delhi, this report comes with a compilation of ideas from prominent HR professionals, consultants and strategists who are experts in this domain. The Rewards Special is an overview of the future of employee rewards in India, best practices in pay-forperformance and a detailed study of executive compensation. We have also looked beyond the cash component and focused on insurance benefits trends, career and recognition as increasingly important parameters in employee rewards.

Finally, we bring to you the story of the extraordinary transformation of Bank of Baroda during the tenure of Dr. Anil K. Khandelwal as CMD, as told by the man himself. Dr. Khandelwal represents a rare brand of leaders who have risen up the ranks having started in the HR profession. As a prelude to the release of his book "Dare to Lead", this exemplary story from the trenches to the boardroom brings insights into compassionate leadership, cultural & systemic transformation and the message of 'tough love'.

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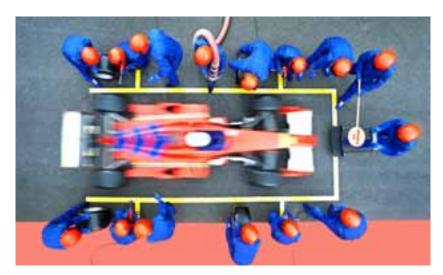
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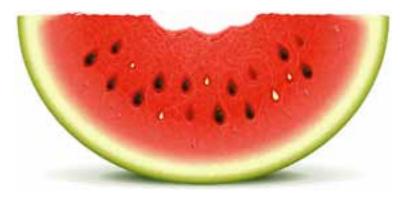
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We value your feedback. Write to us at: editorial@peoplematters.in

### Letters to the editor

#### People Matters gaining acclaim

People Matters is certainly capable of catching a lot of attention from HR professionals. Managing talent has always been a challenging task for all HR practitioners. There cannot be a simple straight jacketed formula for everyone to attract, recruit, develop and retain talent. Every organization has to evolve its own home-suited technique to meet the challenge. It will be dangerous to adopt a copypaste attitude. The articles are impressive and away from jugglery. - Anil Kaushik

Chief Editor - Business Manager

#### Great and thoughtful

There are great and thoughtful articles! Very well pulled together. This is now becoming the platform for HR leaders. Congrats.

- Tiger Tyagarajan, COO, Genpact

#### Leadership to engage in the full talent life-cycle

The latest *People Matters* cover story is very interesting article on talent management and carries some valuable insights on the subject. As an HR consultant I am seeing this need for senior leadership to be engaged in the full talent life-cycle as more and more critical. Organizations that focus on hiring, nurturing and retaining talent over a period of time start to become magnets for talent and this becomes the start for a virtuous cycle of all-round growth for the organization.

- Sudhanshu Pant (via email)

#### Time for just-in-time talent

The cover story 'Future of Talent Management' was quite nice, especially the insights on just-in-time talent which often results in hiring people only to realize you have caught the wrong fish.

- Ram Sharma, School of Inspired Leadership- Gurgaon/India



#### Unconventional thought

As a HR manager, I find *People Matters* to be of very high quality and standard. I am most impressed with the fact that the topics covered are very unconventional with new dimensions and is a very innovation and thought provoking for all HR professionals. - *Rani Desai*, VP-HR, Geometric

#### Grow up and explore options

Referring to Elango's article, it is a helpful though as sometimes we are unable to bridge the gap due to our own inability or situation or even realizing that our competency lies elsewhere. Once we realize where our competency lies it is easier to bridge the gap, which makes life stress-free for us and others around us. As stated in the second example in the article I think it is important to grow up and explore the options and opportunities to reach new heights. - Guest (online)

#### Address the new front line aspirations

Good article, and very close to the actual scenario of talent management! I try and hire frontline team members from small companies and startups (they are usually very hard working and less critical of company processes, and handle pressure better). Recently however, I have been awestruck with their aspirations and dreams. During interviews, they freely discuss aspects of exposure, learning and work culture promised by counter offers along with monetary benefits. Even a few years ago, such understanding at frontline level was unheard of. Thus, even as HRMs are looking for better ways to hunt, obtain and retain talent, prospective employees have become more and more perceptive. They are looking for a more holistic interview experience and work environment. - Somenath Ghose

#### Light on cooperative structure

The story on IFFCO was a very good read. For the first time the article has given a clear understanding of the otherwise complex cooperative structure

- Ranbir Ahuja

#### Good insight on IR issues

The interview with Mr. R.P. Singh is very informative and gives a good insight about the IR issues related to mergers and acquisitions. - Monika Jangid

#### Remuneration no more the only motivator

'Rethinking employee remuneration' article by Freek Vermeulen was an excellent read. The article offers a new way of looking at remuneration and its impact if any on employee motivation. These days HR professionals agree that remuneration/compensation is not the sole motivating factor. This is why we see numerous satisfaction surveys discounting poor scores on compensation parameters to arrive at overall satisfaction scores. - Niilesh S Bhoite India's Central Transmission Utility. World's 3<sup>rd</sup> largest power transmission company.\*

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\*Source: World Bank press release dated January 27, 2009 \*\* Budgeted cost \*\*\*Annual performance rating since facal 1994 \*\*\*\*Directed by CERC



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## UPDATE

#### **Budget 2011 and its Effect on Employment**

he Indian national Budget was released few weeks ago which attracted both praise and criticism. The focus of this year's Budget was to increase measures in promoting infrastructure, inclusive development, boosting foreign investments, contending climate change and tackling corruption.

In the employment/talent space, the support to education has been increased by 40% with a total allocation of Rs. 21,000 crores. This includes a revised centrally sponsored scheme for "vocationalization of secondary education" to improve the employability of youth. The assistance for states in setting up new polytechnics has increased from Rs. 500 crores to Rs. 736 crores, which is a big leap. Budget 2011 has also allocated an additional Rs. 500 crores into the National Skill Development Fund (NSDF). It is a very good measure, seen in the context that nearly Rs. 700 crores of the Rs. 1,000 crores in the NSDF has already been committed and this was extremely necessary to enable National Skill Development Corp. (NSDC ) to continue to approve projects leading to the execution to skill 150 million persons by 2022. This means a 50% enhancement of the funds in the NSDF.



In regards to employees, the Budget proposes to exempt taxpayers from filing income tax returns if the salary is their only source of income and the employer has already deducted the tax before payment of wages. This new policy is aimed at reducing paperwork for salaried people. Industry experts expect it to not benefit many people as a salaried person with even a basic savings account may not be in the category as bank interest would form part of "other income".

#### **Corporate India Gears up for Pay Hikes**

n an attempt to sustain skilled talent, corporate India may give 10-15% salary hike in the approaching financial year. Aon Hewitt predicts India to receive the highest pay hike in the Asia Pacific region this year at 12.9% compared to 11.7% last year. China at 9% and Philippines at 7% follow India.

Aon Hewitt's India Practice Leader (Compensation) Nitin Sethi comments, "India's salary rise would also be among the highest in the world, companies are growing fast and demand is rising due to good economic growth." He also said that double-digit salary increases would continue for the next couple of years and is expected to be "12-15%" across industries. Alternatively, attrition is also at high levels, touching 18.9% in 2010. Mentioning that, the average Indian corporates will hike salaries in the range of 11-12%.

Mr PV Ramana Murthy, Vice President, HR, Hindustan Coca Cola Beverages, comments "On the backdrop of improving global economic scenario and shortage of qualified people, the talent war is back. However, there will be no extraordinary jump in increments in FY 12." He further mentioned that sectors like FMCG and financial segments are expected to provide the highest employment prospects. Nishchae Suri, Managing Director, Mercer said that, "Positive momentum has already started in telecom, healthcare and banking, financial services and insurance segments." Suri believes that the increments in India are expected to be as high as 13-15%.

Sunil Goel, Director, GlobalHunt said, "On an average, companies across industries may offer 10-15% salary increment. There will be 20-35% growth in salary in the Information Technology sector." He also mentioned that power and energy are the need of the hour, and there will be a special focus on thermal and hydro projects by the government for which several policies have been opened up.

Changing workforce demographics and need for the right kind of talent have forced companies to attract and retain its employees by offering high salaries. However it would not really succeed in keeping employees if organizations do not align other HR processes like career development, leadership and talent management systems. An organizational culture that is open, transparent and empowering goes a long way to retain employees and will increasingly also be a large part of the employer brand that would attract employees.



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of its key customers today include the HDFC group, the Reliance ADA group, the Future group, Cipla, Marks & Spencers, L&T Infra, GoAir, etc. Cnergyis is now a Deloitte Fast 50\*

organization & Red Herring\* 100 Asia Pacific finalist (\*2010).

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#### **Monster Employment Index India Rises 21% YOY**

Monoster released its employment index for the month of February which showed that online job opportunities have grown by 21% on year-on-year basis compared to February 2010. Retail sector paces all industry sectors in annual growth – growing by 45% over last year's level, followed by the BPO/ITES sector with 43% growth. On the occupations front, growth of demand has been highest for hospitality and travel professionals, seeing a 41% increase over last year's level followed by purchase/logistics/supply

chain professionals whose demand has grown by 38%. Interestingly, the demand for HR and Admin professionals has grown by 24%. Growth of opportunities in tier II cities has increased more than metros, possibly because their numbers were low last year. The growth has been most in Kochi (30% over last year's levels) followed by Coimbatore at 26%. The two metros in the top 5 cities showing growth are Mumbai with 26% and Chennai with 25%. Of course, all the figures are in percentages and can be skewed based on how small or large the number was last year.

#### Salaries Soaring at Indian B-Schools

ompanies are expected to set lucrative pay packages for b-school students this year. Market sources reveal that many b-schools in the country have already started setting pay package records. The list includes IIMs as well as the second tier b-schools. Entry-level salaries at campuses like XLRI, IMT Ghaziabad, TA Pai Management Institute (TAPMI), Xavier Institute of Management Bhubaneswar (XIMB), Jamnalal Bajaj Institute of Management Studies (JBIMS), Indian Institute of Foreign Trade (IIFT), International Management Institute (IMI) and Welingkar, have increased by 12-20 %, including a noticeable leap in both the lowest and the 10 lakh-plus pay packages.

Mumbai's Jamnalal Bajaj Institute of Management Studies (JBIMS) has seen the number of global consulting firms visiting them each year rise significantly and companies like McKinsey, Citibank, and Nomura are the main recruiters. Companies like HUL, ITC and P&G have also visited their campus.

At XLRI Jamshedpur, Novartis AG offered a package of 54 lakh this year, for the role of HR leadership development at its global headquarters. Around 15 new recruiters visited XLRI this year. Average salaries have gone up from 14.2 lakh in 2010 to 15.8 lakh this year. A total of 109 companies made 317 offers to the 240 student batch at XLRI.

The IIMs are reporting a 25% increase in salaries offered to experienced professionals. Market reports say that in the lateral placement process this year, the highest salary offered to a student is a Rs 70 lakh (\$150,000), to a student of Indian Institute of Management, Kozhikode (IIM-K), by the trading company, Olam International.

IIM-Indore has seen a 10-25% rise in salaries for experienced candidates this year, with pay packages ranging between Rs 10 lakh and Rs 25 lakh. The bullish growth of FMCG companies and a robust performance by financial institutions seem to be having a positive effect on placements this year. Recruitment is a leading indicator to business growth. The b-school recruiting season shows that most companies are on a strong growth path, both in India as well as globally.

#### **Corporate Appointments**



Ranbir Singh Butola has been appointed as the new Chairman of Indian Oil Corporation. Butola joined ONGC in 1991 as Deputy General Manager (F&A) and was appointed as Director (Finance) of OVL, the overseas investment arm of the state explorer, in 2002.



**R.V. Kanoria,** who was the CMD of Kanoria Chemicals and Industries, has taken over as Senior Vice President of the Federation of Indian Chambers of Commerce and Industry (FICCI).



Cable&Wireless (C&W) Worldwide, a provider of mission critical communications, has appointed **Mary Titus** as the Head of Human Resources for India and the Asia Pacific region. She was earlier leading the total rewards function for SAP in India.



Axis Bank has appointed **Nilesh Shah** as President, Strategic Initiatives, in its Corporate Banking Division from March 2011. Shah was earlier in ICICI Prudential Mutual Funds.



Venture Capital firm, Canaan Partners, appoints **Rahul Khanna** as Managing Director of Canaan India, effective March this year.

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### In Search of Change Maestros - Series III Kiran Mazumdar Shaw

## The Accidental Entrepreneur

From a mere seed capital of Rs.10,000, Biocon is today a leading name in the world bio-pharma industry. **Kiran Mazumdar Shaw** shares her 32 years' accelerated journey to the top.

Excerpts from the book *In Search of Change Maestros*<sup>\*</sup> by **Dr. Pritam Singh** and **Dr. Asha Bhandarker** 

\* In Search for Change Maestros, Dr. Pritam Singh & Dr. Asha Bhandarker, Sage Publications, 2011 Biocon began with a garage office and a mere Rs. 10,000 as seed capital. Born with the conviction to become a global leader, 32 years later, Biocon is today Asia's largest biotech company. Known for its focus on innovation and discovery, Biocon has successfully reinvented itself in response to business opportunities, from a fermentation-based enzymes producer, to a bio-pharma company. Biocon has filed 950 patent applications till date, an indication of serious efforts towards creating and protecting knowledge. It is no wonder that when the company went for its first IPO in 2004, it was oversubscribed by thirty-three times, and on Day 1 the bourse closed with a market value of \$1.11 billion, making Kiran Mazumdar Shaw (CMD, Biocon Ltd.) the richest women in India.

*In Search Of Change Maestros'* unique approach towards its empirical study revealed some of the most intriguing traits of this innovative leader who has brought about a revolution in the bio-pharma space.



#### Patterns which explain Shaw's excellence in the venture

**Strategy Architecture:** Biocon laid emphasis on competitive co-partnership - while in research they co-partner with some companies, they aggressively compete with them in some markets, thus following a robust strategy of competitive collaboration.

**Entrepreneurial Passion:** Kiran has created an entrepreneurial spirit within the company. As many in Biocon say "If we feel something is important then 'we do it'; the top team has a strong belief in themselves and their team".

**Global Vision:** Biocon is an epitome of global scale, global processes, and global standards, and the focus is to beat global giants in terms of cost competitiveness.

**Futuristic Orientation:** The company is opportunitysensing and always thinks of tomorrow, today. Their emphasis on R&D is a natural outcome of this futuristic orientation.

**Creating the Second Curve:** Biocon enables a dynamic growth strategy through constant focus on creating a second curve, before the first curve declines.

**Culture of Empowerment:** Biocon has a culture of freedom, support and encouragement. Employees are encouraged to pick up new challenges and many hold responsible positions at a very young age.

**Non-hierarchical Structure:** Everyone at Biocon are on a first- name basis, and everyone, including Kiran queue up for lunch at the canteen. She encourages creation of a company with no hierarchy, no bureaucracy, and no level differences in anything, making decision-making very quick.

**Making Work a Happening Place:** The workplace is best described as 'happening', 'invigorating', 'challenging' and 'exciting'. Everyone is involved in doing something new which brings great excitement to the workplace.

**Quest for Excellence:** Kiran instilled an Intellectual Property (IP) consciousness through constant training. They have a very appreciative culture, and the company goes out of its way to appreciate somebody for their excellent contribution. Kiran herself announces the promotions, and ESOPs are also used as a great instrument in promoting excellence.

**Caring Community:** Employees experience a bonding at an emotional level in the Biocon community, and focuses on looking after the whole person, rather than just the employee.

**Ethical Governance:** Biocon believes in openness, trust and integrity, and communicates with people about what they are doing in the company, through media and conferences. They are conscious of government rules and regulations, and work within the prescribed regulatory framework.

## **Kiran Mazumdar Shaw**

Entrepreneurial Path Breaker

Though she calls herself an accidental entrepreneur, Kiran's drive to create a brand for India and work towards bringing down the cost of critical drugs has led Biocon to afford its place in the global bio-pharma industry. The authors speak to the lady herself to learn more about Biocon, its journey, and the crucial value system that has made the dream a reality

#### **PS:** How would Kiran Mazumdar Shaw describe Kiran Mazumdar Shaw?

KM: I am very impatient, impulsive, proactive and often act in haste. If something bothers me, I was likely to be reactive and make a decision immediately, and take a corrective action. I am also the type who apologizes very fast if I know I am wrong. I am likely to be very demanding on the spur of the moment if I see something is not being done the right way. If I see somebody not wearing a helmet and climbing up the scaffolding, I will yell at the person and make sure the person comes down. Maybe I should not be so instantaneous in my respond to such situations. But I believe that when you give instant judgment, very often people realize what they have done wrong. So, I have a certain style, which I think people have come to accept.

#### PS: Does Kiran Mazumdar talk with Kiran Mazumdar?

KM: Of course. I introspect a lot and keep asking myself questions on what is right and wrong. Biocon stands for very high level of values and ethics, which I think is extremely important. That is why non-ethical practices bother me. I am a honest person and I treasure honesty in others. I like straight talking, if you want to say something to me, say it in front of me. Very often, people come up to me to tell me, Kiran I am really concerned about such and such thing, but please do not quote me. And I say that I am going to quote you, because if it is such a serious issue, I need somebody to speak up. You cannot compromise on your principles, values, and ethics, because that is what builds a company.

#### PS: When younger, were you a dreamer or a visionary?

**KM:** I would not call myself either. I was just driven by a sense of purpose and I took on the challenge. I was driven by a spirit of challenge to create an environment where scientists produce something really useful. I also wanted to prove to people that women make just as good entrepreneurs, managers or leaders, as men.

#### PS: Did you always want to be an entrepreneur?

**KM:** I am an accidental entrepreneur. I never planned to start a company or become an entrepreneur. I was quite career-minded and wanted to pursue a career in brewing because that is what I studied, and when I found it difficult to

get a job of my choice, an unexpected opportunity came my way. An Irish entrepreneur said he wanted to start a biotech enzyme-based company in India and wanted a partner. He thought I would be an ideal partner. I was very reluctant to take up the offer at first because I felt I was not cut out for business and knew that being a woman in India, it was not ideal to become a businessperson.

#### PS: How did Biocon take shape?

KM: My Irish counterpart somehow convinced me that I had all the traits of an entrepreneur. So with that in mind, I set up Biocon, literally as an experimental kind of company. I did not know if it was going to work out but slowly as I got involved in the business I found there were some interesting and exciting challenges.

You cannot compromise on your values, & ethics, as that is what builds a company

#### PS: How was the journey starting a business in a completely new territory, at a time when India has not heard much of biotechnology?

KM: When I started Biocon, it was a virgin territory and no one had heard of biotechnology. It was good for someone like me who is an experimental and accidental entrepreneur. I had the freedom to create our own business model. We began with making Pepin which was a plant enzyme from papaya, but Pepin was a low technology program and I wanted to go beyond that. I decided to create a very strong research engine as an integral part of the business. Developing novel enzymes, microbial enzymes for various industrial applications excited me. My Irish partner agreed and we put together a R&D division, the first ever in India. Through this we created exciting opportunities for scientists in India, and they would not have to go abroad.

The R&D focus made the market exciting for women in India as well. But to scale up technology I needed investment but nobody wanted to support me as most funding agencies were uncomfortable about home grown technologies.

#### AB: How were you able to convince the investors?

KM: Mr. Narayanan Vaghul of ICICI Bank understood what I was trying to do and he said, forget about the others, I will back you. He agreed to help on the condition that we will allow them as a venture fund to invest in the company. I was able to scale up the technology, and with luck ICICI had a great exit, because within a year of taking this investment from ICICI, Unilever took over my Irish partners. Unilever decided they did not want to have a VC, so they made ICICI an offer four times of what they had invested and took their shareholdings.

#### AB: What fuels you passion for Biocon?

**KM:** I want to build this brand for India. I want to make Biocon a brand which India can be proud of. Infosys, Wipro and TCS have built

We are developing affordable innovative solutions which have a lot of local relevance but a huge global impact

> the IT sector which has raised India's stature. Biocon is in the product development sector. If we want to be taken seriously, we have to bring out novel products. When we develop blockbuster novel products and the world sits up and takes us seriously, then I would probably sleep peacefully.

#### PS: What is your business model?

KM: Our business model centers on our strategy to create affordable innovation – that is our big advantage. We are developing affordable innovative solutions which have a lot of local relevance but a huge global impact. We developed insulin because we realized that India has a huge diabetic burden and the cost of insulin was priced very high by the multinationals. Biocon has been able to drop the prices, and today all diabetics can get the same product at a quarter of what they paid say 10 years ago. Now we are trying to come up with the world's first oral insulin tablet which will be a game changer. I do not think anybody in the world can come up with oral insulin except us because there are huge cost challenges in bringing oral insulin to the world markets. We can address those challenges because we are based in India.

#### AB: Who were your role models in your younger days?

KM: I have had different types of role models. As a scientist, Rajiv Gandhi tried to bring about a lot of change and reforms in science and technology, and brought in some very important people, like Sam Pitroda and Raghunath Anant Mashelkar. To that effect, I liked Rajiv Gandhi because he brought in that change at a time when we needed to change. I consider Mr. Narayanan Vaghul my mentor, because he gave me a huge amount of support and confidence, and understood my business model. Another person who I have a lot of admiration for is Dr. Devi Prasad Shetty. He is an amazing man and is changing the whole healthcare model in this country - trying to develop an affordable healthcare model. Dr. Raj Bhan, Secretary, Department of Biotechnology, is another brilliant visionary and Kapil Sibal, a bright personality who really knows the main issues of India.

I was also very close to my father and learnt the essence of ethics and principles from him. He imbibed in me the belief that anything you achieve, if it is done without a sense of honesty and a sense of integrity, is worth nothing. I read a lot and was really struck by Jack Welch's management style and the concept of boundary less management.

#### PS: Have you achieved your dream yet?

**KM:** I have miles to go. I have reached a very interesting milestone in my journey, but to me it is only the beginning of the path that lay ahead. Until I really get those products into the market as game changing products, I do not think I can say I am done yet.

#### AB: How do you renew yourself?

KM: I network a lot, attend conferences, and meet different types of people. Apart from my business I engage in civic issues. I do a lot of work with the Government of Karnataka, both for the biotech sector as well as for the city of Bangalore. I interact with artists because of my passion in the area. I try to support art and culture as much as science because I feel both have a creative core in them. I like to keep myself engaged through different aspects in life. I feel if you are too homogeneous in the way you live your life, you miss out on a lot of things.



Dr. Pritam Singh is Professor of Eminence at MDI, Gurgaon and former Director of MDI, Gurgaon and IIM Lucknow. He has been awarded the Padma Shri for his outstanding contribution in the field of Education.

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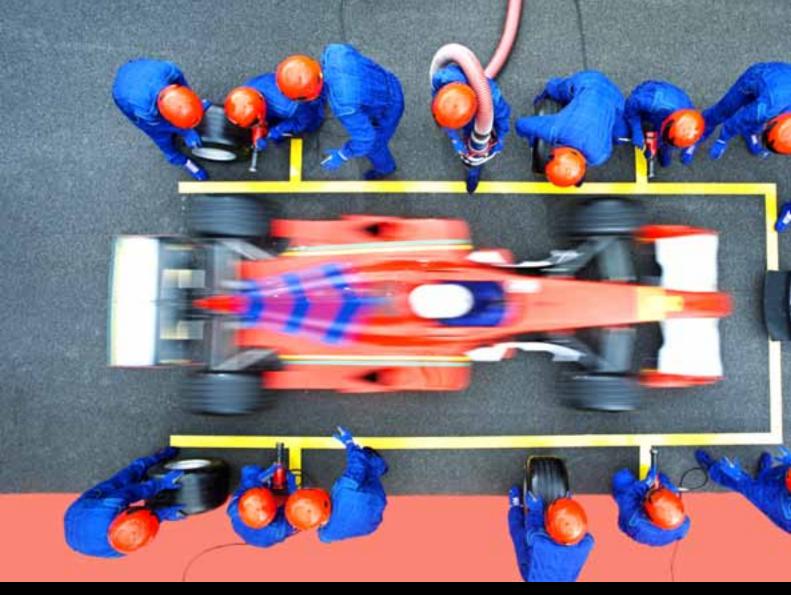
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## The Incustry of

#### BY ESTER MARTINEZ, GAUTAM GHOSH & RAJLAKSHMI SAIKIA

Defining the 'HR Industry' is a challenging task, not only for the reason that there is no standard definition set one can refer to, but also because the dynamic and fragmented nature of the industry makes a unanimous classification almost impossible. In this story, *People Matters* attempts to create a framework for this industry and share opinions from practitioners, industry players and expert professionals, to bring transparency and tangible information to the buyers in this industry: CEOs and CHROs



The CEO of an SME spends 3 months a year along with his HR team for performance management and salary revision. He wonders year after year, that if the human race was able to find a way to get to the moon, we should by now have found a more efficient way to manage the process of performance management and salary revisions...

nationalized bank plans to grow 3,000 new branches across India A in the next 36 months. The HR Head of the bank will need 3,000 branch managers to support the business expansion. She knows this is not possible through lateral hires alone, due to multi-fold costs making the process counter-productive for the bank. While she knows who to connect with for hiring, assessments, background checks, identification of internal talent, for training existing senior level executives to prepare them for the next move, and even who can advise on compensation and retention guidelines, she wonders why she cannot find one partner who understands the entire gamut of services and provide an end-to-end solution? As she meets diverse service providers, everyone talks about the process, technology or systems they will use to support her organization's need. But she cannot find someone who will spell out the impact of these interventions on her business and whether that outcome will mean de-risking her business and eventually having the 3,000 people ready for those roles on time.

H R Head of an FMCG firm looks at the increasing cost of their HR operations and the diminishing value of its output. He recently finalized a job evaluation exercise and realized that the HR team spends more than 60% of their time on transactional HR activities, even as attritions are on the rise and employee engagement falls. He thinks the team should focus on areas that impact business growth, and outsource the rest.

The CHRO of a pharmaceutical company is planning their yearly HR intervention. To accomplish the new strategy, she needs the best partners in each field - be it search, selection, placement, assessment, consulting or technology. She believes the company should engage only with the best service providers in each category for maximum advantage, but is absolutely clueless as to who the best are.

HR manager in the retail industry working at the branch level A is looking at how her sales executives can increase their sales figures as the branch needs to dramatically increase revenues and the Regional Sales Manager has asked for her help. She first reaches out to her corporate L&D team and realizes that the people they work with are all based out of the city in which the company is headquartered. Looking at the budget allocated by the Regional Sales Manager, she realizes that spending on the consultant's travel and stay would defeat the purpose. She then reaches out to local HR community for help, asking for references. The number of people who revert with their pitches end up thoroughly confusing her: assessment experts tell her that before training, she should assess her sales executives and discover gap areas; soft skills trainers tell her that sales is all about assertiveness and listening; sales experts, who will charge by the hour tell her that, at first, one needs to spend time looking at how the sales people actually sell and then advise on what they need to do, charging by the hour in the process; an MNC sales training firm reaches out to her with a proposed solution that has been implemented in 37 countries and more than 40,000 sales people have used globally. Where does she go now?

ndia's business environment poses its unique challenges on people managers. Firstly, business continues to grow within traditional structures and HR set-ups, where the CEO and HR head struggle on the question of how much and what they should outsource. Secondly, HR teams are juggling between operational, transactional and strategic activities even as they strive to create internal efficiencies through effective interventions. Thirdly, business growth in India is much higher than the organizational capability for growth and hence companies need to bridge the gap through external people service providers.

As a function, HR is witnessing an exciting time. Dhruv Prakash, MD, Korn/Ferry Leadership and Talent Consulting, India, believes that top managers are increasingly paying close attention to their people interventions and hence to HR spending. "HR budgets are growing as quality of people, attraction and retention concerns will drive business growth more than ever before. Efficiency in managing people processes is also becoming significant, and therefore attracting attention and investment. Today, HR spending has the CEO's and CFO's attention, he says.HR heads and CEO's of client organizations are striving to find the right partners that will help them in this rapid

growth phase. The HR decision varies along different dimensions, depending on the value of investment, expected impact of service/ product, window for results, return on investment (long term/short term) and involvement of internal team for successful delivery of the product or service. All such factors play a key role in deciding simple or more complex tendering processes. "As a client organization looking for the best HR services provider, we generally undertake extensive research, including multi-level interactions with different service providers and a thorough analysis of vendor capabilities, experiences and expertise on few basic evaluation parameters ranging from integrity of purpose, committed talent pool and unrivalled services in a most cost effective manner," says Deepa Mohamed, Group Head HR & Training, SMC Group.

The Indian HR industry is complex, undefined and fragmented; with a number of players offering a wide range of solutions with no clearly defined standards of quality or industry accreditation. There is an evolving dynamic in this industry to adapt to the new and changing needs of the client organizations.

#### Changing needs of client organizations

The HR industry must evolve to align to the needs of the client organization that the

#### **SEGMENTATION OF THE INDUSTRY – THE PLAYERS**\*

**HR InduStry 7**9,500 cr - 10,500 cr

#### Recruitment

- Executive Search (Retained Search): Stanton Chase, Heidrick and Struggles, Russell Reynolds, Egon Zehnder, Korn/Ferry, Spencer Stuart, Transearch.
- Search & Recruitment (Contingent Search): Ma Foi Randstad, Manpower, Kelly Services, ABC Consultants, Executive Access, Futurestep, Ikya Human Capital Solutions, First Advantage, Career Analyzers, Career Shapers, Chaque Jour, Quadrangle and many other players.
- Staffing & Temping: Ma Foi Randstad, Manpower, Adecco, Teamlease, Kelly Services and more.
- Portals: Naukri.com, Monster.com, Shine.com, Timesjobs.com, Clickjobs.com.
- RPO: Kenexa, People Strong, SummitHR, Ma Foi Randstad, First Advantage, GlobalHunt, Futurestep, Xecute HR.

4,500 cr - 5,000 cr

#### Learning & Development

- Leadership & Behavioral Training: Dale Carnegie Training India, Kenexa Leadership, Franklin Covey India and South Asia, NIS Sparta, Centum Learning, Pearson, Pragati Leadership, DOOR Training, Par Excellence, Upside Learning, InspireOne, OD Alternatives, Nine Dots, iDiscoveri, Mindskillz, Consultree, Images Knowledge House, HR Advisory, Cornucopia and a long list of players.
- Business Schools' Executive Education groups like ISB, IIMs and more.
- Freelancers: Includes HR professionals turned trainers, B-School professors and professionals.

#### 3,000 cr - 3,250 cr

industry aims to serve. Consequently, there is a need to first understand what is happening inside client organizations with respect to talent needs, gap identification and other focus areas that the industry of HR must address.

Today, an integrated approach to talent management has become a strategic component of any business regardless of the industry it belongs to, and this calls for HR to align to this new reality. Following the key trends in talent management presented in the last cover story (People Matters, April 2011), this is an attempt to bring forth the evolving needs of client organizations that will impact the buyersupplier relationship:

#### The talent challenge

Talent challenges that today's organizations face are manifold. There is an increasing cost implication in finding and hiring talent, putting most businesses, especially the peopleintensive ones, under pressure. There is also the concern of employee engagement levels impacting business productivity, revenues and customer satisfaction - a concern capable of keeping CEOs up at night. To support the business agenda, client organizations need an integrated approach to talent management that will help de-risk their business. The solution, as Deepak Dhawan, CEO and Founder, Talentonic says lies "not in recruitment alone anymore, as the pressures for talent availability and cost of

#### The Indian HR industry is complex, undefined and fragmented; with a number of players offering a wide range of

solutions with no industry accreditation

recruitment has forced organizations to look at an integrated strategy for recruitment, development, performance management, compensation etc. to ensure that the talent pipeline can support business growth".

#### Flexibility & adaptability to business solutions

Client organizations today seek flexible business solutions to address changing business needs. Off-the-shelf products and services do not hold relevance anymore. They are not solely interested in the service providers' processes, tools or systems, but their focus is on business outcome. Hence the need for service providers who are capable of understanding and servicing the specific business requirement of their clients.

#### Greater need for HR analytics and metrics

Increasingly CEOs and HR heads need access to real-time people-related strategic

#### **Outsourcing and Others**

- HRO solutions of large BPO players: Genpact, TCS, Infosys, Accenture.
- Functional HR Outsourcing players like People Strong, Aon Hewitt (outsourcing), Kenexa, SummitHR, Ma Foi Randstad, Cnergyis, Centum Learning (for Learning Process Outsourcing).
- Outsourcing consulting players like HuSys, Plug HR, SimplyHR who take over the HR responsibility of small and medium firms.
- Companies that provide specialized services with high expertise like assessments (DDI, SHL, Thomas International, Pearson Talent Lens, Prometric, PDI, aspiring minds and many more) and to background verifications (KPMG, Supersoft, AMS inform, First Advantage, CRP, Authbridge); new benefits and perks, for example car lease services (LeasePlan) and to reward and recognition solutions (Edenred and Sodexo).

900 cr - 1,000 cr

#### **HR** Technology

- HRMS modules of ERPs: Oracle/PeopleSoft, SAP, Ramco.
- Stand-alone HR software: Kenexa, Adrenalin, Cnergyis, Minvesta, Neterson Technologies, Employwise, HR Mantra, Taleo, SuccessFactors.
- Specialized HR solutions: Talentonic, Kronos, Minvesta, Nitman, Hirecraft. Scrum System.

800 cr - 900 cr

#### **HR** Consulting

- HR consulting practices of audit firms: E&Y, PWC, Deloitte, KPMG and HR consulting practices of technology firms: IBM, Accenture.
- Specialist HR consulting: Hewitt, Mercer, Hay Group, Towers Watson.
- Niche or specialized Players: Cerebrus Consulting, , Purple HR Consulting, ESOP Direct and more.
- Freelancers: Includes HR professionals turned advisors,
   B-School professors and former employees of large consulting companies.

#### 500 cr - 600 cr

\*This is only an indicative list and should not be seen as exhaustive. We encourage our readers to write to us to complete this classification to info@peoplematters.in

## Every business has its own engagement models

E. Balaji, MD & CEO, Ma Foi Randstad

he nature of relationship between vendor and supplier is very diverse depending on the segment of the industry. For example, when we look at services like payroll or benefits processing, the service is technology intensive and mostly transactional, as opposed to executive search or consulting, which are high margin services requiring a more intimate relationship between the parties, with higher caliber of people that result will provide deeper business insights and engagement level. Every business has its own engagement model and its own nature. From the costumer's point of view, there are largely two opposing views on whether to go for a single window service provider or choose a separate player for each need. Some costumers are happy to work in a single window model, where there is an account manager and is a one-stop-shop for all HR services. Others believe that a single organization cannot be good at everything and hence they will choose to go to different vendors, trying to look for a specialist in each area.

From my experience, taking one or the other approach depends on the philosophy or the nature of the organization, but by and large, international companies tend to go for specialized solutions as their benchmark levels are higher, and companies growing very fast or entering the market might be comfortable to look at a single window offering concept as the speed of delivery plays a very important role there.

In terms of the expected growth of the industry, our estimate is that this growth will be directly linked to the GDP of the country and will grow at an additional 3% to 4%. The industry will also see consolidation happening but mostly dominated by MNCs. The industry has grown overtime as a result of inorganic growth and this is the DNA of this industry. Individual players will find it difficult to compete as they will need better technology, more marketing muscle and synergies derived from being part of a larger player.



information for any business decision. The client organization is in need of technology and processes to gather metrics that will make such HR information available to the CEO.

With these changing business requirements and its implications on HR's new role, HR professionals in organizations will need to build on more than just core HR capabilities. There is a need for HR professionals to focus on building program management and project management skills, going forward.

#### Understanding the HR marketplace

The slow evolution of the HR industry is a result of many Indian organizations being reluctant to engage external vendors. This has seen a change today as more organizations face the challenge to create effective ways for managing talent, thereby forcing them to look for alternate means of doing so. This opportunity in turn has led to numerous service providers vying for their very own place, resulting in a cluttered space.

N. S. Rajan, Partner and Asia Pacific Head of Human Capital, Ernst & Young attempts to bring clarity to the definition of the industry, and says, "There is no uniform definition for the HR industry. I define the industry of HR as any decision on buying products or services for any part of the human capital value chain. This is not restricted to HR as a function, or the HR Head as a decision maker, but includes any decision in the supply chain of people within the organization. So the HR industry includes all services rendered across the value chain of human capital and some of those services are governed by HR while some are not."

The present HR marketplace canvas in India has traces of individual freelancers, start-ups, small and medium players, as well as large Indian firms and MNCs. The size of this space is huge and growing, yet there is no reference to determine the exact size of the industry. Although there is consensus in expert views which estimate the industry to be between INR 9,500 crores to INR 10,500 crores. The largest share in the pie is the recruitment segment which is between INR 4,500 crores and INR 5,000 crores, of which INR 2,000 crores represents RPO business. This is followed by the L&D segment which is between INR 3,000 crores and INR 3,250 crores, considering only soft-skills training. The HR administration and compensation & benefits outsourcing segment is next between INR 900 crores and INR 1,000 crores. HR technology's size ranges from INR 800 crores to INR 900 crores while HR consulting is estimated to be between INR 500 crores and INR 600 crores. These ranges give an idea of the size of each segment and should perhaps be taken only as a reference point.

#### Composition of the industry

Below is the traditional segmentation of the HR industry, its nature and composition in India.

#### Recruitment and staffing

This includes search, selection and placement companies, and a wide variety of services from job portals, temporary staffing, RPOs, relocation firms, testing and assessment tools, applicant tracking technologies, background verification services, etc. From the client organization's perspective, this industry includes all products and services related to activities that take place before and until the employee is hired.

#### The present HR marketplace canvas in India has traces of individual freelancers, start-ups, small and medium players, as well as large Indian firms and MNCs

The recruitment & staffing industry vertical is divided into senior level (CXO level) hiring, middle management hiring, mass selection & placement services, and the job portals. At the CXO level, business is traditionally defined as retained search (client pays the fee at the beginning of the service and is not linked to the success of the search), with high margins and high engagement. This segment is dominated mostly by the multinational companies which position themselves as consulting services. Hiring at this level foresees a healthy and welcome trend, as the market for talent becomes global and as many firms acquire domain focus. Deepak Dhawan explains, "Who I would go to if I need a CFO in the US is not necessarily the same firm I would go to for hiring a CEO or a senior management team for the power or telecommunication industry in India".

At the middle management level, business is mostly contingent in nature - clients pay only when the candidates join their organization. This space is also dominated by MNCs along with some large Indian players. The

## The market is ripe for consolidation



#### **Pankaj Bansal,** CEO & Co-Founder, PeopleStrong

here are many changes within the organization that is driving the HR industry to grow. Firstly, CEOs do not want their HR teams to do administrative jobs; instead they want them to focus on value adding aspects like strategy, communication and program management. Secondly, the talent market is tight in India and new models have to be adopted to adapt to this business reality. The talent processes are directly proportionate to the maturity of the market anywhere else and India's market is maturing rapidly and therefore talent processes will follow.

The HR industry, as I see it, is segregated into four parts: the consulting industry (high value, project-based work), which has been consolidating for the last few years. I do not see any firm in this sector going public. Then there is the HR technology market (high value, continuous work) which is dominated by large global players and now emerging SaaS based Indian product firms. Then there's the HR outsourcing market (large amount of standardized, continuous work). In this space there are two kinds of players. One is the staffing/temping players whose metrics are defined around how soon they can replace people. The other kind of firm is focused on metrics like 'Service Level Agreements'. The fourth part of the market is pretty mixed, it includes small players in recruiting and training whose services span from high-end to front-end work. There are also new emerging firms which specialize in specific areas like background verification, employee mobility and relocation assistance.

There is potential for several billion dollar firms to grow in sectors like skilling, training and recruiting. Currently there are 28,000 players in recruitment and around 100 payroll firms – the market is ripe for consolidation. The largest players would be a combination of RPO and BPO services delivered over a technology platform to really add value. The fastest growing segment will be the HR outsourcing with a 30% CAGR. segment is evolving from an unstructured and fragmented ecosystem, to players adopting new norms of productivity and cost efficiency where "resume pushers" (who do not add value to the clients) will eventually get marginalized.

Most companies that operate in this segment also offer staffing and placement services for hiring at the bottom of the pyramid. This segment has many small and fragmented players that specialize in a location or industry. For lower level hiring, consolidation continues to increase as the name of the game will be in managing low margin business through volumes. Middle and lower hiring has the biggest growth opportunities as more organization look at reducing cost and 'timeto-hire' via RPO.

Finally, recruitment portals which provide access to candidates as a technology-enabled service also form a part of this segment. There is strong competition and pricing pressures in this space as differentiation is based less on product offering and more on establishing scale & brand dominance.

#### Learning and development

Data on the size of this segment in India is not readily available, but the numbers are generally very high. This is true especially if training were to include activities at all levels - bottom of the pyramid, technical, functional, behavioral and leadership training including business schools offering executive level training. "The nature of services in this industry vertical varies from training services on a per-day basis for training 2000 employees in a year with standard content, to highly customized leadership development services with specialized content and program management services substituting 'stand up and conduct training' services", says Deepak Dhawan. Technology has and will make a huge dent in this area. Mass customization enabled by technology, will emerge to span the mental chasm between volume and customization.

This segment will witness fast growth, as companies begin to look at training as an investment to improve productivity. As Pallavi Jha, Chairperson & MD, Walchand PeopleFirst Ltd opines, "The mindset to training has witnessed a paradigm shift. Training has evolved from a feel good, reward centric system, to a performance-linked setup employing best practices and benchmarks. The over arching talent and skills shortage in workforce has made it to the CEO's top priority, and longer remains the prerogative of the HR domain.

#### The nature of services in L&D varies from training services on a per-day basis for training 2,000 employees in a year with standard content, to highly customized leadership development programs

#### HR technology

This segment includes all technology service providers from end-to-end HRMS products, to niche products for recruitment or payroll management or e-learning, to workforce analytics tools. This industry is moving rapidly as a result of demand for integrated support solutions and with the Indian buyer becoming more open to invest in technology. All this is further pushed by the need to improve HR productivity. There is a range of players from large technology companies providing end-to-end human capital modules, to specialized companies that develop HR modules and niche players that focus on automating a specific function or process.

Ganesh Balaji, CEO, Adrenalin eSystems Limited exemplifies the scenario further and adds, "There are many local players and some national. We also find companies that have done some turn-key projects in this area, converting the same into a generic offering - more prevalent in payroll automation. The unique characteristic in India is the abundant availability of system integrators or software development houses which take up building specific tools to meet specific customer needs, and this acts as a good source for low key automation".

Indian firms (SMEs and large organizations) mirror global organizations in the way HR technology procurement is led by HR and supported by the internal technology team. The IT team checks and validates issues like security, performance, disaster recovery while HR assesses the functional capability. "The biggest challenge in getting HR departments to buy technology is in helping them to establish a direct link between investing in HR systems and net income or productivity," says Andrew Baillie, VP, Kenexa.

#### HR consulting

This segment has emerged from management consulting and is a cross-functional

#### Investment in HR Technology in India is still too low

#### Balaji Ganesh, CEO, Adrenalin

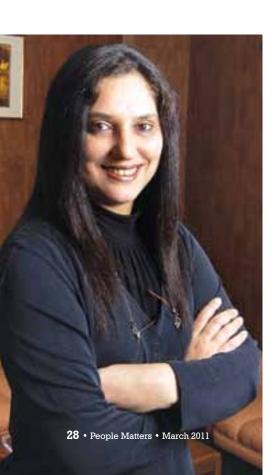
The primary buyers of HR technology varies basis the size of the company and level of automation currently prevalent in the company. However, the influencer for HR technology remains the HR Head. The buyer for small and medium sized companies is the CEO and in case of large firms it is the CTO.

What we see is that the HR Head is unable to present and justify investment in HR technology, while is comfortable in expressing a need. This obviously pushes the decision making to either the CTO and/or the CEO.

The HR technology space is set to grow. Lot more simplification in processes is bound to happen, technology will pave the way of leaner HR teams supporting the organization and also helping them take proactive decisions in succession planning, competency building, etc. More and more HR technology is sold separately, because during overall ERP implementation HR is neglected and when it comes to specific needs of the HR function a whole - some ERP pays only lip service to the requirements, forcing companies to look for independent HR technology which can also integrate with ERP.

It is difficult to estimate the HR technology spend in India; what I see is the amount of HR technology spend should ideally be a percentage of the people cost rather than the typical measure of ERP spend, which is basis the turnover. Considering investment of HR technology is a percentage of people cost, I see this spend is somewhere between 0.10% and 0.25% today. In my opinion this is too low for getting good value out of investment in people and HR technology.





## Mindset to training has witnessed a paradigm shift

Pallavi Jha, Chairperson & MD, Walchand PeopleFirst Ltd.

he training industry in India has evolved significantly in the past 7 years and industry estimates the total market size at around INR 11,000 crores, of which soft skills development market accounts for about INR 3,000 crores. The training mindset has witnessed a paradigm shift. Training has evolved from a feel good and reward centric system, to a performance-linked setup employing best practices. The over arching talent and skills shortage in workforce has made it the CEO's top priority, and longer remains the prerogative of the HR domain. Training investments represent 0.5-1% of revenues and impact as much as 40-45% of the staff costs. This has raised the bar for training organizations and they are made accountable for the money spent. Therefore, training providers need to ensure they measure the business impact of training costs and focus on measurement of ROI. A lot is also happening on reengineering the learning function where the focus is moving away from cost generating activities, to activities that impact corporate performance. Fixed resources dedicated to training will decrease while investment in leadership development will continue to be a key component in any workforce strategy that aims for sustainable growth. This spells opportunities for the training industry as a whole.

category that includes consulting firms from the big four, to the specialized HR consulting MNCs, to SME local players and even single-handled freelancers.

As organizational needs become more specialized and focused on the gap between business needs and workforce capabilities, HR management consulting will see increasing opportunities, attracting even newly created firms to fill this gap.

The accepted core areas around which most HR consultancy services operate include human capital management; rewards and remuneration; health and benefits, including retiral strategy and administration; the people angle of transformation, mergers and acquisitions; feedback and communication, including designing and implementing surveys on employee's attitudes, satisfaction and engagement; and data services .. This latter offering has been growing within this segment driven by the challenge for predictability of revenue forecasts among consulting companies, so these companies have been building on annuity businesses which results in data services - salary surveys, benchmarking and job descriptions. "This offering today accounts for

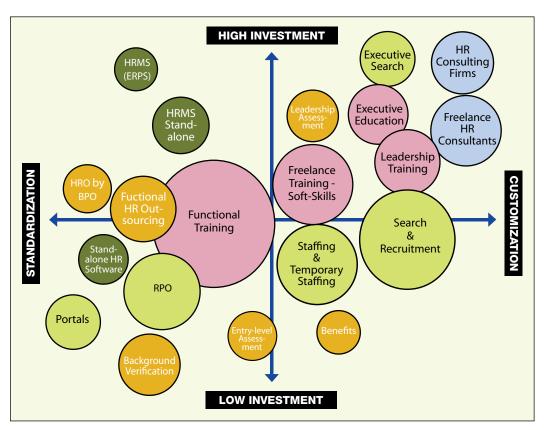
more than 50% revenue of large HR consulting firms", says Debabrat Mishra, Consultant.

Integrated talent solutions in the consulting space are limited and developing. Traditionally most Indian companies did not feel the need for strategic HR inputs and kept it in-house. However, changes are happening at the client organization's end - M&A, globalization, changes in business model, unprecedented growth rate - are making more organizations engage in consulting assignments.

#### HR outsourcing

Outsourcing is not really a category in itself as it emerges from the previous four categories defined earlier. Its growth and complexity needs separate analysis and hence requires a separate mention. Within outsourcing, one finds processdriven, function-specific and people-driven outsourcing offered by service providers.

Process-driven outsourcing includes complete corporate function outsourcing and is not restricted to HR alone. These service providers will normally cluster with the HR technology segment because they leverage on technology for providing services.



#### **PEOPLE MATTERS HR INDUSTRY MATRIX**



### The conversation has changed from process to outcomes

#### Deepak Dhawan, CEO & Founder, Talentonic

look at the industry in the traditional way, in 4 quadrants - training and development, recruitment and staffing, HR technology and HR consulting.

Training and development is a 2.3 trillion industry globally. While data for India is not available, the numbers expected to be large as there is a volume market and multiplier margins. The recruitment and staffing segment is a 300 billion industry globally, which in India has opportunity in RPOs. HR technology has a global size of around 60 billion, where the bulk of this industry in India is HR outsourcing and the sector is due to see high growth. There is a huge pressure on companies to enhance efficiency and this opens more scope in HR outsourcing. There will be more HR product companies, not just in automation but will include domain capability, process reengineer and technology support. This will happen in recruitment, compensation and talent management. Further while HR consulting is a 25 billion industry globally, it is tough to describe this sector in India where a huge part is compensation and benefits management. Strategic HR is small but I see the engagements becoming longer and more business focused.

The industry is evolving as the client's map moves from processes to outcome. As an HR head or CEO, I am no more interested only in the process, technology or system, but I also want to know the business implication of the intervention. This trend is creating a convergence among the four quadrants.

HR service providers will not only be driven by the fact that HR cost is increasing but also that HR efficiency and effectiveness is being monitored more closely on how they bring value to the business and how they engage and motivate employees.

Function-driven outsourcing includes recruitment process outsourcing (RPO), HR administration and compensation & benefits outsourcing, where clients can leverage on the expertise, scale and technology of expert services providers for execution of these tasks.

Finally, people-driven outsourcing includes companies that offer to replace the complete HR team within the organization and function as the internal HR team in the eyes of the employees. These providers mostly cater to the SME sector and their solutions are closer to providing consulting support.

This classification is rapidly evolving... Over time, this classification of the HR Industry is fast-changing with client organizations' requirements for a complete solution and also with the opportunity for the service provider to cross-sell and up-sell to the same client. "You will see, for example, top consulting companies like McKinsey or Bain getting into leadership training but not as a 'stand up and train' offering but more on creating the strategy, process, program, and running it for a year before leaving it for another training company to continue. Or executive search firms getting into assessment and leadership development," adds Deepak Dhawan.

#### Challenges for clients

As business evolves, the role of HR will see a transformation towards becoming more business-oriented, and this will create varied challenges for client organizations in finding the right partner and engagement model to address their business needs. While there is systemic demand for HR services, client companies face a host of challenges in finding the right partners to

• Fragmented market - As a result of low entry barriers, lack of certification norms, huge business opportunity and decentralized decision-making process in the HR function, many service providers are entering this market, resulting in more confusion for the client organization in making the right choice.

• Inadequate information and absence of a central access point: While the service providers are many and come in all sizes, client organizations often face the issue in finding the right partner as there is virtually no central repository or information network where client organizations can find information about all service providers to assist in decision making.

• Absence of service providers' credentials: The absence of credentials of the existing service providers add to the challenge. This is especially true for recruitment and technology segments where the buyer has no protection against unethical practices.

• Inability of service-providers to scale up to client organizations' needs: The client organization faces a challenge in finding a partner that will be able to cope with their potential growth projections.

• Lack of India-centric frameworks - Most assessment tools, consulting frameworks, and HR services are borrowed from the west, leaving many loopholes while addressing the needs of organizations operating in India.

• No pricing standards and benchmarks: While client organizations' focus is to ensure price advantage while partnering with service providers, there is no defined price catalogue that service providers follow. This has led few client organizations to focus on outcomebased payment where the fee charged is directly proportionate to the success of the intervention.

#### Challenges for service providers

If the players in the HR industry want to capitalize on their increasing role in driving client organization growth, they must reflect on how they can turn this opportunity into an exponential growth trajectory for themselves.

• Build on home-grown expertise to develop Indian frameworks – Service providers face an urgent need to invest in extensive R&D to build on expertise through homegrown solutions and frameworks that will address local challenges.

• Maintain talent caliber – As a result of increased number of projects, service providers have resorted to engaging fresh talent from the industry who are often much junior and are less experienced than the client representative themselves. This has resulted in a credibility gap in the eyes of the client organization.

• Create measures to calculate business impact - As HR in client organizations struggle to show the ROI of these interventions, service providers have to prepare themselves with





## We need solutions that are customized to the Indian reality

Krish Shankar, Director HR, Bharti Airtel Limited

f I see the evolution of internal HR and the HR industry, few years back organizations felt a need to relook the role of HR. They needed HR professionals to take on a business partner role and co-create the people strategy. However internal teams were not ready for these roles. They were jack of all trades, from training to compensation and caught up in transactions. These transactions used to take up most of their time but did not deliver enough value to the business. This led to organizations splitting HR into three parts. The first is HR business partner, the second part was the centers of expertise (or subject matter) focusing on areas like rewards, talent management, learning and development. The third part is the shared services which are internal centers in some organizations while they are outsourced in others.

At each level, each team engages with service providers in an ongoing basis. What I see in the service provider side is that each company focuses on selling what they have in their offerings and by force fitting a solution, rather than co-evolving solutions that can be more relevant to organizations. Many organizations in the service provider side lack the skills to customize solutions to the Indian reality. Customers are looking at the benefits that the product or service will bring and not so much at the cost anymore.

#### The nature of vendors in India is very divers

Deepa Mohamed, Group Head HR & Training, SMC Group

The way vendors operate differs based on the nature of the organization. For example, an entrepreneur or a start-up vendor is normally a one-man-show, who is flexible but carries concerns about scalability and credentials of previous work done. Then there are Indian SMEs which are medium-sized in terms of revenue and number of people. Their reach and scalability is better but they have limited access to global standards. The Indian MNCs are large in terms of turnover, number of people, have an Indian mindset and open to global exposure, and they are able to scale and learn faster. Finally, the MNCs provide global benchmark, quality processes and technology but sometimes lack the Indian perspective.

There are three aspects in HR decision making while choosing a vendor. The first aspect is the internal HR perspective which is based on organizational vision, budget allocations and the involved decision makers. The second is the external perspective or service providers' available portfolio, while the third is whether the decision is transactional or strategic. For example, in selection and placement, services used are more transactional in nature and driven by a need for fast results with less investment. For HR technology and consulting, the process is much more complex as the HR head is not the only decision maker in most organizations, and involves the CTO and CEO as well. These are high-value, high-risk transactions and has a longer gestation period in implementation and ROI.



appropriate metrics that can demonstrate real business impact either on the top line or the bottom line. This will meet the urgent need to establish a link between fee and desired outcome.

• Pricing pressures will build with increased market competitiveness – The increasing number of players entering this space will lead to market cannibalization and therefore impact pricing. For example, a larger strategy consulting firms will find itself competing with HR consulting firm for certain assignments or even take up executive search or leadership development projects, taking away business from the traditional executive search firms.

• Choose your game plan - As the industry evolves, service providers will need to choose between positioning themselves either as a one-window-service provider or a niche expert. Both will find a space in this growing market.

#### Trends that lie ahead

The dynamic nature of the HR industry makes it an industry to look out for. The challenges faced by client organizations and service providers will result in creative steps taken at both ends: The industry of HR will witness the following as we go along: :

• Phenomenal growth opportunity will see an explosion of players. This industry will see a growth of 3 to 4% of the country's GDP growth rate, says E. Balaji, MD & CEO, Ma Foi Randstad. As a consequence, the market will see growth for current players and increasing entry of new players. The traditionally non-HR providers (such as communications and branding firms entering the employer branding or employee communication space) and investment are expected to flow in.

• The top-end of the segment (executive search, HR consulting, leadership development) and the low-end of the segment (HR outsourcing, RPO and process driven services) will grow at a towering rate. Companies will spend either on farming out the low-value work to partners (like increased outsourcing of transactional or operational work), or focus on increasing investment in high performers (using leadership consulting or executive coaching services). Hence all service providers will have to either capture the high-end or the low-end (or both) to continue growing.

• Consolidation is happening, mostly dominated by MNCs. The industry has grown over time through consolidations. Better technology, marketing muscle and benefits in terms of offering and outreach from being part of the larger player will continue to drive this trend.

• Increased focus on HR shared services and HR outsourcing. As HR moves towards a strategic role, its focus will shift from transactional to business partnership. There will be an increased focus in HR shared services and HR outsourcing as more and more organizations will look at centralizing the HR activities. "HR Shared Service Centre combined with single process outsourcing (in big conglomerate) e.g. payroll, compliances, benefits administration, or strategic HR with major processes being outsourced, are maturing as two alternatives," shares Deepa Mohamed.

• New career avenues for professionals. The HR industry is fast getting recognized as an industry in its full right and will attract talent from other industries. Candidates from other industries within functions like sales, marketing and finance are eyeing this industry as an opportunity for faster growth.

#### The increasing number of players entering this space will lead to market cannibalization and therefore impact pricing

It has been established that internal HR functions need the assistance of the service providers to be successful in their growth journey and remain relevant to their businesses. The novel and emerging needs of HR professionals is the raison d'etre of the HR industry. The industry is still at a maturing stage in India, and many service offerings are very new and will require more time to mature. Both client organizations and service providers will see a lot of churn in the coming years, sometimes competing for talent, sometimes arguing over fees charged, and sometimes even over their engagement objectives and working models. However, it is like a marriage. Both sides need each other to grow and be successful. Increasing conversations between both sides will help them to know each other's needs and therefore grow the industry as a whole. Perhaps the solution lies with the creation of a HR industry body that will focus on training, certification and quality benchmarks, of this large and fast growing industry.



## Speed of institutional building is crucial for first mover advantage

N.S. Rajan, Partner and Asia Pacific Head of Human Capital, E&Y

There is no uniform definition of the HR industry. I think it can be defined as any the market formed through the decision on buying products or services for any part of the human capital value chain. This is not restricted to HR as a function or HR head as decision maker but includes any decision in the supply chain of people within the organization.

In terms of the nature of the relationship between organizations and service providers, specifically for HR consulting, firstly, I feel there is a direct correlation between maturity of the organization and the buying pattern of services; secondly, sometimes HR heads as custodians of the HR domain struggle to find the balance of how much they should do in-house and for how much they need support from external experts; thirdly, business growth is much faster than people growth so more and more organizations are becoming buyers of people services to bridge this gap to be able to maintain the momentum of growth. Organizations realize that the speed of institutional building is crucial for ensuring the first mover advantage and hence need to invest in people services to take this advantage. Finally, the need for benchmarking also drives engaging with consulting firms as organizations want to know what their peers are doing and also want to learn from practices and past experiences that consulting brings to the table.

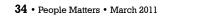
#### It's time to put the H (human) back in HR

Aquil Busrai, CEO, Aquil Busrai Consulting

A tectonic shift has happened over the last few years in the HR industry. Earlier, in HR services there were few firms that were specialists. For recruitment & assessment of leaders, there were the MNC firms. They were followed by large local players and then there was the lower end of the market. For compensation related services we would turn to large HR consulting firms. Then there were freelancers who built relationships with clients and offered all the services based on client needs. Now the market has changed. There are a lot more players. A new category has emerged which has people with rich experience in leading HR in organizations offering advisory services for their clients.

The trend is to increasingly move transactional activities to external parties and it is time for the HR team to do its two most important tasks. The first is to partner with the business leaders and second is to build engagement with employees. It is time to put the H (human) back in HR. Outsourcing gives a chance to HR to revisit and re-emphasize its role.

The best HR people within organizations are those who know the answer to a business query but want a better answer all the time. HR specialists and advisors can be leveraged for this purpose, but HR people will need to build their judiciousness to separate the wheat from the chaff.





## Organizations are choosing horses for courses

**Dhruv Prakash,** MD, India, Leadership & Talent Consulting, Korn/Ferry International

R budgets are growing since quality of people attraction and retention are driving the growth and success of businesses more than ever before. Efficiency and cost of managing the people processes is also becoming significant and attracting attention and investment. HR spending has the attention of the CEO and the CFO of an organization. I see many organization choosing horses for courses when looking at choosing their partners in this Industry, and focusing on one theme at a time.

The service provider market is reaching a point where consolidation is due. While globally this has been happening, Towers Watson and Aon Hewitt being examples, there are no visible signs yet of consolidation in the domestic market. Given that the growth of business in the new economic order will be driven by talent, the whole space of consulting around talent management would grow and other services will end up supporting the talent management as a practice. Data services are moving to a commodity, as they address basic levels of managing cost, performance levels and job and role content. Talent management addresses the needs of attraction and retention in a talent starved world.

## The HR consulting industry is facing a credibility gap

**Debabrat Mishra,** Startup Entrepreneur, Led HR consulting for MNCs across South Asia and Middle East

In the HR consulting space the data services (salary surveys, benchmarking and job descriptions) still account for more than 50% revenue of the large HR consulting firms. In the other services (which can collectively be called the HR advisory space), until 2007 the performance consulting practices dominated. Since 2007, leadership and talent management consulting practices' revenue percentage has grown while that of the performance consulting has declined.

The clients have seen pricing of the consulting firms go up, however the resource quality has eroded as the leverage model has changed. For example, five years ago, a five lakhs worth consulting assignment would have seen two senior and two middle level consultants working on the project. A similar project now would be worth seven lakhs but see two middle level consultants and two fresh MBAs working on it. The senior person who actually engages with the client to sell the project is almost never working on the project. In India, the environment is unique as most HR professionals in client organizations are MBAs in HR from good institutes (in other countries HR professionals are not MBAs). In a consulting project they see their friends or juniors from the same colleges coming to them as an expert. That causes a credibility gap.





rankly I have not given much thought to the issue whether HR consulting is a profession or a business. I am socialised at IIMA for long years where the purpose of consulting has always been to generate new knowledge in systems and processes and disseminate the same for professionalizing management in all sectors of the society. Faculty members are encouraged to undertake consulting projects mainly for disseminating their knowledge or for generating new knowledge. They get a share of their consulting fee collected from the client, but get academic credit for their consulting work only once they convert their experience into an article, case study, a paper, or a book and take it to the classroom. So for them, consulting projects' primary objection is creation of a body of knowledge. But this is only the case in the few premiere b-schools like the IIMs in India and certainly consulting firms cannot operate like the IIMs do.

In the West, the best consultants like Vijay Govindarajan and Dave Ulrich hail from the management schools. They continue to work in the b-school along with their own consulting outfit which ensures that quality of knowledge is never compromised and is updated regularly. And for those who have set up their consultancy firms outside the University or business school systems have done so only after extensive research, book/ paper publishing and development of their own products. For example, David McClelland set up McBer which subsequently became the world famous HR consulting firm while he was teaching at Harvard, and McKinsey's founder was a professor of accounting. While in India, consultants rarely undertake any research work or contribute to the enhancement of knowledge, and largely set up their firms on the basis of their experience. This perhaps is not the right model as it does not instil a systematic approach to building the knowledge required to provide appropriate HR consulting to organizations. If you look for dissemination of existing knowledge and experience, HR consulting firms in India are doing a good job.

The primary purpose of consulting firms is to generate consulting income by selling their services. In fact disseminating their work through books, articles and cases works to the disadvantage of consulting firms in India as it leads to the development of competitors. In our company we publish books, we have our own manuals and we even conduct certificate programs in which other consulting companies participate. In the West, HR consulting firms like McKinsey became famous through publications like "In Search of Excellence".

Twenty years of continuous work at IIMA followed by the Academy of HRD and setting up of the National HRD Network have influenced my thoughts on consulting tremendously.

I consider HR consulting, a service and HR, a profession - whether you are a HR manager or a HR consultant, you are in the human services profession. In

BY DR. T.V. RAO

## HR Consulting is not a Business

Whether you are a manager or a consultant, if you are in the human services profession, the primary purpose is service while all other purposes are secondary

Opportunities that HR Consulting can capitalize on			
FOCAL POINT	POSSIBLE AVENUES OF HR CONSULTING	DEGREE OF DEVELOPMENT	DEVELOPMENT SCOPE IN THE FUTURE
Individual	Psychometric Testing (MBTI, 16 PF, Disc, etc.), Recruitment, Executive & CEO Coach- ing, Interviews, Yoga, Art of Living, TM, 360 Degree Feedback, ADCs, Leadership Development.	Well developed. Some of the issues have excellent experts and leaders in this country.	There is good scope as 80% of firms are yet to use these services in a gainful way.
Role	Competency Mapping, Role Efficacy, Role Stress, ADCS.	A few HR professionals only do this.	High scope for developing this.
Dyad	Conflict Management, Transactional Analysis	TA has become old. Not much is being done. More focussed work is needed.	High scope for developing.
Teams/SBUs/ Functions	Out-bound Training, Team Development.	Highly mature. A lot is being done.	There is scope for more innovative solutions. Virtual team management & team building offers a lot of scope.
	PMS, Recruitment, Competency mapping, L&D, Potential appraisal, Performance Coach- ing, Employee Engagement, Great Place to work, HR policies.	Highly mature. More HR consultants need to enhance their competencies in this filed.	Scope for effective implementation is always there.
Organization as a unit and interface	OD, Employee Engagement, Restructuring, Mergers and Acquisition, Leadership Pipeline and Succession planning, Cultural issues.	Need to go a long way.	A lot of scope for development in this field.

#### THE NEXT LEAGUE

service, the primary purpose is service and all other purposes are secondary. Just like a doctor earns money by providing service to patients, a HR consultant earns money by providing service to people. I do not believe that there is anything wrong in making HR a business as long as you do not give up the focus on service. However the primary purpose of consulting should be to serve, solve problems, and enable people to function and contribute better. Effectiveness of HR consultants should be measured mainly by the services they provide and not merely by their annual turnover and profits. Dissemination of knowledge and creation of HR capabilities should be the primary purpose.

#### **QUICK VIEW**

- Effectiveness of HR consultants should be measured by the services they provided and not by their annual turnover and profits
- HR consultants and professors should invest time and energy to create new knowledge

I do not believe that there is anything wrong in making HR a business as long as you do not give up the focus on service

In this context I am happy to see a good number of experienced HR managers joining as consultants. A number of them I know have experienced limitations in implementing what they believed should be implemented in their corporations and decided to make their services available to a larger number. Thus they are a great addition to the HR solutions.

The table highlights my views on the issues covered under each of the areas which show the current status of consulting in each area. It is an attempt to show the extent to which the field is well developed and the scope for future for consultants. The conceptualization is also valid for HR educators as they are in the business of developing HR professionals.

Dr. T. V. Rao is, Chairman, TVRLS, Founder President National HRD Network, Founder Honorary Director, AHRD; Former Professor at IIMA and former L&T Professor of HRD at XLRI.

# Are we on the right track?

*People Matters* asks the Father of HRD in India about the future of the HR industry



"Many organizations and their CEOs still do not know how to use HR consulting services and some are even using it for the wrong purpose"

## What are the challenges faced when selling HR services in India?

Selling HR services in India face challenges from three angles. Firstly, many organizations and their CEOs still do not know how to use HR consulting services and some are even using it for the wrong purpose. For example, few companies are using '360 degree feedback' and 'assessment centres' to control their employees rather than to nurture talent and develop leadership competencies.

Secondly, the buyers of HR consulting face the challenge of choosing the right service as they are often ignorant of the options available in the market. The lack of commitment from top management and frequent change of those responsible for administering the HR services further adds to the problem. Many PSUs are using tenders while choosing HR consultants and this has done more damage to the profession and the company. You cannot get the best doctor through a tendering process. Those who participate in such a process are seeing HR as a commodity to be sold.

Lastly, there is inadequacy on the suppliers' side as the consulting report given at the end of the engagement does not show how the buyer can calculate the ROI on the investment. And so the management is not convinced about the results that the engagement has brought about. Further, in most organizations there is no task force who takes on the onus of ensuring that the recommendation by the consultant is implemented for business effectiveness. I have given many tips for getting the best from consultants in blogs and my book on Hurconomics.

#### How do you see HR consulting evolving? Which are the specific areas to look out for?

Demand in consulting is definitely increasing. In my opinion, the growth areas will be on developing leadership, succession, empowering line managers to take on HR role, 360 degree feedback, assessment and development centres, retention management, value and culture building, human potential utilisation, talent management, organizational restructuring, developing heterogeneous HR policies, managing Gen Y and Gen Z employees, work space arrangements, work-life balance, executive coaching, performance management, employee engagement, integration and assimilation of new recruits, expectation management, stress management, healthy living and building future. I would not consider outsourcing of salary, perks compensation, recruitment, visas, transport, canteen etc. as HR consulting.

#### How is the service provider and client engagement model evolving? In which ways is the industry different in India when compared to the rest of the world?

Real consulting involves closely working with the client. There are only two models – the family physician model and the specialist consulting model.

In the first case you have a consultant working with you for a long-time and you keep taking his help as and when you need. He will recommend you specialists if you need the same. There should be high level of trust between the two, and the consultant should be mature enough to say he does not know certain things and refer you to a specialist. In the specialist model you keep going to different specialists as and when you need and you yourself decide when you need a specialist and who the best specialist or an affordable person is. In India both models operate but the difficulty is there are many generalists who administer specialist medicines.

The main difference between India and the west is HR consulting in the west is largely research based while in India it is more experience based. In the west it is dominated by well laid out theoretical models while in India it tries to be more practical and execution centric. There are lot of similarities like the areas of HR consulting and the line managers' attitudes to HR etc.

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The Talent Management Expert

#### The story of your 34 years in Bank of Baroda (BOB) has become a case study of excellent transformation. Would you please share the major trigger for this transformation?

Bank of Baroda was an exceptional journey for me and I grew with the bank. The bank had an excellent professional culture and the top management looked into the professional growth of employees. In 2000, the bank was rated as No.1 bank in the nationalized sector and by March 2005, the bank had slid to No.4 position. The analysts were tearing the bank apart because the sluggish pace of credit growth, low retail growth, low technology and recommended "Sell" for the bank shares. I was quite concerned about the bank being labelled as underperformer. I was not entirely unaware of what was really going wrong. The bank had nothing to worry about its financial health but it was failing to respond to the competitive environment. The bank had not started the technology for core banking as was already done by the peer banks. The bank's market share on both credit and deposit had come down. The morale of the staff was low and customers were angry as the bank was failing to respond to the new environment.

## What were the initial steps taken in the journey of BOB's transformation?

My immediate task was to restore the confidence of customers and employees. My top priority was to kick start the core banking project which had run into rough weather. This had demoralized the staff and created scepticism about our services in the mind of customers. I quickly drew up an action plan



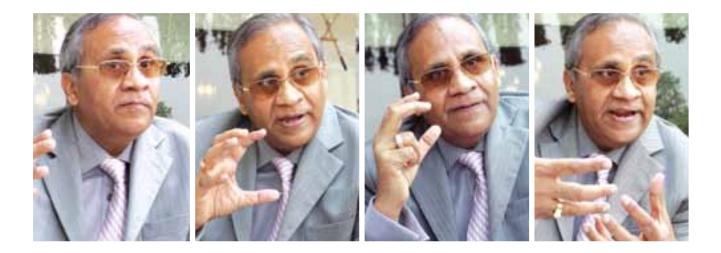
# DARE TO LEAD

'Dare to Lead' is the story of a dramatic transformation of a large public sector behemoth in just three years. **Dr. Anil K. Khandelwal**, a quintessential HRD professional in his role as CEO of Bank of Baroda successfully transformed a staid, legacy driven and government controlled bank into a financial powerhouse.

For his contributions, he received the Asian Bankers Singapore's highest award "Lifetime Achievement Award"- the first Indian banker to receive this award.

His upcoming book, *Dare to Lead*, has been praised by international management luminaries like Peter Cappelli, Tom Peters, Rosabeth Moss Kanter, Ram Charan, Dave Ulrich, Vijay Govindarajan and CEOs like Anand Mahindra and K V Kamath.

Shortly before the release of his book, Dr. Khandelwal speaks to *People Matters* about Bank of Baroda's turnaround story



for the first 100 days which included starting the technology project, rebranding the bank, structural changes to speed up decision-making in credit, customer-centric program like 8 am to 8 pm banking, 24 hour banking and opening of additional 330 ATMs. I am happy that we could achieve all this in the first 100 days. This was a great moral booster for all of us and we could revive the confidence of our customers. The speed had become our competitive advantage and the staff at all the levels passionately participated in all these changes.

#### U What was key challenge you faced?

My key challenge was to improve the social architecture of the bank. I had always felt that our bureaucratic processes, response mechanisms and investment in building people, and leadership, required total rehash. I wanted our top management to be seen as problem solvers and facilitators instead of controllers and sermonizers. Through the mechanism of daily morning meetings we created an honest and authentic environment for inter-departmental collaborations. This helped in collective problem solving and collective ownership was the key outcome. Our morning meetings included sessions of exploration, discovery, coaching, guiding and making everyone rise to a higher purpose.

# How did you mobilize people for this mammoth transformation?

As an insider, I had good knowledge about the people in the bank at different level. We initiated three powerful programs namely Sampark (direct access to Chairman), Samadhan (appointment of professional counsellors at large centres) and Khoj (talent search). These programs helped us to reach out to staff spread over about 3000 branches and they were passionate about the changes. Our rebranding

#### Our focus on intangibles like branding, technology, leadership and the people processes eventually brought BOB back into the game

exercise brought in new expectations from customers and a craving in our staff to excel. We brought in Mckinsey & Company for a transformation program. Our new tag line "India's International Bank" manifested our collective aspiration to improve international operations and we carved out an ambitious expansion strategy overseas. We opened 15 new foreign offices which was a record.

# What inspired you to move on despite the challenges?

When I became CMD, I was inspired by the vision of the Great Maharaja of Baroda, who laid the foundation of the bank about a century back and my internal calling was to create the bank for the next century. I wanted the bank to be highly competitive, adaptable, technologically advanced, customer savvy and a financial powerhouse ready to meet aspirations of an empowered India. The greatest strength of the bank has been the collective passion of our management team and the vital foot soldiers.

I started with a big handicap of not being a career banker. But I truly believed that numbers are created by taking the right initiative in many strategic areas. Our focus on intangibles like the branding, technology, leadership and the people processes eventually brought BOB back into the game. My academic interest and practical training in HR, with a strong orientation in process



- 1. Kickstarting technology for anytime-anywhere banking.
- Logo change, appointment of Rahul Dravid, India's cricket captain as Brand Ambassador and launch of 8am to 8pm banking first ever in public sector banks.
- . Launching major employee centric programmes like SAMPARK, SAMADHAN and KHOJ.

work, tried to always find a human connect to an organizational problem. In spite of great abhorrence for academics by many colleagues and even bosses, I continued to apply much academic learning to my practical work which helped me to solve many problems and develop an organic relationship with my colleagues for achieving better results.

2005 - 2006

# What is the value of communication in leading and unleashing the potential scope of the bank?

The value of communication can never be underestimated. There are a many people in the organization who have ideas on new products, processes, and innovative solutions to problems. Being close to customers, people at lower rungs in the hierarchy have better interface with customers and can perhaps provide better insights about their needs. But rarely do they get a chance to interact with top management or get appropriate response to their ideas. The hiatus between the top and lower management often arises because ideas, innovations and imagination are considered the sole preserve of top management. Only if better ways to communicate and receive feedback from the foot soldiers are institutionalized, can organizations do better in their service orientation, thereby improving the bottom-line. Communication is like a satellite that helps you to navigate the organizational change.

## How can you capitalize on the power of communication?

In my operational assignments in Meerut and Kolkata, I had greatly benefited from my direct interface with the staff through extensive branch visits, which provided me deep

We wanted our frontline officers, tellers, cashiers and subordinate staff to know how they can make a difference to customer service, create goodwill and entice new customers insights into things like customers interface with the bank, what drives them out, level of staff motivation, internal bottlenecks in guiding branches, state of our infrastructure for delivery of service, how competing banks are working and their strategies, and so on. If there was one thing that helped me achieve business objectives in both the places, it was my abiding faith in reaching out to people and seek their engagement. This has always been part of my value system. Change does not happen naturally. Change, particularly systemic change in an organization of our size requires communication across levels - one that is authentic, clear, persistent, consistent and ubiquitous.

Immediately after taking over as CMD, I was very clear that we need to create energy and excitement in our first line if we wanted to succeed on our transformation program. We needed everyone in the bank to understand about the decline that had set in, competitors' pace of development, analysts' reports about the bank, rising dissatisfaction of customers with our service and the consequences of not arresting the decline. Simultaneously, we wanted to remind them of the strong tradition of bonding with customers and our track record of performance.

We wanted our frontline officers, tellers, cashiers and subordinate staff to know how they can make a difference to customer service, create goodwill and entice new customers. We wanted them to realize how even in routine jobs they can create moments of truth for themselves and for customers.

#### How often were you able to reach out to each of the 38000 employees? Why did you think it was important?

In all my monthly communication to staff, I shared with them the important initiatives of the bank, the context and rationale of such initiatives and the benefits that the bank aimed to derive from such initiatives. These letters were delivered individually to 38,000 staff members. The communications to staff were always drafted by me and I always shared with them the problem areas and the rationale of our initiatives. I reached out to the staff through my communications on all important occasions like launching of new logo, achievement of busi-

- 1. Launching project "Parivartan"- a major business transformation programme.
- A major retail strategy launch by an innovative model, "Retail Loan Factories" offering home loan sanction in 6 days.
- 3. Launch of SME loan factories offering sanction of credit to medium and small enterprises in 15 days.
- Opening of 11 overseas offices in a single year- setting a record among Indian banks.
- 2. A major initiative in grooming 300 leaders for the future through a planned intervention.
- 3. Extending core banking (any timeanywhere banking) and internet banking in over 1,700 branches.

ness targets, launch of public issue, centenary celebrations, customer-centric initiatives, and customer complaints, implementation of core banking, recovery drive, and special campaigns for savings deposits.

It was amazing to see the tremendous impact that such communications had on our branch managers, frontline staff and others, as they often quoted my message during personal interactions. Even after retirement, many frontline employees told me that they always read the communications issued by me with great interest. During a recent personal visit to Mathura, I was amazed to meet one Mohammed Nazir, a sub-staff member working at our Mathura branch, who told me how he always read my letters. I feel good that all the efforts in connecting with the staff had made some impact.

#### In the scenario where emotional connect with the organization and its employees is a prerequisite for a successful CEO, what role does incentives and pay play?

My emotional connect is very natural because I am an insider. Having joined the bank as a junior officer and then becoming the CEO of the bank, my emotional connect was natural. For those posted in a different bank in a short time, it is very difficult to have an emotional connect - the kind that I was actually lucky to inherit. For one year, when I went to Dena Bank as Chairman, I could see that while I had the passion to develop the bank, the emotional connect with employees was not as much as I had in BOB. But I think passion compensates for most of the emotional connect but if you are not passionate, you are only a technician trying to do a job. I think that is the real disconnect.

Somebody once asked me this question in one of the Annual General Meeting of the bank – "Look here, private sector bank MDs get more than 10-20 times what you get so what is it that keeps you wanting to work in the public sector?" My instant reaction was that we work for passion and please do not auction our passion. There is no price, because when we work for India's public sector in some ways we know that there is lesser compensation and we also know that we are working for super ordinate goals.

#### The total business of the bank more than doubled in just three years from 1.25 lakh crores business in March 2005, to 2.59 lakh crores in March 2008

# What were the business outcomes of this transformation program?

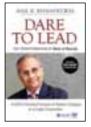
Although my main task was building on intangibles by taking some foundational steps, they produced dramatic business outcomes. The total business of the bank more than doubled in just three years from 1.25 lakh crores in March 2005, to 2.59 lakh crores in March 2008. Our overseas business trebled. The analysts uniformly recommended 'Buy' for bank shares. The bank received several awards for its performance.

#### In the public sector, people talk about constraints like short tenure of CEOs, government interferences, trade-unions role etc. How did you cope with such restriction?

Well, you must realize that you are accountable to all the stakeholders. If you are obsessed with constraints, you can never transform. When you are at the top, you have to realize that you have a special responsibility. Your own perception about your motives and questioning "Why Am I Here?" will resolve most of the dilemmas. Stakeholders want the good of the organization, so as long as your efforts communicate this, there will be no problems.

## What according to you are the essential leadership qualities?

Credibility and courage are two important qualities. Leadership is not about power and perquisites; it is all about responsibility and accountability. It is a difficult role which requires a lot of discipline. The other quality that the leaders must demonstrate is the courage to change the status quo, put principles ahead of anything else, and disagree with those in authority when required.



Introducing 'Dare to Lead', a CEO's personal account of historic changes in a large corporation, SAGE Publications, 2011

# Is Your Organization People-Ready for Growth?

Having gone through the difficult three years, Indian organizations today are busy preparing for the promising new future. While we all celebrate that the boom is back, the HR Leadership Dialogue 2011, a conference organized by Network 18 in association with Monster.com, is a reality check for all people leaders. To meet the challenges that come along with the projected positive growth for businesses, here are some actionable points that HR leaders and professionals across the industry can emulate

#### **STOP POACHING**

The prevailing talent gap has led to high attrition as a result of increased poaching. While individuals stand to gain in the short term due to higher salary, in the long term it will benefit neither the organization nor the individual. The situation keeps HR busy with increased hiring, organization cost increases and individual face uncertainty as a result of increased movement from job to job. Companies need to consciously move from fishing (read poaching) to forming (read developing talent from within). For this HR must reassess its competency and bandwidth to address the new talent problems.

#### **CHANGE YOUR LEADERSHIP APPROACH**

The economic zones have undergone a change in the last 3 years which has a grave impact on management and leadership. There will be a paradigm shift in leadership and HR leaders will have to emphasize a culture to nurture collective leadership at the middle and junior levels and focus on building a talent pipeline across levels. Along with performance, HR needs to look at creating a value driven culture for sustainable performance.

#### ENHANCE IN-DEPTH SECTOR KNOWLEDGE

For HR to contribute beyond the nuts and bolts of the function, HR leaders have to understand the industry very well which is not possible by moving from industry to industry as many HR professionals do, along with a detailed understanding of their respective business. HR should prepare to tweak the existing process and system to impact the bottom line.

#### **USE MEASUREMENTS AND METRICS**

Measurement and metrics will become more popular as HR strives to contribute to the business agenda. This requires HR leaders to be equipped to undertake demographics measurement, exit analysis, human capital assessment, performance measurement and more emphasis on the use of tools like the Balanced Scorecard which brings a closer correlation of HR activities and business realities.

#### **MAKE INNOVATION A SENSE OF PRIDE**

While many companies claim to promote innovation, the truth is that allocating 20% of employee time per week is not all that companies need to do. HR will have to create a culture of innovation together with the leadership. There is a need for reward mechanisms which will reward employees for a new idea, be it in process, product or system, and not necessarily reward only those who file for patents. The present scenario has often seen HR stifle individual innovation streaks, while the reality is that as people, everyone is capable of innovating and it is up to the organization to tap it effectively.

#### NURTURE EMPLOYEE COMMITMENT

With the return of the boom, employee engagement is once again a HR agenda where the focus should be on how organizations can nurture and foster commitment. HR should recognize that commitment is an attitude and an innate sense of working for a purpose while HR often mistakes tenure for commitment.

#### **BALANCE WORK AND LIFE**

With growth opportunities increasing, companies will want to maximize performance. While this is crucial, HR has to help leadership conceptualize the right approach to ensure sustainable people contribution. This calls for an equal emphasis on affording its employees the right balance between work and life. There is a need to look at the individual and help them optimize their contribution to work and life.

# THE EXPERTS' VIEW



Sanjay Modi Managing Director, India, Middle East and South East Asia, Monster.com

"As an individual, while we talk about high performing organizations, I juggle a lot of things- work, family, friend, spirit and health. While we are running this mad race, sometimes work is considered most valuable. But work to me is like a rubber ball – it falls and it will bounce back. Others are actually balls of glass – if they fall they will never be the same again. So I tell my people, come to work, be focused and work hard; and go home and enjoy time with your family."



V. Kovi Chelvan Senior Vice President-HR, TVS Motor Company Limited

"Poaching and attrition needs to be addressed at a holistic level including national, industry, enterprise, management, and employee level. At the Society of Indian Automobile Manufacturers (SIAM) Human Capital Group, we are talking about the shift from fishing, referring to poaching talent, to forming, which is to growing talent from within."



Ravi Dasgupta Group Head- HR, Biocon Limited

"If HR wants be strategic, it must understand its industry and its company. You are then in a position to look at how HR can work within the existing processes and systems in order to contribute to business at a strategic level."



Bhuvaneswar Naik Vice President- HR, SAP Labs India

"As people, we all have the ability to innovate, some organizations are able to tap on that and become successful, while some just stifle it and HR is often responsible for stifling innovation."



A. Krishna Senior Vice President-HR, Bosch India

"Commitment is actually an attitude, something that people can choose. It is having an innate sense of working for a purpose which is beyond the pay check."



Srikanth Karra Director-HR, Hewlett-Packard India

"We need a paradigm shift in what we expect from our leaders. Looking ahead, there will be no singular leadership; there will be a need for collective leadership in all institutions."

# People Development

# The Answer to Sustenance and Growth

The National Conference organized by National Institute of Personnel Management (NIPM) addressed the nationwide concern of 'sustainable people development' both at the macro and micro level

#### **BY RAJLAKSHMI SAIKIA**

eople development is a concern both at the macro (national) level and the micro (organizational) level in present day India. The need of the hour is to make sustainable people development a business agenda - a story much easier said than done, especially in a complex country like ours. However with concerted effort towards developing people at the national level can enable inclusive growth which is the key to sustainable national growth.

To quote Neeraj Batra (Infinity Business School) who said, "Building competitive sustainable advantage requires a growth that is balanced and inclusive". What we witnessed at Egypt as mass demonstrations that led to

#### **QUICK VIEW**

- Innovative HR strategies for attracting, nurturing and retaining talent
- HR must work in tandem with the leadership team to instill a performance and development driven culture in the organization
- Diversity is a source for creativity and innovation which can become a competitive advantage for the organization

the unruly manner in which President Hosni Mubarak had to step down, is an example of the power of youth, and the predicament a nation creates for itself when youth energy is not channelized right. Strangely the macro implication of inadequate people development can be as adverse as this. In this light, India's macro need is for a robust focus on sustainable development of its workforce. This will be the key in ensuring that sustainable advantage is not restricted to a few pockets. Bodies like NIPM are geared to address the larger concern of people development through right channelization of corporate efforts, for the larger good of the nation. The National Skills Development Council (NSDC) is another government engineered body that has been prepped to work towards addressing the issue of skill gap in the present employable pool of talent - again an effort towards enabling inclusive growth. Sustainable national growth will automatically address India's need for people development at the macro level. But the complex structure that we operate in will require equal support at the micro level where fueling people development at the organizational level is also crucial.

While the national agenda will be addressed over a long period of time, there are many interventions at the organizational level that can happen immediately. The urgent focus is on how organizations can gain competitive advantage through its people – again a story that has been retold over and over, but with few solid solutions. A structured approach for this is a continuous emphasis on enabling performance excellence through innovative HR strategies for attracting, nurturing and retaining talent. Numerous organizations have done their bit to ensure that their people strength is not compromised but there are still many more that think of cutting people costs without a blink of an eye – like we often see the uncouth slash of training budgets and manpower cost when faced with a crisis.

The urgent need is to ring the alarm for organizations to act now. Companies must recognize that it can drive business continuity largely through internalization of people development. There is need to take a relook at their HRM systems and tools and bring in innovative approaches to capitalize on people competencies - of both high potentials and the average consistent contributors. This is possible only when HR works in tandem with the leadership team to bring about a performance and development driven culture in the organization. Undoubtedly, the knowledge economy and the service sector boom have made people the center of business. Hence for any business turnaround to be effective, organization must have the equal buy-in of all stakeholders in forwarding the people agenda.

Another consideration for HR today is the mixed bag of employees falling under Gen X, Gen Y and Gen Z categories who have different aspirations from life and work. There is a need to acknowledge the diverse needs of the employees falling into different generations as their needs and expectations from the employer as well as the job differ a great deal. The new generation values individual growth and development as much as remuneration. For this, organizations need to take a relook at the total reward spectrum to incorporate career advancement and other developmental initiatives to encourage continuous performance from such a workforce. In fact, there is an obvious shift towards making development the way to manage people. This need for a continuous learning system is further

For any business turnaround to be effective, managers must have the equal buy-in of all stakeholders in forwarding the people agenda

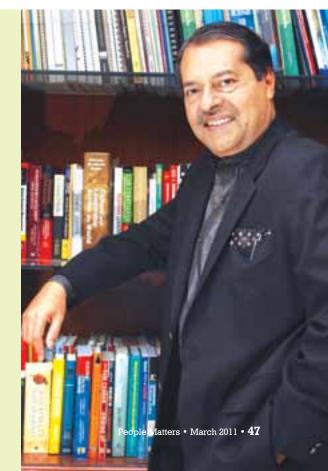
#### **BHASKAR CHATTERJEE**

Secretary, Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises

People development is at the heart of any organization, and this is particularly true in India. We have many unique traits, first being the tremendous demographic dividend, secondly, the rapid increase in the education and literacy levels, and finally, the growing availability of talent as more women join the employable workforce.

The challenge for professionals is to leverage this talent pool and develop its potential. Most importantly this development of human potential needs to happen in a sustainable manner across all levels - from a focused training at regular intervals and not as a one-off initiative, to providing exposure over and above the current area of work to ensure that people do not become insular in their thinking, that people are motivated to learn and grow, and to make available a combination of formal and informal means of learning.

Specifically in the public sector, the change has been tremendous. From demonopolization, to listing and from exposure to the marketplace, to deregulation of prices, all these have meant that public sector companies are now exposed to competition and hence the mindset, attitude and essence of people development has changed. More and more PSUs are investing today in up-skilling their workforce to keep up with tomorrow's new business requirements.



# Focus on Inclusive Growth

DR. U.S. AWASTHI, Chief Executive Officer, IFFCO



## What are the elements of a sustainable people development strategy?

Sustainable people development strategy once formed the base of the Indian society hence the traditional Indian values are a very important element of this strategy. Unfortunately, even the last 20 years as we entered the development phase and the economy grew at a breathtaking pace we have somehow forgotten these values and this is one reason for the void in the present societal system.

A sustainable people development strategy should be based on the concept of inclusive growth. We cannot think of sustainability when about 40% of the population lives below poverty line while a small percentage amasses majority of wealth. Embracing ethnic and traditional Indian values, equitable distribution of wealth and education forms the essential building blocks of the sustainable people development strategy.

## What initiatives has HR at IFFCO taken at for employee development?

We have time-tested HR policies which have created an atmosphere where both the young and the old share their ideas and values and use the unique blend for the betterment of IFFCO. We have a tension-free and caring working atmosphere. Our people development strategy does not end with the employee alone but also include employees' spouses and children in the development strategy. We organize training programs for spouses and children, as well as inter-unit quiz contest, sports, debates, cultural meets for children and spouses. We even grant scholarships to meritorious children of employees for academics, sports, music, dance etc.

## What is IFFCO's approach towards employee performance measurement?

We do not have any complicated system in place as we are a purpose-driven organization. Majority of our workforce is engaged in production and marketing activities, so the best way of measuring the employees performance is to measure the production and sales performance and I am proud to say that all our plants operate at full capacity with minimal accidents and year-on- year we break all our sales and production records and that, for me, is the best performance measurement system. The organization has seen sustained growth during last two decades and continues its journey to growth and excellence.

## What HR strategies have you adopted for talent attraction, development & retention?

IFFCO's attrition rate is less than one percent and even those who have left IFFCO, often express their desire to join back. We believe people should be retained for their work in the organization and should be recognized for their good work. IFFCO's objective is to create an environment with less work pressure and strain, which is one of the reasons for attracting and retaining talent. Since we are a purpose-driven and farmer centric organization, largely people with similar inclinations and desires are attracted to work with us.

# How does IFFCO's leadership ensure ethical approach in hiring?

IFFCO is an institution based on ethics and cooperative principles, and with about 40,000 member cooperative societies, 6,500 employees, 1,000 representative general body members and 30 directors, transparency and ethical functioning is what has kept such a mammoth organization cohesive for such a long time and enabled us to build strength in numbers. We hire from campuses or through an entrance test. We make sure that there are no outside influences in hiring and the whole process is transparent.

emphasized by the prevalence of the knowledge economy.

The challenge for companies is manifold as the present structure (in both private and public sector) does not allow employees from three diverse generations to co-exist. This call for a revisit of HR systems and processes so that they are adequately customized to meet the unique need of each category. The common realization is that diversity is a source of creativity and innovation which can become a competitive advantage for the organization. And creativity and innovation is a function of people capability as a result of the diverse ideas that people bring because of their diverse backgrounds. Managing diversity refers to adequate opportunity for all employees to maximize their potential and contribution to the organization. This diverse workforce can make business more efficient and successful, but only if the diverse pool of ideas is appropriately channelized through a sustainable model.

The business dynamics also require companies to focus on managing confidence, i.e. inspire people to give their best, and address the prevailing talent challenges. In a growing economy like India, where people are the true differentiators, there is an urgent need for the realignment of the people management approach. Performance-based-pay and inclusion of a larger percentage of total pay as variable is becoming the norm across industries. This in turn reiterates the efforts towards creating a performance culture that focuses on people development, and thereby organizational development and growth.

Performance-based training along with performance-based pay, is fast gaining popularity in this immediate need for organizations to focus on a sustainable people development. Companies need to look at performance management as a tool to enable continuous performance excellence and improvement. Therefore understanding people behavior with the aim to successfully instill confidence, build competence and a high spirit response from the market, peers, subordinate and bosses is crucial.

Many organizations have initiated innovative HR strategies such as the balanced scorecard approach to bring a clear correlation between HR and business. This enables employees to see a clear connect between people contribution and the bottom line. The combined approach of creating a learning culture, which is performance driven, will go a long way in ensuring sustainable people development at the micro level. Such initiatives can be easily administered by organization without loosing much time and that is important for organizations to take note of. The focus is to consciously develop the DNA of the organization as represented by its innovative HR practices, people focus, and inclusive growth, with demarcated responsibilities for business leaders (CEOs), HR leaders and the employees.

#### R. MOHAN DAS Director, Personnel & IR, Coal India Limited (CIL)

urs is a people intensive organization which is highly labor-oriented, so my foremost objective is to ensure our industrial relations (IR) is very strong and sound. The Personnel and IR department strives to ensure there are no strikes, along with other HR functional activities that must take place to lead the organization to fulfill its goals and targets. Our success is reflective in the fact that despite being a labor- intensive organization, the attrition at Coal India Limited (CIL) is only 5%, which is very healthy.

More time is spent on individual career development and modeling, succession planning, individual development, and various other things directed towards development of the human resource. The Balanced Scorecard is a popular tool at CIL which includes a HR perspective as well helps in the setting of HR goals and objectives which is cascaded down to each individual, thereby aligning HR objectives to that of the organization.

Today's HR professional is required to be a jack of all trades. She/he should know about the latest in the function, must be a very good communicator, and have the capability to observe and understand the nuances of human behavior. It is HR's role to ensure that the organizational philosophy, target, culture, and values are effectively communicated across people, as the core lies in creating a culture where talent is nurtured and developed continuously.



# An empowered workforce is more engaged and does not require supervision

JATINDER PETERS, GM (HR) and Head (Coordination), ONGC

# How has ONGC aligned its HR systems and processes to enable sustainable people development in the organization?

At ONGC, people are at the centre, and HR systems and processes are aligned with the aspirations and developmental needs of the workforce, and provide growth opportunities to employees during their career in the company.

HR processes are on the online SAP system which is integrated with other platforms like finance, materials management etc. Employee claims and requests are processed online through ESS (employee self service) portal, making all processes seamless and employee friendly. The online performance appraisal system enables each employee to set his/her KPIs and performance is reviewed against these KPIs at the end of the year. The transparency of the system has improved employee motivation and engagement levels, making a remarkable shift the in performance level of each employee.

We conceptualized the ONGC song during ONGC's Golden Jubilee. The song symbolizes ONGC's mission and vision and is a symbol of our corporate identity. Corporate HR has taken the initiative to attain 100% ISO 9001:2008 certifications for all HR departments across regions. The needs and satisfaction level of employees are assessed at periodic intervals to review policies and processes so that they are customised to satisfy employee needs.

# How easy or difficult is it to administer such a change?

Any change must be shared by the workforce. Employees must work towards one common goal and everyone's KRAs must add up to the organization's target. Clear communication channels result in excellent sharing of information, ideas and feedback which is mandatory for such a change along with a rational performance-linked rewards and recognition system. Every ONGC employee can log onto the internal portal to access the ONGC Reports and view the latest developments in the company and also submit feedback on issues which need attention of concerned authorities.

HR policies are aimed at enhancing job enrichment to help raise employee morale and motivation. This is an effective tool of employee retention in ONGC.

# How do ensure employees are in synch with the changes you are trying to administer?

To assess the pulse of employees, periodic 'employee engagement survey' (*Anubandhan*) and 'employee motivation survey' (*Abhiprerna*) are conducted online through the 'ONGC Reports' portal. Analysis and findings of these surveys have yielded highly positive outcomes which stand testimony to the progressive HR Policies adopted and supported by the top management.

#### What are the core skills that HR professionals must be equipped with, to create a culture of sustainable people development?

HR professionals must be groomed with the thought that they are facilitators and partners in the growth of company. Senior HR professionals are involved in strategic decision making and they in turn ensure that their subordinates' actions are synchronized with other departments to achieve organizational objectives. They must be people-sensitive and take due care not to push behind the human aspect while implementing HR policies.

There is a need for total transparency in decision making in HR, especially at the policy formulation and implementation stage, and there should be a general climate of trust and empowerment where each and every employee is made to feel special and important for the overall growth of the organization. The idea being an empowered workforce is more engaged and does not require supervision.



#### SANDEEP TYAGI

#### Director, Human Resources, Haier Appliances (India) Pvt. Ltd.

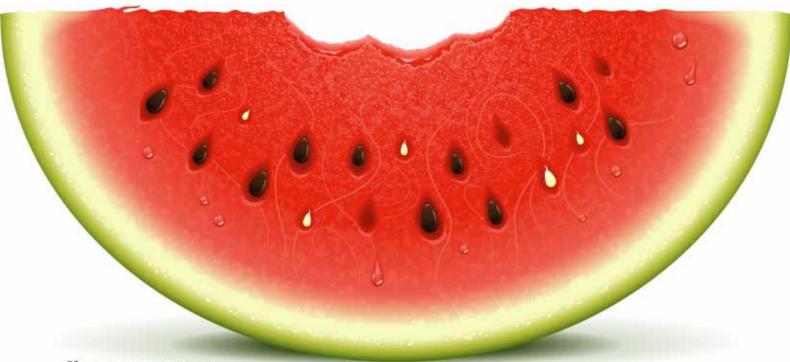
alent management plays the role of strategic partner in the organization. When we say 'strategic' we are referring to the effectiveness of the different development programs in improving the ability of employees to perform their jobs well, thus increasing productivity. There is a direct correlation between employee performance and organization productivity, and HR must recognize and popularize that. The key dimensions to be address while developing such a strategy are culture, organization design, people, human resources systems, employee communication and business alignment – all of which must be coordinated towards achieving the core business agenda. HR must be able to bring about the shift in mindset of its employees to enable this change.

#### SHASHANK VIRA Educator & Business Advisor

critical need is to help every individual understand the business and how his/her role contributes to organizational success. I remember meeting a security guard in the evening outside a local school. The guard proudly described the special curriculum at the institution to an awestruck couple who immediately enrolled their children in the school the next morning. The guard's self-worth did not come from standing in a cold cabin at night, instead it came from the joy of learning that he saw in the school of which he was a proud member. In essence, the first role of a leader is to ensure that people understand the business and the implications of their work in the business. If there is any disconnect in this aspect, there will be accountability gaps and someone will drop the baton. Further, a leader must not risk ignoring minority views in the organization. The opinions that are not paid the right attention often turn out to be the most critical (in a crisis, for example). The leader who spend significant time in managing risk and not ignore the 'blind spots' will sustain performance excellence.



# **Total Revards** Special 2011



As companies finalize their performance cycle and review their reward programs for the upcoming financial year, the Edenred – *People Matters* Total Rewards Conclave this year brought together HR Heads and C&B specialists to share the key trends in Total Rewards. Presented here are highlights of what business leaders said on the topic during the Conclave.

This Rewards Special will help you understand the complex implication of Total Rewards on employee motivation and the bottom line alike. While the options are many, finding the right mix is important and unique to each organization, making the need to get the Total Rewards mix right every time

#### **STORIES IN THIS SPECIAL**

- Capitalize on your Total Rewards
- Link Corporate Strategy to Variable Pay
- Delivering an Experience at Every Touch Point
- The Changing Face of Employee Benefit Insurance
- A Portfolio of Career Experiences
- Decoding Executive Compensation

# TO WATCH OUT FOR IN 2011

- Recognition strategy will continue to be the base for reward programs. Companies will need to define a macro recognition strategy which is aligned to business goals and endorsed by the leadership team. The traditional performance management strategy will link organizational goals with the desired behavior, generating a consistent and output-oriented result, ensuring internal equity while maintaining a close eye on external competitiveness.
- Reward programs will need to look at rewarding individuals while keeping an eye on teams. Recognizing innovation and ownership from high performers will be important, and rewarding teams will impact overall morale.
- Expectations in performance improvement will be steep, and achievements will be rewarded. If an organization can move the performance curve by just one standard deviation to the right, research shows that an organization can improve productivity by 20 to 120 percent, depending on the nature of the employee's work.
- The time for investing in systems has come. Organizations will increasingly need sophisticated measurement systems to provide an objective and transparent process without losing emphasis of people orientation.
- The role of line managers will be key in the success of any reward strategy. Involvement of line managers in design, implementation, rewardee identification and communication will have no substitute.
- Differentiation will be the language of rewards. One size will not fit all and tailor-made reward programs to address diverse employee segments and generations will be required.
- Organizations in emerging markets are expected to experience a paradigm shift in the way compensation is structured. It will see a shift in focus from fixed to variable elements. However, historic legacy of fixed compensation and two-tier pay levels will slow the pace of this shift. Variable pay schemes requires close examination to check whether they are reinforcing behaviors that bring benefit to the organization and are not just benefits for the individual employee alone.
- Companies will need to build the emotional connect with their employees to extract the fruits of engagement and motivation.
- Executive compensation will gain focus again. The governance of pay decisions will need appropriate management – independence in the process and ownership at the board level, instead of the CEO or CHRO level, will be required.
- ESOPs continue to be the way to link personal wealth creation to organizational wealth creation, and will help organizations in reducing cash costs (the market pays, not the company) and this will further promote a culture of employee ownership.



Our models for economic and business management have been traditionally structured around the capitalistic model promoted by the West. However, our role is to know more about how local companies are thinking about pay.

**ANANDORUP GHOSE** 

Solution Lead - Executive Compensation & Governance, S. Asia & M. East, Aon Hewitt

Organizations will continue to focus on differentiating rewards based on top performance, and reward good performers around the market median. Employees will seek higher transparency and organizations must address this need proactively.

#### ANURAAG MAINI

Executive VP – HR, DLF Pramerica Life Insurance Co. Ltd.

Total Rewards include all elements to attract, motivate and retain talent, and ensure high performance. Within the intangible elements of rewards, building an emotional connect

with employees will have no substitute.

ASHUTOSH TIPNIS Head HR, Edenred The value of the reward is in the eyes of the receiver. No reward will hold any value if the receiver's perceived value of the reward is not high.

#### CHARU DEWAN Head HR, LeasePlan India

We should never undermine the "total reward value of good reputation" which is nothing but organizational culture, work environment, talent management and development, constructive career growth opportunities, blended together in the right proportion. Together it fabricates into a highly successful 'Integrated Total Reward' strategy.

> DEEPA MOHAMED Group Head HR, SMC Group



DEEPAK DHAWAN

CEO & Founder, Talentonic

In 2011, the C&B manager will be challenged for solutions where corporates can get a better bang for their buck through smarter design and simple implementation. I expect a lot more focus on variable income as pressures for affordability mount. The attrition in the IT/ITES industry is shifting the focus from pay-for-performance to pay-forattrition/pay-for-skill. Hot skills are demanding a premium in the external market and companies have introduced special/niche skill bonus to existing employees.



#### GOKUL SANTHANAM

Vice President and Head -Global Compensation & Benefits, MphasiS

ESOPs work when expectations are well set and managed, grants are frequent, employee awareness is high and the organization grant shares to the right people in the right quantity.



HARSHU GHATE MD, ESOP Direct

The entire ecosystem of culture, systems, structures, strategy and employer brand, of the organization will influence EVP. Total Rewards may soon be Total Employee Value Proposition.



#### **REWARDS SPECIAL 2011**

Companies need to articulate and communicate their compensation philosophy. HR should move towards a supporting role in compensation, leaving way to line managers to take ownership of compensation decisions.



Any loyalty program, be it for an employee or the customer, is incomplete without an emotional connect with the target audience. Emotional connect results from the overall experience with the brand at all touch points.



SANDEEP BANERJEE MD & CEO, Edenred India There will be a flexible approach towards benefits & focus will be on cash vacation for younger employees; medical & work-life benefits for employees in their forties, and retirement & children's education for those above fifty.



SHAMITA CHATTERJEE

Market Business Leader - Mercer India

PRABIR JHA

Senior VP and Head-HR, Tata Motors

Organizations are moving from fixed to variable pay. This will mean that robust performance management, enhanced communication

**RAJESH RAI** 

Head HR, Benetton India

around performance metrics, and cost containment for the sustainability of the reward philosophy.



In a diverse workforce, no single reward element will be a value driver. A competitive EVP will include competitive base pay, challenging work, career advancement, convenience of location and paid time-off.



Business Leader – Talent & Rewards, Towers Watson India

The secret of a successful incentive design program is the line of sight that links the key factors that drive performance from the big picture strategy, to the tactical aspects.



DR. RITU ANAND Deputy Head - Global HR, TCS

Practitioners will transform 'Total Rewards Management' by borrowing from other functions - six sigma from operations, portfolio theory from economics, risk management from finance, change management from psychology etc.



Companies need to look beyond 'fair and reasonable level' to make reward investments reap superior returns. The focus will move to strong performance linkage between results and pay.



DR. SHALINI SARIN Director - HR, Schneider Electric India The best variable pay programs are, led from the top, able to align employee performance to company success, championed by line managers, and communicated across the board.



Regional Director - Reward Information Services (Middle East, Africa and India), Hay Group

#### **BY NIHARIKA MOHAN UPPAL**

n the aftermath of the global recession, across all sectors and regions, organizations are struggling to rebuild profitability. In order to attain this goal, it is axiomatic to balance three, often conflicting, challenges - cost containment, performance improvement and talent engagement. While compensation specialists need to continuously develop and improve unique and innovative methods to help retain and engage key talent, equally important are the compensation systems that must support the overall strategic intent of the organization.

In many ways recession has been a wake up call for rewards. Economic downturn has forced many organizations to think sharply about who and what they are paying for and to reassess their cost structure.

Return on investment (ROI) on reward programs are being keenly observed by the management. Measurement and metrics will play a key role in rewards and business strategy alignment. This would entail that the right performance metrics are in place, rewards programs are closely tied to the metrics, and leaders have the capability and maturity to implement reward decisions effectively.

During this time, organizations have seized the chance to clarify their rewards strategy and seal any cracks in the foundation, improving and strengthening their performance management and rewards system. Panic and need to cut down on the cost may have been significant drivers but the lasting legacy is a concentration on optimization of pay.



# Capitalize on your Total Rewards

The focus of rewards is changing from being transactional to strategic. Rewards today are a strong tool for organizations to ensure performance excellence by addressing the unique and customized needs of high and critical performers

#### Rewards under the spotlight

At present, rewards are under the microscope with senior management asking very pertinent questions:

- What is the performance increment in return for what we pay?
- What is the effectiveness of all costs allocated to rewards?
- What is the return on investment?

From being very transactional in nature when companies focused only on annual remuneration, rewards have evolved to become a strategic enabler, ensuring organizational needs are met. Today's notion of rewards includes helping the organization to understand how to motivate and retain employees at different levels and throughout the year by focusing on differentiated rewards.

A uniform blanket approach to rewards is no longer a viable strategy. A focus on total rewards that is closely tied to performance will play a crucial role in allowing organizations to compete in this new environment. The challenges of an organization are manifold, one of the most critical being meeting different demands of younger employees. Generation Y expects a career, is mobile, may not demonstrate loyalty to a single organization, and is extremely difficult to retain. Attrition is highest amongst this set of employees. More and more employees want an environment where they feel they are contributing in a positive way to something larger than themselves.

Levers like variable pay, differentiated rewards and performance metrics, all play a key role in the rewards strategy of an organization. Organizations are left with the challenge of coaxing better performance from their employees, often without the resources to fund a generous compensation strategy. With extreme pres-

#### **QUICK VIEW**

- Measurement and metrics will play a key role in rewards and business strategy alignment
- A focus on total rewards that is closely tied to performance
- The new trend in total rewards cannot success without a good communication system
- Technology will continue to play a pivotal role as an enabler for rewards

Levers like variable pay, differentiated rewards and performance metrics play a key role in the rewards strategy of an organization

sure to contain wage bills and ensure retention of top talent, certain key rewards themes have emerged. As an example, Schneider Electric over the years has evolved its compensation strategy to a Total Rewards strategy. Besides offering pay and benefits, there is tremendous focus to provide both career advancement and skill development opportunities to employees. A high performance culture exists with a clearly outlined strategy to differentiate performance, and reward key talent. KRAs and expectation setting is well communicated in the beginning of the year. The variable pay plan further drives high performance and helps the company achieve its targets.

Some of the principles that helped Schneider Electric in its journey towards total rewards and which may be emulated by the other organizations are:

• **Create a performance culture:** Use your rewards programs to help you move from an 'entitlement' culture to a 'performance' culture. The limited budget should be judiciously used towards rewarding key performers, critical roles, and scarce skills, in the organization. The key mantra is to differentiate performance and reward appropriately.

• Think total rewards: Monetary benefits alone cannot help engage the workforce. Research has consistently shown the importance of nonmonetary benefits, be it career development or training, in overall retention. A total rewards approach to talent retention could serve as a unique differentiator from your competitors.

• **Consider total costs:** Traditionally, the only cost considered as spend within the organization was the budget for the merit increases. Benefits, allowances, long-term incentives, all form a major part of the total rewards cost in the organization and must be accounted for appropriately to understand the total implications of the rewards programs in the organization.

Sestructure compensation: Bring in more variability in the total employee package by increasing the role of variable pay. This would also provide for cost buffer in times of economic slowdown. For employees to see value in this tool there has to be a clear linkage between their performance and the organizations performance and the subsequent reward.

Core principles tor

#### **Implementation of Rewards**

- Create a performance culture: Use your rewards program to help you move from an 'entitlement' culture to a 'performance' culture.
- Think total rewards: Research shows the importance of non-monetary benefits, be it career development or training, in overall retention.
- Consider total costs: Benefits, allowances, long-term incentives, all form a major part of the total rewards cost in the organization and must be accounted for.
- Restructure compensation: Bring in more variability in the total employee package by increasing the role of variable pay.
- Market benchmarking: Benchmark your reward practices to ensure that the top talent is paid competitively against the market and the organization is not overpaying in other areas.
- Nurture innovation: To cater to the new urban working population, it is imperative that reward programs are innovative.

S Market benchmarking: Continue to benchmark your reward practices. This helps ensure that the top talent is paid competitively against the market and that the organization is not overpaying in other areas.

Nurture innovation: To cater to the new urban working population, it is imperative that reward programs are innovative, suit the profile of employees, in order to achieve the desired outcome and support business needs.

While we concentrate on key talent, there is a word of caution about over-reliance on the high performers. Majority of the people in the organizations fall neither under the poor performance category or the star performers but are average performers or the solid citizens. Organizations should never take their eyes off this critical mass and ensure that they are engaged, motivated and adequately rewarded for their contribution. The other side of the coin is an increasing need to address the low performers. While low performers are guided, and given every opportunity to improve, organizations must look at other options if they still fail to perform. There is a much sharper adherence to the bell curve and organizations are equipping their line managers to hold such difficult conversations and to take these difficult decisions.

#### Role of communication

The new trend in total rewards cannot succeed without a good communication system. Many organizations are investing a lot of time to communicate the total value of the rewards package to their employees. With the drive towards variable pay, a closer link between performance and rewards, differentiation between high and low performance, there is a risk that the ROI will be lost if the leaders and the managers have not communicated the organization's strategy and intent to the line. Skills of the line management in setting goals, coaching performance and recognizing performance should be appropriately built. Managers must be held accountable and responsible for rewards decisions.

#### Technology as an enabler

The role of technology is worth mentioning here. Technology is an enabler at the present and will continue to play a pivotal role in the future. Budgets will only see a plateau going forward and hence for reward professionals it will become extremely important to think out-of-the-box.

#### Future of rewards

The future would entail making judicious use of rewards tools across the targeted population. There has to be a mix of long-term as well as short-term incentive schemes which will help the organization in meeting its overall strategy. Compensation experts will have to be more creative and flexible in their approach to managing rewards. Benefits offered to the employees will receive appreciation if they are designed to meet the ever-changing needs of the employees. The crux of the matter therefore lies in giving employees benefits that they value most by allowing the employee to choose benefits within a predefined allocated cost. The implementation of this plan will require greater level of communication with the employees resulting in better return on investment and also emerge as a proactive step towards employee engagement.

Dr. Shalini Sarin, Director HR, Schneider Electric, adds that compensation and benefits was, till a decade ago, a black box and to run that function, competencies required were mastery in excel and number churning ability. The focus has now shifted towards the ability to educate the line managers, empower them to make better compensation decisions, effective communication, keen market intelligence, and using innovation to enhance perceived value of brand and enhancing differentiation without building on the costs.

Real time and relevant communication about actions taken is at the core of positive perceptions about compensation and benefits within the organization.

Niharika Mohan Uppal, Head Rewards - Schneider Electric India

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#### PEARSON



# Link Corporate Strategy to Variable Pay

For effective implementation of variable pay, organizations in emerging markets need to link corporate strategy to variable pay, address line managers' skills and differentiate high performance



#### **QUICK VIEW**

- Employee engagement is higher where employees perceive a fair differentiation of reward-based on performance
- Historic legacy of fixed compensation and two-tier pay levels will slow the pace of this shift from fixed to variable elements

n the profession of compensation and benefits in the HR space, we set great score by hard facts and financial numbers. To gauge the performance of the company, we pour over the numbers in the financial statements. To measure the effectiveness of a department, we look at the revenue or cost saving measures, profits and operating contributions. With same token, are organizations paying more to their best performing employees?

Companies both big and small could be facing new market challenges in the postrecession world. While fixed compensation continues to rise between 8% and 12% per annum, many forward-growth companies and new market entrants in emerging markets are adopting 'cost-to-company models' to have more efficient 'Total Rewards Program'.

This article dives into the topic of compensation landscape in emerging markets and how fast-growing and dynamic organizations are adapting to the change.

## Variable Pay – What is the return on investment?

Variable pay is essential in an organization that wants to align remuneration with the company strategy and differentiate reward based on performance. If the goals are clearly defined then individual expectations in the role is also clear. Employee engagement is higher where employees perceive a fair differentiation of reward based on performance. In many ways it also helps to adjust compensation costs in a downturn by not putting all eggs in one basket of fixed compensation.

# Variable Pay – How are organizations implementing it?

Most variable pay programs change are due to better alignment of the programs with changing business strategies:

- Sharing the connection between organizational and individual performance
- Improving the performance metrics
- Reviewing the metrics more often than implementation

A number of organizations have added protection mechanisms to their short term incentive programs (i.e. hurdles, triggers, clawbacks). Much change in variable pay programs has already taken place. However the trends we see in India are different compared to other global markets.

#### Trends in India

Pay in Indian market has evolved over a period of time and we shall continue to witness organizations moving away from boutique of allowances and benefits. Prior to liberalization in 1991, compensation packages in India constituted of basic salary and as many as 22 different allowances and benefit types per employee. These complex pay programs were largely driven by the desire to reduce tax. Now, a typical compensation program has fewer than 10 elements with indication of further simplification. A series of tax reforms has reduced the incentive to continue complex fringe benefits practice.

Variable pay plans in India have not been successful in driving behavior within the organization that is consistent with their culture and values.

- 50% of companies are public sector and do not have a bonus scheme in place
- Many Indian companies like to pay bonus payments, not in cash but in shares, which could be having an impact on the target levels being higher
- Geographically uneven economic development of the country leads to large differences in pay between regions and cities of India
- Key differences in India compared to global markets

-Not acceptable in some cultures to tell people they are not performing - this is true to some degree in India

Variable pay is essential in an organization that wants to align remuneration with the company strategy and differentiate reward based on performance - In emerging markets of Brazil, Russia, India and China, organizations do not want to risk losing talent to competition by not paying out a bonus resulting in more of socialistic way to reward for performance.

#### Conclusion

Organizations in emerging markets are expected to experience a paradigm shift in the way compensation is structured - shifting the focus from fixed elements to variable ones. However, historic legacy of fixed compensation and two-tier pay levels will slow the pace of this shift. Variable pay schemes should be closely examined to check whether they are reinforcing behaviors which bring benefits to the organization and not just benefits for the individual employee.

Once growth figures in emerging markets begin to reflect a certain sense of normalcy, organizations will stop trying to keep up with growth and start concentrating on the efficiency of their business. In addition, the pressure from key stakeholder which include the shareholders, boards, remuneration committees, top management and consequently, human resources departments, are starting to play a strategic role in defining total rewards rather than only focusing on fixed pay.

To effectively implement variable pay, organizations in emerging markets need to link corporate strategy to variable pay, address line managers' skills and differentiate high performance. There is no 'one' right answer but the best implemented programs are led from the top with strong vision and leadership; provide line of sight between employee performance and company success is championed by line managers; and communicated clearly.

Vijay Gandhi, Regional Director, Reward Information Services (Middle East, India and Africa) – Hay Group

#### Challenges in implementing variable pay in emerging markets

Hay Group research shows that there are two fundamental reasons why implementing variable pay is challenging in emerging markets:

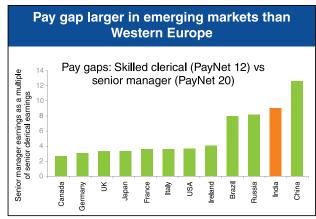
- (1) Pay progression for promotion in emerging markets is much higher than in other geographies
- (2) Pay gap between senior manager and skilled clerical job is higher in emerging markets



Comparing the pay progression in India to other countries in Asia:

- China and India by far shows the fastest pay progression across Asia followed by India
- More established economies like Singapore and Japan show the slowest pay progression

The trend in emerging markets is that in order to keep the top talent you would have to promote them faster than policies would require. If the pay gap between two job levels is so huge in these markets then more employees view promotion as a better way to grow earnings, and if they do not get it they move jobs more frequently.



Source: Hay Group

In emerging markets, the pay for senior manager is 8 to 12 times the pay for skilled clerical roles. With an exponential pay curve in emerging markets, it is very difficult to implement variable pay culture. The quantum of 2 or 3 months' salary is so low at the clerical and supervisory role that the variable pay is not enough to drive positive change in employee behavior or align compensation to business strategy.

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# Delivering an Experience at **Every Touch Point**

Employee loyalty is crucial for business success as it directly impacts customer experience where every single interaction with the brand through the employee is the 'moment of truth' for the customer, says **Ashok M.S.,** Chief Operating Officer, Accentiv

# How is customer loyalty different from employee loyalty in terms of concept and approach?

The principles applied to building loyalty are the same whether it is for the customer or for the employee. The principles include providing a great product or service experience which the customer or the employee cherishes, giving incentives when customers or employees exhibit a desired behavior and sustaining a meaningful communication with the audience. In both cases, the hygiene factors, like salary and work environment, in the case of employees, and product quality and overall buying/usage experience in the case of customers, have to be met before we can build loyalty.

However there is a lot of difference in execution. The employees themselves are critical success factors in making a customer loyalty program tick. Employees live and breathe the brand daily and so they need to be totally aligned to the brand promise. It is therefore imperative that the levels of engagement are much higher and there is absolute transparency in terms of the program construct and communication. The incentive for exhibiting a desired behavior needs to be more direct and visible and employee loyalty works best when the rewards are tangible.

In the case of customer loyalty, the interaction with the brand is less frequent, so it is important that during every interaction, the brand promise is delivered effectively. The customer loyalty approach can also have a balance of tangible and intangible rewards, pushing the customers to desire a higher status in the program and work towards it. While employees are likely to be more charitable if there are occasional slip ups in the employee loyalty engagement as they have also invested in the relationship, customers are less likely to forgive if they find that the brand is slipping on its promise.

#### How is employee loyalty correlated to customer loyalty? What comes first?

Clearly employee loyalty comes first. For an organization to induce customer loyalty or implement a customer loyalty program they should have enthusiastic, empowered and fully satisfied employees. That alone will make the customers cherish their interaction with the brand. Employees can make or mar customer loyalty and unless the organization is fully confident that it has a very satisfied workforce it cannot implement customer loyalty programs successfully.

#### In your opinion, is customer loyalty originated & fueled by employee engagement?

From my experience, employees should come first; the reason is that for the customer,



#### It is essential for employees to not only be adequately trained, but also to feel

happy working for the brand so that they convey the joy and pride with which the brand should be sold every interaction with the brand is a moment of truth, be it while calling a call center or visiting the retail counter when buying the product. In this moment of truth, it is the employee who will represent the brand. Therefore, it is essential for employees to not only be adequately trained, but also to feel happy working for the brand so that they convey the joy and pride with which the brand should be sold. When that happens, customers' experience will be good and that will build loyalty over a period of time.

# Would you say customer loyalty transports from the strong emotional connect with the brand than in any other way?

Correct, because the customer interacts with the brand once or twice a year; it is not like 8 hours a day as in the case of employees. The employee is living and dreaming the brand, hence it is very important that he or she likes the brand and cherishes working for the particular company. The employee connect must be very strong.

#### Could you share some examples of companies in India that have understood the importance of the brand being consistent at every touch point?

There are many companies which have done this in the past and continue to do this in India very well. An example that comes to mind is Bharat Petroleum. Their primary focus was on training the employees, everybody in the customer chain including their delivery boys at the pumps – 50,000 of them were taken to the training program. The employees believe in the brand and they effectively communicate the brand value to the customers. This actually helped them to gain a good market share as well. Another example is the Tatas. The employees are very proud to be working for a Tata company and it manifests itself at every touch point and employees are willing to go that extra mile to help customers. In the retail front, companies like Lifestyle and Shoppers Stop have very strong employee engagement programs. They train their employees well and that is manifested in the customer experience at the final touch points. Companies like Airtel, Genpact and Aon Hewitt have very good reward and recognition strategies in their CRM approach.

The workforce today is very young and the churn rates are high, so employee engagement activities and training ensures that employees are proud to be working for the company. Even when an employee deals with an irate customer, they are able to handle it very well. It is important, especially for customer facing employees. An engaged and happy employee is able to empathize with the irate customer without compromising the brand value.

#### What are the elements for engagement and loyalty for employees?

Training employees on brand value and product knowledge is very important, so that they align their pitch when they talk to customers. Secondly, it is important to constantly communicate with employees to reiterate the learning at the training program, so that employees retain it. Engaging the employees only basis work-related communication may not yield results. The intranet should also have other relevant content which enables them to have a better work-life balance like content on healthy eating, keeping fit, etc.. This enhances the happiness of the employees and will enable them to deliver better touch point experience for the customer.

Customer or employee acquisition is 3-4 times costlier than retaining a customer/ employee. The present system of automation has enabled companies to track customer churn rate. So to acquire the business intelligence, companies are willing to invest in, both customer and employee loyalty programs. You need to continuously engage with customers and employees. So, while budgeting you need to provide for the cost of communication and cost of rewards. Once the programs start making sense to the target audiences, whether it is employees or customers, over a period of 3 to 5 years, you will start seeing those results coming in.

## An engaged and happy employee is able to empathize

with the irate customer without compromising the brand value

# How is employee loyalty building different than customer loyalty building? Which takes longer?

Let me explain with an example – in retail, where the interaction is almost twice or thrice a month, the customer starts seeing that with every visit he/she gets some points which is a tangible benefit that he/she can redeem for something meaningful. The overall experience of the store is good, the ambience is good, and employees are courteous, so loyalty starts building within 3 to 4 months. Whereas in the case of employees, in the first year the employee is still sceptical and wondering whether the company is meaning what it is professing? In the second year, thanks to constant reinforcement of the company's values, the employee gets more serious in the job and it is in the third year when the actual loyalty or the emotional connect with the company starts building, and only when that happens, can one expect the employee to stay for the next 3-5 years. Hence, building employee loyalty takes longer.

#### How do organizations differentiate between the two?

For employees, it is not a loyalty program but is more of a rewards and recognition program. Employees are recognized for their contribution to enhancing the brand value and demonstrating exemplary talent in an open forum which helps in building loyalty to the brand and the company. While the hygiene factors of salary, etc. are essential, building an emotional connect increases the chances of retaining talent.

#### Is Indian business patient?

In India everybody wants results as of yesterday. Top management's horizon has shrunk to a three year period. Managers have started pushing for results at the end of the first year itself, but one needs to be a bit more patient. For the program to sink in with all benefits it takes upto a year. You need to continuously invest over a period of time before you start seeing results. Having experimented in the past, I think the realization has come to many companies that this is a long road. People understand the difference between a tactical engagement which is shortterm and a proper loyalty engagement which is for a long-term.

#### How do you know which loyalty program will work for which company?

It is a tough one. While designing a customer loyalty program, we undertake a detailed profiling of the customers, which helps us build the program features and rewards catalogue which will appeal to the respective profile. Similar is the case with employees. Of course, the organization and HR already has an idea and are able to contribute very well in deciding what sort of program is suitable.

# How is employee and customer loyalty measured? How do you track improvements over time?

Employee loyalty is measured by employee satisfaction surveys, employee participation in the various activities, and reduction in attrition rate and overall improvement in the bottom line of the company.

Customer loyalty is measured in terms of penetration and value contribution of loyal customers, response to program communication, percentage of active customers, customer satisfaction surveys, response to cross-sell and up-sell campaigns and overall ROI for the program spend.

Employee loyalty and customer loyalty metrics can be tracked over time for improvements and decline, and specific issues enhancing or impeding the metrics can be identified and addressed. This is done by measuring the same set of metrics over a period of time with identical audiences.



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# The Changing Face of Employee Benefit Insurance

HR heads across sectors has been trying to rise to the challenge of high insurance cost and even considering if certain benefits can be withdrawn altogether. This requires employees to initiate focus on insurance benefits of all kinds on their own



#### **BY RAJESH RAI**

mployee Benefit Insurance has become an irreversible and integral part of Indian Inc.'s landscape in the past few years. It is also indubitable that health insurance continues to be the most valued component of this program, chiefly due to increasing medical costs and an uncertain environment, which is the central focus of my write up. In the past two years, organizations have faced enormous challenges in keeping this benefit alive in the most effective way despite enormous cost pressures.

This article comes from pure experiential learning and relates with the challenges I have seen organizations across sectors face in the employee benefit insurance domain. As pointed out by Vantage last year and they are fantastic in this space, health insurance premiums, after remaining soft for most of the last decade, have hardened significantly in the past year. The lack of cross-subsidy due to detariffing of rates, scarcity of funds and focus on profitability, has finally driven insurers to view health insurance as a standalone risk and fix the price accordingly. As a result, organizations now consider the inflationary movement of premiums to be the biggest challenge in maintaining the status quo of benefits.

My discussion with many organizations in this space including Vantage reaffirms the belief that insurers must elucidate the benefits and restrictions in the policy in simple and unambiguous terms. The move by IRDA, mandating life insurers to simplify policy wordings, must be applied to all insurers. Such measures will help avoid litigations and disappointments amongst claimants, thereby facilitating an environment of enhanced consumer trust. Lately, insurers have resorted to mid-term hikes in premiums or reductions

#### The way forward - for employees and organizations

- Government and organizations must ensure people are educated on insurance benefits and start a drive to ensure adequate coverage per employee. The responsibility for this coverage is both with the employees' (personal coverage) and benefit from the organization and the government;
- Employees to start thinking on personal coverage seriously. HR would have to improve upon the "proactive education" of employees in this area. These benefits are not to be taken for granted (anything can change!), whereas their personal coverage is not negotiable;
- Costs in this domain are not going to come down at least in the near term unless significant regulation comes into play at each process step of the insurance usage;
- Mechanisms like co-pay and reduction in insurance benefits are not really the answer. Care needs to be taken before implementing these since this

impacts employee motivation in a big way. With the mindset that insurance is a deemed mandatory benefit, any reduction in such a benefit would always lead to issues. The road is tough and HR would have to play a key role in treading and managing this huge task;

- Third Party Administrators (TPA) as service providers have evolved and would continue to evolve offering higher value added services than what has been offered till date. A full-fledged advisory role is on its way;
- Trends in the industry indicate preventive healthcare focus. However it is largely dependent on each employee's outlook and understanding in this area even if organizations do their bit to set in healthy practices towards managing health of its workforce. The change therefore is more from within a fellow employee than being led by the organization alone.

in policy benefits. This practice is, quite naturally, a cause of concern for India Inc. Insurer needs to accept that the insured expects it to fully absorb all the accepted risks for the full course of the policy.

This space is less regulated - higher claims cost has not seen any noticeable effort to curtail hospitalization costs. Hospitals need to be regulated preferably by a separate governmental regulatory body, or else high treatment costs and therefore high claims will be the norm of the day, thus spiraling

#### **QUICK VIEW**

- Health insurance continues to be favored by employees as medical costs soar
- Organizations consider the inflationary movement of premiums to be the biggest challenge
- The need of the hour is to educate employees to focus on insurance benefits of all kinds on their own

the cost back to organizations in the form of premiums. According to my discussions with Vantage, the increase in premiums for large firms (1,000 or more employees) has been comparatively higher than the smaller firms. This seems illogical at first glance. The reason larger firms have seen higher increase in premiums is because, in the past, they managed to negotiate much better rates. And now, the new market conditions have imposed a "correction" on them.

It is clear that our government must simultaneously play two roles – a developmental role (to educate the end consumer) and a regulatory role (to ensure adequate and affordable healthcare facilities). Organizations also need to play both these roles as this domain will continue to face enormous challenges if these roles are compromized either by the Government or by organizations.

It is natural to wonder if cutting on benefits is the answer.

HR heads across sectors has been trying to rise to the challenge of high insurance cost and even considering if certain benefits can be withdrawn altogether. Some of these benefits are dental care benefit, parental coverage or even partial or full OPD coverage, all of which



#### **Convention Highlights**

- Concurrent capacity building workshops by leading consulting companies in the domain of leadership, compensation and benefits and coaching
- Exhibition of HR service
  providers
- Panel discussion moderated by senior editor of UTV Bloomberg

#### **Speakers for Convention**

- Ms Aparna Sharma, Deutsche Bank Global Services
- Dr Arvind Agrawal, RPG Enterprise
- Ms Ester Martinez, People Matters
- Mr Kartik Varma, PricewaterhouseCoopers Pvt Ltd.
- Mr L Chuaungo, Gujarat Urja Vikas Nigam Ltd.
- Mr M S Krishnamoorthy, Larsen and Toubro Ltd.
- Mr Naveen Unni, Mckinsey & Co.
- Dr R L Bhatia, Change Management & Organization Turnaround Specialist
- Ms Radhika Gopalakrishnan, Hewitt Leadership Consulting\*
- Mr Rajeev Dubey, Mahindra & Mahindra Ltd.\*
- Mr Sharad Gangal, Thermax Industries Ltd.
- Dr Susanne Kortendick, Bombardier Transportation\*
- Mr Vineet Kaul, Hindalco Industries Ltd.
- Mr Vivek Paranjpe, Reliance
  Industries Ltd.

#### **For further Details Contact**

Ms Nida Faruqui Confederation of Indian Industry, Vadodara 0265-6532016/17, 2340751 E Mail: nidafaruqui@cii.in www.hrconvention.net

# It is clear that our government must simultaneously play

**two roles** – a developmental role to educate the end consumer and a regulatory role - to ensure adequate and affordable healthcare facilities

lead to significant heartburn among employees. Companies have also tried to co-share the cost with employees (i.e. introducing a percentage of cost to be shared by the employees). This has been taken rather unpleasantly in most organizations since the claims costs can be very high sometimes and a junior or a middle management level employee would find it very tough to cover it all. This further creates issues for organizations to keep up with employee motivation and retention.

The need of the hour is that employees need to focus on insurance benefits of all kinds on their own. Organizations can also play a proactive role in encouraging employees to buy individual cover for themselves as well as their families both in the medical and life insurance. The awareness in this area is so less that it is a challenge to bring employees to the table to talk or explore this subject.

A large part of the apathy towards this lack of awareness and lack of initiative towards gaining knowledge on insurance aspect is also because insurance benefit is taken as a given by most employees. It is viewed as a mandatorily deemed benefit. Most employees live far away from the reality that this space is undergoing massive changes. In fact introduction of co-pay or reduction in benefits comes as a big shock to most of them.

Employee sensitization towards this aspect is therefore a subject that gains immense importance. Employees need to know when they are getting over treatment, or paying higher payments for health treatment costs than required. They need to know what should be their cover for accidental or life-term in insurance and what should they expect from organizations or what should they do personally to mitigate the risks involved.

Largely, the role of the insurance brokers has gone a change. Today they are no longer seen as just a matchmaker between the insurer and the client. Rather they provide value added administrative services which has been the demand of the Indian market.

Finally there is a need for organizations to effectively communicating the insurance benefits round the year to the employees. These benefits are to be taken for granted and employees have to understand this better in the present scenario, if organizations do not reduce the benefits provided. Economic changes have imposed significant cost and profitability pressures in all organizations across sectors and the focus on bottom-line would be enormous.



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#### http://cii.in/HRAward2011

dominant 60% of Indian employers have reported that career advancement opportunities for their employees have improved over the last 12 months. Most importantly, this 'employer opinion' was endorsed by 58% of Indian employees to confirm that Indian employers are taking active steps towards offering career advancement opportunities to their employees.

The global recession that led many organizations to drastically cut on manpower cost did not see such poor faith in India. The slowdown in India saw an upscale of efficiency with instances of hiring freeze and salary and bonus cuts, but not redundancy leading to layoffs and reduction in workforce. The economic uncertainty, however, did see an impact on the attraction and retention of critical and high potential talent in India. Further, sustained economic growth since then, meant greater opportunities for talent and thereby enhancing the problem for employers trying to hold onto their key talent.

The scenario has led employers to understand and realize the challenges from a career development and career advancement stand point, which are factors that have assumed great importance both from the employee and employer perspective.

Most talent management and talent development initiatives that companies are using are in the area of developing a talent pipeline, developing the next generation leaders and grooming the middle level to take senior management roles, with a view to ensure replaceability of talent for positions of tomorrow. Therefore, the importance of career advancement in the total rewards equation is not just a function of the market and external factors, but it is a



# A Portfolio of Career Experiences

Learn how a new look into the meaning of career advancement can bring in the required advantage for organizations where dynamic competitive scenarios continues to pose the problem of retaining critical talent. **Dhritiman Chakrabarti**, Managing Director, Towers Watson India, shares critical points of attention for HR and senior management, while speaking with *People Matters* 

#### **QUICK VIEW**

- The current dynamic nature of business requires organizations to revisit their job evaluation and job levelling system more often
- The Indian employee is more adventurous and mobile, and pay is no longer the only reason to switch jobs, - albeit an important one still
- Career advancement as a part of 'Total Rewards' is a component of the EVP that organizations offer
- 60% of the Indian companies are able to provide their employees a wide range of jobs and work experience, to a great extent

conscious effort by the employer to provide a holistic experience to its employees as well as the employee's aspiration of acquiring a greater value add to his own resume.

Examples where organizations are taking a proactive step towards instilling an appropriate career advancement strategy is the IT sector which takes proactive measures in the areas of talent management, grooming and succession planning at the middle and senior level. Other industries are the FMCG and the consumer durables sectors which have taken requisite steps on purpose.

The objective of career advancement is in trying to leverage the best out of employees. Increasingly the realization has been that it is not just about vertical growth but there is also a need for different and more interesting career paths. So organizations are revisiting their career management system. A number of organizations that we studied in this survey are revisiting their job-levelling/job evaluation criteria. One of the main reasons for doing that is because today's career levelling solutions or career management systems are not being able to keep pace with the amount of growth that a lot of companies and industries are experiencing. In that sense, career advancement and career development is both a process and an outcome. The outcome needs a lot many more supporting enablers - talent development, competence building, performance management, job levelling - in order for a holistic solution to emerge.

The current dynamic nature of business and the economy requires organizations to revisit their job evaluation and levelling system more often. Many organizations we spoke to said that they had not revisited their job levelling system since before 24 or 36 months, which was before the slowdown. The world has changed since and continues to change even more, resulting in a need to remain current. Very soon careers would become an integral part of managing business as opposed to being an HR intervention alone.

The 'compensation element' which hitherto is popularly considered as the prime motivator for employees, is a parameter where Indian employers score better. While only 37% of employers in the Asia Pacific region believe they provide their employees an opportunity to earn higher levels of compensation to a great extent, around 54 % employers in India, which incidentally is the highest number within the Asia Pacific region, felt likewise. Indian employers again outscore their Asia Pacific counterparts in offering skill development opportunities to their workforce. An impressive 64% of Indian employers surveyed believe to a great extent that optimal opportunities are available to their employees to rapidly develop skills and abilities, as against a 49% Asia Pacific average. Supplementing that, 61 % of Indian employers are able to provide their employees with the opportunity to develop innovative products and services to a great extent, as compared to their counterparts in the Asia Pacific region at 41%.

A number of Indian conglomerates have a group-wide cadre and offer career opportunities beyond the individual company. Despite the almost insignificant gap in the idea of career advancement from the employer and employee perspective, the response from a standard employee in India was that an Indian employee would switch the moment there would be a better opportunity. So there is as much of an employee impetus to take responsibility for his/ her own career and ensure that

The importance of career advancement in the total rewards equation is not just a function of the market and external factors, but it is a conscious effort by the employer to provide a holistic experience to its employees

employers' and employees' perspective		
Ranking	Employer View	Employee View
1	Increased compensation (94%)	Increased compensation (91%)
2	Greater career advancement opportunity (90%)	Greater job security (90%)
3	Improved work-life balance (61%)	Availability of/better pension (89%)
4	Greater job security (47%)	Improved work-life balance, greater career advancement opportunity (88%)
5	More flexible work hours, more flexible work location (43%)	Better financial planning resources (87%)

#### **Retention Drivers in Asia**

# Career advancement opportunity ranks high from both the employers' and employees' perspective

it is fulfilled either with the current employer or wherever else it can be.

To an Indian employee a better career opportunity could mean an array of things including better pay and rewards, along with job enrichment, the ability to do a diverse set of things, ability to broaden the resume, greater management exposure, greater overseas exposure et al, and in certain cases even trying out a different industry. Basically the Indian employee is more adventurous and mobile, and pay is no longer the only reason to switch jobs, - albeit an important one still.

Career advancement is a part of 'Total Rewards' which is a component of the EVP that organizations offer. It is easier to articulate career advancement as an element of the EVP. While it is difficult to measure career advancement effectiveness in quantifiable terms, if a company is able to deliver on the career advancement strategy it stands for, employee commitment will happen.

Few ways in which companies can measure is by tracking how much of senior succession is being filled by internal candidates; what is the

The fact is that an Indian employee is adventurous and is therefore on a lookout for ways to enhance his portfolio of experiences, **making career advancement a dear agenda for all progressive organizations**  bench strength of senior management talent pool – those hired from outside versus those groomed from within. From an employee stand-point a good metric that is often tracked is where the employee scores versus his/ her readiness for his next role, or subsequent roles. Exit interviews is another important measure which can uncover a variety of reasons why employees tend to look outside – inadequate communication/ managers holding on and not letting go of their best people/ employees themselves not being sure of whether they are ready for their next job, etc.

With the Indian markets surging and the economy well poised for growth, 60% of the Indian companies are able to provide their employees a wide range of jobs and work experience, to a great extent, as against 50% in the Asia Pacific region. The survey further reveals that 30% of Indian employers provide their employees with an opportunity to move to a different country while only 21% of the employers in the Asia Pacific region are able to follow suit. The fact is that an Indian employee is adventurous and is therefore on a lookout for ways to enhance his portfolio of experiences, making career advancement a dear agenda for all progressive organizations.

Foot Note: All employee respondent data in the article refers to the Towers Watson Global Workforce Survey of around 30,000 employees from around the world, with more than 10% from India.

All employer respondent data refer to the Towers Watson's Talent Management and Rewards Survey conducted between June-August 2010.

More information on these surveys can be found on www.towerswatson.com





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# **Decoding** Executive Compensation

#### **BY ANANDORUP GHOSE**

While it is true that pay delivery and governance across the world was being driven by the pursuit of growth and overlooking the risks inherent in such growth, this misalignment of pay was more prominent in certain industries and countries and was never a global phenomenon

#### **QUICK VIEW**

- Indian pay levels broadly follows the same pattern as the US and other Western economies where CEO pay is usually a multiple of about 5 times the CXO levels
- The width in CEO pay across four broad clusters – BFSI, technology, manufacturing and others (primarily services industries and consumer goods) ranges from 50% to 65% on fixed and total pay respectively
- In India, not more than 25–30% of total pay is being delivered through long-term incentives and fixed pay forms close to 50% of the total compensation for the CEO

xecutive compensation as a subject has always been fairly opaque and inscrutable in India and in most parts of Asia. Organizations have rarely, if ever, been open to sharing executive compensation data outside of whatever is mandated by regulators. Valid and reliable executive compensation data, however, has always been a critical requirement for organizations. Much of this article is based on the results of Aon Hewitt's Executive Compensation survey conducted in more than 60 leading organizations spread across industries.

Compensation for the set of employees who, theoretically, have the highest impact on the definition and implementation of an organization's strategy is usually classified as executive compensation. Typically, this represents the top two layers within an organization's management hierarchy. The two critical areas of discourse around executive compensation have been the structure of the compensation package and the quantum of pay being delivered to these executives (many times with a specific focus on how it compares with pay at other levels in the organization).

#### In the eye of the storm

There has virtually been an explosion in the volume of analysis that executive compensation has been subjected to in the last few years. This is partially on account of the increasingly larger paychecks that have been awarded at executive levels and also due to the consistent linkage drawn between executive compensation and the recession.

Evidence of discussion around executive compensation can be traced back to the days of Plato when he suggested that a community's highest wage should not exceed five times its lowest. By the early years of the 20th century, the banking community had pushed up this number to at least 20 times. The first evidence of public scrutiny of executive compensation was seen in the post First World War era, when railroad companies were nationalized in the US – in the process exposing huge compensation that was being paid to senior executives. The Great Depression and its aftermath drove the creation of the Securities and Exchange Commission in the US which wrote the guidelines on disclosure of executive pay, which today form the basis of all disclosure norms the world over.

The early traces of discussion on executive compensation in India can be found in Kautilya's Arthashastra where the governance of compensation decisions for top officials and avoidance of greed at that level is prescribed. With its socialist underpinnings, most of the post-independence era saw companies in India place moderate premiums on top professional jobs. With oppressive tax structures, benefits and perquisites were often more important than the actual pay. Since the early 1990s, the concept of differentiated executive compensation became more prominent and over the last 5-7 years the focus and discussion around executive compensation has become a prominent part of the business management and governance landscape.

The most commonly asked question about executive compensation revolves around its role in the economic downturn, and while the general belief is that it was one of the key reasons for organizations to indulge in risky behavior, it is difficult to name it as the chief culprit for all that went wrong. While it is true that pay delivery and governance across the world was being driven by the pursuit of growth (in the process overlooking the risks inherent in such growth), this misalignment of pay was more prominent in certain industries and countries and was never a global phenomenon.

In India, the ratio of total salary paid to a graduate entering the corporate world to the CEO's total pay is about 156 times while it is 63 times the compensation paid to an entry level manager The late recognition of the role of executive compensation in India is probably one of the key reasons why Indian companies could not be blamed for misaligned pay levels in the last couple of years.

## Current perspective on executive compensation in India

A moderately free economy, competitive organizations, rapid economic growth, and a constant need for talent to manage key roles, has led to a significant change in thinking about executive pay in India. The country has undergone a rapid transition from an era of moderate differentiation in compensation in the socialistic economy model, to a huge disparity in compensation (even prompting the Prime Minister to comment on this) across levels in an organization. A quick analysis of our data shows that the ratio of the total salary paid to a graduate entering the corporate world to the CEO's total pay is about 156 times while it is 63 times the compensation paid to an entry level manager.

## Compensation levels will only go up in future – it is the natural course

of things; however what needs to be closely watched & managed is the way organizations decide on the means to deliver that compensation to their executives

#### Pay levels in India

The study shows interesting trends on total pay levels across the executive population in India. Pay for professional CEOs in India is very frequently above the USD 1 million range per year. Indian pay levels broadly follows the same pattern as the US and other Western economies where CEO pay is usually a multiple of about 5 times the CXO levels.

#### Variation in pay levels by industry

There are two schools of argument on benchmarking of pay at the CXO levels - the first and more traditional argument suggests that regardless of level, pay benchmarking is best conducted within industry definitions. The more modern argument suggests that at senior levels the skill sets required are broadly the same and are usually independent of the industry but more dependent on size and complexity of the business. The data from our study seems to support the second argument more on account of the insignificant differentiation visible in pay data across different industry clusters.

The width in CEO pay across four broad clusters – BFSI, technology, manufacturing and others (primarily services industries and consumer goods) ranges from 50% to 65% on fixed and total pay respectively. The data gap for the CXO population is even narrower and ranges from 35% to 45% on the two anchors of pay.

#### Compensation mix

An interesting discussion in executive compensation deals with how compensation is divided across fixed and variable elements of pay. This mix of pay often indicates the nature of performance orientation that an organization wishes to drive in its executive pay philosophy while also dictating the extent of risk appetite that the compensation structure is driving.

Across most of the Western world, pay mix is very aggressively tilted towards long-term compensation - in the US long term-incentives usually constitute 65% of total CEO compensation and only about 12% is delivered through fixed pay. Even within the CXO population, long-term incentives tend to be in the range of 50% - 55% of compensation and fixed pay usually does not exceed 30% of total. There has been significant debate on whether this level of incentive alignment is necessarily healthy for the organization and most global regulators seem to be of the view that while long-term incentives are not necessarily the problem, the way metrics are defined in these plan structures could lead to unwanted behaviors within the executive team.

India is significantly different, with not more than 25–30% of total pay being delivered through long-term incentives and fixed pay forming close to 50% of the total compensation for the CEO. While the Indian model on the face of it does not necessarily promote risky behavior, what the right mix of compensation should be at these levels still remains an area of debate and research.

In the Indian context, it is also interesting to find that there exist a wide range of organizations – perfectly modern and competitive in their outlook – that have consciously or otherwise chosen to not incorporate long-term incentives into their compensation structure. The success of some of these organizations sometimes raises the interesting question of whether such incentives really are an imporSome common principles that will remain true and businesses should not forget when thinking about executive pay

> Pay data cannot just be based on peer benchmarks but should be based on the organization's financial and business fundamentals

There cannot and should not be any cap on pay levels. But stakeholders should have complete access to compensation data

The definition of metrics that guide incentives needs to be the most important activity in defining executive compensation

Incentives will always drive a certain level of risk taking and, in moderation, businesses need to take risks. It is critical to ensure that the risk mitigation framework incorporates clarity on the penalty for wrong behavior

The governance of pay decisions needs to be appropriately managed – independence in the process will be critical

tant tool for organizations to drive managers to work for long-term success of businesses!

#### Nature of long-term incentive vehicles

The vehicle or mix of vehicles that organizations use to deliver long-term incentives has been constantly changing in the last few years. This change is driven on account of a variety of reasons – stock market performance, increasing dilution levels, accounting requirements, etc. Our research globally shows a strong move towards performance share plans (share grants to executives at zero cost subject In India, not more than 25–30% of total pay is delivered through longterm incentives and **fixed pay form close to 50% of the total compensation for the CEO** 

to performance conditions being met) and away from the more traditional vehicles such as ESOPs. The trend in our opinion reflects the need within organizations to move away from plans based on entitlement, to ones that reward performance.

Indian companies are also making the transition to such performance-based structures, although the change is much slower. Indian companies typically rely on a single plan structure to deliver long-term incentives, while globally organizations tend to rely on a basket of vehicles – usually two or more. This portfolio approach stems from the belief that different vehicles reward different kinds of performance and therefore drive different behaviors.

#### Gazing at the crystal ball

Around the time the world was realizing the extent of the economic mess a Chinese leader commented about Western practices and said "The teachers have some problems." Our models for economic and business management have traditionally been structured around the capitalistic model promoted by the West. Compensation models have also been based on similar underpinnings. This world order has changed, and in our role as compensation consultants, we have seen this transition as companies increasingly want to know less about Western data or structures and more about how leading local companies are thinking about pay.

Compensation levels will only go up in future – it is the natural course of things; however what needs to be closely watched and managed is the way organizations decide on the means to deliver that compensation to their executives. So long as that process is managed honestly and is in line with the fundamentals of the business, executive compensation will remain a critical driver of managers' commitment to long-term business success.

Anandorup Ghose, Solution Lead, Executive Compensation & Governance, South Asia & Middle East - Aon Hewitt





# Jobs of the week



#### ACS, Inc. Payroll Supervisor Location: Bangalore Job ID: 8837430 Description: Should be a Commerce Graduate with 5 to 6 Year of experience in India Payroll. Should have strong knowledge in Payroll processing in a large organization.



#### TTK Prestige Limited HR Executive / Recruiter Location: Hosur Job ID: 9474798 Description: Responsible for maintenance of perconnel records and effective administration

personnel records and effective administration of all other personnel procedures including employment contracts, appointments, renewal, transfers.



#### Firstsource Solutions Limited HR Employee Engagement Location: Chennai Job ID: 9472347 Description: Looking for graduate with

Description: Looking for graduate with relevant work experience in the required field and good communication skills.



ADC Telecommunications, Inc Consultant - Recruitment Location: Bangalore Job ID: 9475416 Description: Understands the requirement of the position from the hiring manager, senior team member and HRBP. Accordingly, sources resumes from job boards and other sources.



#### IP Soft India Pvt Ltd PeopleSoft Senior Business

PeopleSoft Senior Business Analyst(HRMS) / Programmer Location: Bangalore Job ID: 8863108

Description: Looking for experts in PeopleSoft HRMS. Primary focus should be Core HR, Ben Admin, Benefits, Time and Labor, Self Service Nice to have eRecruit, Payroll Interface.



#### Rockwell Collins (India) Enterprises Private Limited HR Coordinator Location: Hyderabad Job ID: 9296581 Description: 1-4 yrs of exp. in HR activities (Recruitment, Joining Formalities, Employee Relations, Leave Mgmt, Visa & Travel formalities, Exit Formalities, MIS) with good comm, skills & willing to work on contract.



Oracle Financial Services Software Ltd Recruitment Coordinator Location: Bangalore Job ID: 8311460

Description: To provide key support to the Recruitment Specialist in specific areas namely Selection & Hire, Offer letter generation, MIS generation, Records storage, retrieval, and other activities.



Tesco Hindustan Service Centre Senior Officer-HR Operations Location: Bangalore Job ID: 9439077 Description: Person must be Proficient in MS office especially in EXCEL; must have good knowledge on using HR databases, Experience on PeopleSoft will be a plus.



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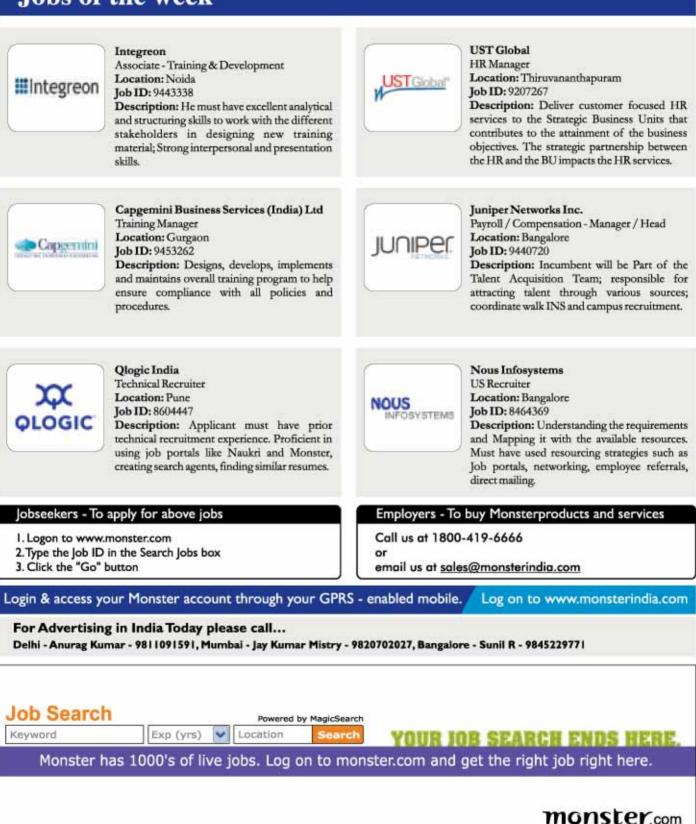
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# Jobs of the week





Right Jobs. Right Candidates.

# **People Matters & Edenred -**Total Rewards Conclave 2011



#### **ERA Annual Conference**

xecutive Recruiters Association (ERA) held its annual conference on 17th February in Mumbai. The theme of the conference was 'Talent Management in the New Decade'. The conference saw HR heads and CEOs of various recruitment firms collectively deliberate on the talent management scenario in the new decade. The event started off with Veerendra Mathur, Chairman, ERA, welcoming the speakers and guests and was followed by a session by Kushagra Nayan Bajaj, Vice Chairman of Bajaj Hindusthan Limited focusing on the GeneXT perspective on talent management.

Prasenjit Bhattacharya, CEO, Great Place To Work Institute, discussed the needs of Gen X and Gen Y in relation to talent management. Marcel Parker, Chairman, Ikya Human Capital Solutions conducted an intriguing session on 'Recruitment Consultant – a business partner not a vendor'. The panelists included Prabir Jha, Senior VP & Head HR, Tata Motors, Vasant Sanzgiri, Group Head HR, Shapoorji Pallonji Group and Vivek Paranjpe, Advisor, Reliance Industries Ltd along with CEOs of recruitment firms like Mario Lobo, Chairman & MD PSS Group, Prakash Kewalramani, MD, Impact Management and Suhas Basakhetre, MD, Prompt Personnel Consultancy Services.

In addition to this there was a panel discussion on the role of social media in talent management which was moderated by Vipul Varma, Vice Chairman, ERA, followed by a session taken by Pramod Sadarjoshi, ED of IDBI Capital Market Service Limited.

#### Siliconindia's HR Symposium - Smart HR Managers

Siliconindia organized a HR Symposium 2011 on 26th February in Bangalore on the theme 'Smart HR Managers of 2011'. The event was organized to discuss the implementations and impact of HR technologies with exceptionally beneficial networking between the Human Resource executives, HR professionals, consultants, academicians, researchers and scholars on a single platform. The symposium provided insight in areas such as organizational management, personnel administration, manpower management, and industrial management. The speakers gave in-depth presentation on how organizations use technology to support the HR function.

eople Matters, in association with Edenred, held its second series of the Total Rewards Conclave 2011 in Mumbai (23rd Feb) and Gurgaon (4th March).The conclave was an extensive discussion of the present and the future of Total Rewards just as all HR heads across the country sat to dwell on the yearly predicaments of Total Rewards design in various organizations. The discussions included topics like Linking Pay to Performance; Building on Intangibles, Executive Compensation, Understanding Stock Options and Implementing Rewards Effectively. The two cities saw an impressive speaker list that included Dr. Shalini Sarin (Director HR, Schneider Electric India), Sandeep Banerjee (MD & CEO, Edenred), Rajesh Rai (Director HR, United Colors of Benetton), Dr. Ritu Anand (Deputy Head, Global HR, TCS), Sangeeta Singh, (ED & Head HR, KPMG India), KS Kumar (VP-HR, Castrol India Ltd) and Deepak Dhawan (Founder & CEO, Talentonic), to name a few.

#### Shine.com HR Leadership Awards

Shine.com HR Leadership Awards, a flagship event of Shine. com organized, in association with World HRD Congress and *People Matters*, as its media partner took place in Mumbai on 09th February.

With industry experts of the business world seated in the audience, the evening started with a round table conference on "Challenges to HR in the coming decade". HR Heads and CEOs from



Koushik Chatterjee (Group CFO - Tata Steel), Sanjay Muthal (Managing Director Nugrid Consulting), Adil Malia (Group President - HR, Essar Group), Dr. Santrup Misra, Bhaskar Chatterjee, Arun Arora, Sandeep Ghosh (Director HRD RBI), S K Dutt (Head Group HR, ABG Shipping), Nandita Gurjar (Senior Vice President and Group HR Head Infosys), Saugata Mitra (Group HR Head - Mother Dairy)

organizations including Aditya Birla Group, Hindustan Unilever Limited, Infosys, Wipro, HDFC, ICICI Prudential attended this event which was chaired by Indira Parikh, former Dean of IIM Ahmedabad. The jury comprised Bhaskar Chatterjee, Secretary, Department of Public Enterprises, Indira Parikh, President, Foundation for Liberal and Management Education, Harish Mehta, Chairman & MD, Onward Technologies, TV Rao, Chairman, Dr. TV Rao Learning Systems Pvt Ltd, Phil Knight, Global Chairman of the Employer Branding Awards, and Professor Tom Hilton, Global Chairman, Asia Pacific HRM Congress.

For more details on events and trainings please visit www.peoplematters.in/events or connect with Nikhil Chandna at nikhil.c@peoplematters.in







## DISCOVERING PEOPLE STRATEGIES TO DRIVE GROWTH

An Asian Perspective

#### Human Capital Summit, April 14-15, Shangri-La Hotel, New Delhi, India

#### Delhi Management Association and

#### Accenture Management Consulting present on

opportunity to engage senior management across industries in a two day summit.

The summit will explore the range of human capital issues, challenges & solutions for organizations to drive growth.

#### SUMMIT OBJECTIVES

- Create awareness and develop understanding of leading regional talent management practices & processes
- · Share industry specific quick wins and tools for enhancing talent performance
- Reflect on sector specific challenges and methods to overcome the same in the emerging business landscape

#### PARTICIPANT BENEFITS

- Talent perspectives from a host of Asian countries on how to transform Asia into a high performing region
- · Exposure to leading practices, tools in strategy, leadership, talent
- Multiple networking events to build meaningful relationships with thought leaders (an array of Eminent CEO's, HR Directors, Researchers, Academicians & Scholars)
- · Participate in the high performance research specially commissioned for the event

#### WHO SHOULD ATTEND?

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- · Individuals who lead and manage teams of mid senior level employees across industries and professional fields
- · Executives (business and function heads) across industries and professional fields

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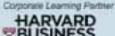
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### **EVENTS & TRAINING**

EVENTS	DATES	LOCATION	ORGANIZED BY
Bangalore HR Exchange Strategic HR Leaders Forum	17 March	Bangalore	Kenexa
Inspired Leadership Conference 'Peaceful Asia. Prosperous Asia.'	17-18 March	Gurgaon	SOIL
Talent Acquisition Engagement & Retention Conclave	18 March	New Delhi	NHRD
Global Captive Conclave 2011	23-24 March	Hyderabad	NASSCOM
QAI Project Management Leadership: Best Practices in Action	24-25 March	Bangalore	QAI Global
HR Convention 2011 – HR Drives the Future	25 March	Vadodara	CII
National Conference on Human Resource Management	3 April	New Delhi	Management Development Research Foundation
Human Capital Summit: Leading for High Performance - Discovering people strategies to Drive Growth - An Asian Perspective	14-15 April	New Delhi	DMA

**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 Nikhil Chandna at nikhil.c@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
Certification program - Introduction to Expatriate Compensation & Benefits	17-19 March	Mumbai	People Matters
Training the Trainers	17-19 March	Mumbai	AIMA
Benchmark Six Sigma Green Belt Training	17-20 March	Chennai	Benchmark Six Sigma
Developing the Leader in You	21-22 March	Pune	Dale Carnegie
The Dale Carnegie Seminar in Effective Communications and Human Relations Skills	21-23 March	Mumbai	Dale Carnegie
One Day Workshop on HR Competency Framework	24 March	Bangalore	NHRD
Balanced Scorecard Training Workshop	5-6 April	New Delhi	eXample CG
Special Workshop for CEOs on Assessment for Business Excellence	6-8 April	Bangalore	CII

# Companies who wish to enlist their training programs or advertise with us may contact Rahul Singh at rahul.singh@peoplematters.in or call +91 (0) 124 4148102



27<sup>m</sup> – 29<sup>m</sup> April 2011, Le Meridien, Janpath, New Delhi.

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Bell curves or omega curves are introduced to ensure performance is differentiated and distributed in the company to create a culture of meritocracy. Ideally it should emerge in the natural course. Since it does not, the organization forces the omega curve onto the business leaders

**Our Expert, VIVEK PARANJPE, Consultant & Strategic HR Advisor to Reliance Industries** 

# THE COUNSELLOR

I am an engineer with a MBA (HR) with an experience of 17 years. I was fortunate to have got exposure in financial services, cement, software, and retail industries. At this point of my career (and 42 years of age) I feel a bit saturated. I find it difficult to plan my own career ahead as I am confused on what I should update myself on? What will be the demand in HR 5 - 8 years hence, so I can prepare myself accordingly?

Sachin Khadilkar, General Manager - Corporate HR, Garden Silk Mills Ltd

In normal course one can have a career of about 35+ years, so you are just half way through. I guess you are facing a mid-career crisis which is not unusual. A HR career in the knowledge economy is most rewarding since it considers human resource as one of the most valuable assets in the company. Update your knowledge and capabilities in various facets of HR like, C&B, learning and development, shared services, organization structure and design etc. Use reading and networking as tools to update yourself. It would be great if you can get a senior HR professional to mentor you. Consider teaching as a part time activity as teaching is one of the best forms of learning.

Do not get hooked on to the titles and position; focus on the role that you will enjoy most and which will bring more opportunities to learn. For true happiness, your aspirations should be commensurate with your capabilities, persona and knowledge. I am working as a Product Manager for a HR products development company. I joined in October 2010, after completing my masters in HRD & Consulting from one of the top 10 b-schools in the UK. I have worked for 1.5 years as Business HR partner in a software firm followed by 6 months in my current role.

I am not happy here as there is a big difference in the role I was promised and the one that hold now. I report directly to the CEO, and am the lone member in the product management group. My knowledge is becoming redundant as I do not have avenues to discuss the latest in HR automation; and the company cannot afford to send us to any training programs at present. I always wanted to be a HR consultant or specialist but I lose out on potential openings in the core HR and consulting space because my current designation does not justify these roles.

Do you think I should quit my job? How do I project my candidature, so that the tag of product management does not hinder me from seeking a core HR job?

You are a very young and 6 months is too short a period for anyone to tag you as a product manager. This label should not come in the way for you to change the career track. I suggest you have a heart-toheart chat with your boss and explain your concern. Explore the possibilities with him and if a role change, that satisfies you, is not possible in your current organization, than look outside.

Connect with appropriate head hunters. Highlight your 1.5 years of Business HR partnership role, capabilities, international exposure and academic credentials in your resume. You may also consider talking to your previous employer. There is a shortage of talented HR professionals; if you have the talent and are flexible, you should be able to get a role of your choice soon. Just be open and patient.

\* \* \*



I worked in the recruitment side

for 10 years and currently head the recruitment function in a global bank. People are recognized as key business drivers here which reflect in the several awards I have received for my contribution. But personally, I feel a void at times as my ultimate goal is to move into a generalist HR role. Given the urgent need in my organization, I do not see this movement happening very soon. But I know I will be more satisfied if I made the shift soon. How can one shift from a HR specialist role to a HR Generalist role, is it advisable to look at other organization because they make this shift possible, even while I completely enjoy my work in my present organization?

You seem to be enjoying your work and are adequately rewarded for your good work. But it is natural to want a change after 10 years in the same role. I am not surprised; however, what is the urgency? Certainly it is a good idea to move from a specialist role to a generalist role if your heart is in that. Start preparing yourself for this shift and take interest in other aspects of HR through networking and reading.

If you are a valuable resource for your bank, I am sure your manager will carefully listen to you and help you in the planning of your career. One way to initiate the role change is by making yourself dispensable. Work towards ensuring you have well institutionalized processes and systems, and a possible successor is groomed to take over from you. This will help your management to be far more open to accommodate your needs. The desired change will happen soon.

\* \* \*

I am a HR manager in a mid-size manufacturing company. Last year the HR team revamped the performance appraisal system to focus on a balanced scorecard system along with a normal curve. We got a lot of pushback from line managers to this change. They told their teams that, "HR has asked me to rank you on a normal curve, and hence we have to rank you in this manner while personally I feel you are great." Even after a large communication process why don't managers own the process? This year's appraisal is again upon us and I dread facing the line managers. Please advise.

Bell curves or omega curves are introduced to ensure performance is differentiated and distributed in the company to create a culture of meritocracy. Ideally it should emerge in the natural course. Since it does not, the organization forces the omega curve onto the business leaders. Leaders blame HR for poor rating given to employees, calling it an "irrational omega forced by HR". Business leaders do not own up the performance ratings, and the employees are denied the right feedback.

The reasons for the bell curves not emerging in natural course could be many:

- Leaders play a safe and want to be "goody goody" to remain popular.
- Leaders' sense of insecurity of losing employees who are rated poor.
- Performance rating is used for salary reviews, other incentives, etc. A leader does not want his performance rating to be the reason for denial of growth of his people.
- Performance goals are not set right at the beginning of the year hence leaders find it difficult to face the employees at the time of the evaluation.
- Lack of role clarity, reporting lines, etc may be the cause for poor performance. If the leader has not addressed these issues he finds it difficult to face employees and give the poor rating even if it is warranted.
- Lack of regular reviews, feedback, and coaching, to help people succeed, results in leaders' inability to face employees and give appropriate rating.

You have to fix these issues upfront. Forcing the bell curve will not help and push backs will continue to occur. Start with the top 10% leaders and managers, and cascade it to the middle and lower levels by making the system a part of organizational DNA.

Vivek is a Senior HR professional with over 35 years of experience, ranging several leadership positions, in India and abroad. He leads his consulting practice since 2003 and presently works as a Strategic HR Advisor to Reliance Industries, and is also an independent Director on the Board of Motilal Oswal Financial Services Ltd. Prior to this he was based at Singapore for several years where he was Director HR - Operations at Hewlett Packard for the Asia Pacific Region.

Allow Vivek to clear your career and professional dilemmas by writing to us at *ask@peoplematters.in* 

# No Room for Tokenism

Women's Day is important not to 'buy platinum' or 'go for the baking class', but to renew the commitment to treat each other's difference with respect and equality!

#### **BY ELANGO R.**

f you did not wake up to March 8th with the whole world being in a tizzy over Women's Day, you were certainly sleepwalking. Jokes apart, from the radio with their "all women artists show" on air, to the local coffee joint offering a "buy one get one free deal for women only", to columnists writing about "the importance of women in society" to advertisers urging men to buy platinum, Women's Day "sell" (ebrations), were on full swing. An advertisement that read, "On this Women's day, send your husband and maid to our coffee shop we will teach them how to bake" –had me gagging.

Looking at the expression on my face, my wife walked up curious to know the reason. Just as I was figuring out whether she wanted me to wish her... to my relief she asked me not to bother! Relieved, but surprised, I asked her the reason? Pat came the response – "every day is my day. I do not need the marketing guys to tell me when to celebrate!"

Thank heavens. At least it meant I did not have to hide that baking advertisement!

This reminded me of another incident a few years ago. Meenu Bhambhani, our Head



of Corporate Social Responsibility (CSR) very politely asked me not to come to her desk and instead yell out for her like I would for any of my other team members. Meenu is a person with disability and walks with the aid of a stick, so with noble intentions in mind I would walk over to her desk than have her walk over to mine. What did I do wrong, I wondered? Was my intent wrong? Meenu explained she did not want to be treated differently; that she be treated like anybody else in the team. This to me was the beginning of a learning journey. I learnt that sometimes our best intentions could be misplaced.

It is true the road to hell is really paved with noble intentions.

When I got into office, out of curiosity I shared my wife's and Meenu's request with a few women colleagues and asked them what they thought about celebrating Women's Day. One dismissed it as gimmick, another refused to comment, and the third gave me a speech on how this day made a mockery of a tradition that marked at least nine decades of struggle for equality, justice, peace and development.

She spoke rather passionately on how we should be working to make the workplace more conducive for diversity instead of arranging for flowers and cutting cakes, and slowly the others joined in with comments of similar nature.

I pushed them to stop giving 'gyan' and tell me what 'doing something' meant, can they boil it down to two or three concrete actions.

#### Here is what I heard from them:

On t patronize us - Our capabilities and aspirations are the same, but our constraints differ. We need flexibility, not a cause! This

#### **QUICK VIEW**

- Sometimes our best intentions could be misplaced
- Our capabilities and aspirations are the same, but our constraints differ
- Let our workplace be a celebration of the diversity we each bring in
- Do not take decisions at the bar and the smoking area

## We should work towards making the workplace more conducive for diversity instead of arranging for flowers and cutting cakes

sounded vague so I pushed for examples, and one of them – a star performer, who recently managed an enterprise-wide project, spoke about three years ago when she had her daughter. Her manager allowed her to get home in the afternoon to stay with her child and slowly wean her off but did not mention this to the team or give her slack. She loved the flexibility and truly appreciated the fact that she was not held up by her manager as an example of his benevolence.

One of my batch mates, who currently works for a large conglomerate, was lamenting the fact that sometimes she is treated as a poster child for diversity. She knows she got to where she is on merit and grit, and does not appreciate the overcast created on her career by the diversity implication.

O not take decisions at the bar and the smoking area - A couple of them rued the fact that decisions were sometimes taken while the boys were at the bar or out smoking. These decisions were then just handed out to them without allowing them a chance to participate in the decision making. Their clear message – socialize over a drink and smoke, and keep the work in the office.

Simple and doable actions! With that here is to us all of us working together and making our relationships count for more than just gestures and lip service. Let our workplace be a celebration of the diversity we bring in – whether it is gender, ability, ethnicity or thinking! Women's Day is important NOT to buy the platinum or go for the baking class, but to renew the commitment to treat each other's difference with respect and equality!

**Elango R**, is the Chief Human Resources Officer at MphasiS. He blogs on www.agastyaelango.wordpress.com and follow him on twitter@agastyasays

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