

India Rising: How Indian Firms are Beating the World at Managing Talent

**-Marc Effron
President, The Talent Strategy Group**

A near-decade of rapid economic growth has transformed India from a source of low-cost labor into a global business force. As Indian firms like Tata Group and ArcelorMittal purchase their rivals worldwide, others like Mahindra & Mahindra create low-cost, high quality products that directly challenge their western rivals.

The talent needs of these fast growing firms are fed by well-educated, entrepreneurial MBAs from India's world-class Institutes of Management (IIM). In high demand (they average four job offers each at graduation), many of them dream of starting the next great Indian company that furthers the country's remarkable ascent.

Underlying these trends is a unique business and cultural commitment to great leadership that has created a meaningful competitive advantage. Through interviews with top Indian HR leaders and my consulting experience with large Indian firms, a picture emerges of a country ready to use talent management as a blunt object against their competitors.

The Talent Challenge

India's extraordinary growth comes despite significant talent challenges. According to NS Rajan, an Ernst and Young partner and EMEIA Leader for People and Organization, "Despite there being a labor surplus, there is a talent deficit. In response, the last decade has seen organizations in India embracing more formal talent management practices." Adds P.V. Ramana Murthy, VP HR, India and Middle East for Hindustan Coca-Cola, "While Indians possess strong intellects, we haven't historically focused on leadership skills as much as some western companies. That's now changing very quickly."

Gender diversity also represents a barrier, with women's role as the primary caregiver and some lingering discrimination limiting the number of women in the workforce. This has inspired creative new solutions to recruit and retain female managers, according to a recent BusinessWeek article. Google keeps a taxi on call to allow women to get home easily in case of family emergencies. Boehringer Ingelheim allows young female employees to bring their mothers along on business trips to avoid the cultural disapproval young women sometimes face when traveling alone.

Fundamental HR activities like recruiting and retaining employees present another significant challenge given company growth rates and rising compensation levels. IT consulting firms Tata Group and Infosys plan to add 50,000 and 40,000 employees

respectively in 2011 in a country already short on talent. Add to this challenge compensation increases that will average 13% in 2011, according to a recent AON/Hewitt study, and an average 19% attrition rate.

In any other country, these combined challenges could easily derail economic growth. But India isn't any other country. Its unique culture, history and spirit will allow it to not only weather these challenges but to thrive despite them.

Responding to the Challenge

In my interviews and interactions with Indian senior executives and HR leaders two findings quickly emerged. One is that Indian firms are solving their talent management issues in much the same way as other companies worldwide. This isn't surprising since a limited number of ways exist to develop leaders and engage employees.

According to Coca-Cola's Murthy, firms are focusing their attention on:

1. **Better differentiation of performance and potential:** Firms are establishing talent review and performance management processes that clearly differentiate levels of performance and potential to advance.
2. **Sharper focus on "A players in A positions":** There is a concerted effort to ensure that the most capable talent is aligned with the most critical positions – an activity enabled by the differentiation activity described in #1.
3. **Improved management of diversity:** With a dearth of female leaders and Gen Y becoming a large percentage of the workforce, companies are engaging in creative tactics like those cited earlier from Google and Boehringer Ingelheim.

While these tactics are helping Indian firms more effectively respond to rapid growth, they are well within the realm of traditional talent management and hardly differentiating.

The second finding is one that should concern any executive of a non-Indian company. India has a powerful, perhaps insurmountable, weapon with which to win the war for talent and, by extension, achieve corporate superiority. Their secret advantage comes in the form of unique social and cultural factors that could easily allow Indian companies to build better talent faster than any of their western rivals. Of these six factors, five give Indian firms a tremendous advantage in building talent, while the sixth puts even greater distance between them and the rest of the world:

1. **A legacy of HR influence:** India's socialist past created both large public sector undertakings (i.e. Indian Oil Corporation) and family owned enterprises (i.e. Tata

Group, Reliance, Birla Group) that invested heavily in developing human resources. According to Ernst & Young's Rajan, "Indian firms have shown a higher propensity to invest at the high end of the HR value chain as compared to multinationals. For many years public sector undertakings have invested in leadership capability development and their head of HR has historically been a member of the Board. Family owned enterprises have made similar investments and recently transformed HR so it can more effectively support talent building."

2. **A well-trained and closely-knit HR fraternity:** India's graduate education system produces top HR leaders from their IIM business schools. The XLRI School of Business and Human Resources, established in the 1950s, is a top 5 Indian business school whose graduates include the HR leaders for Proctor & Gamble India, Hindustan Lever, Hindustan Coca-Cola, Bharti Airtel and Wipro among many others.

These top Indian HR leaders also form strong interpersonal networks with HR peers outside their companies. Compared to HR leaders in the U.S., my experience is that Indian senior HR leaders have deeper relationships with, and are in more regular contact with, their external HR peers. This increased interaction allows easier sharing of best practices and India-specific market information.

3. **Strong individual commitment to talent development:** I've spent a number of Saturdays in India teaching in corporate leadership courses. These meetings weren't held on the weekend because of a previous postponement or the interrupted travel schedule of a key professor. These companies simply had a 5 ½ or 6-day workweek. Ask the typical American or European executive to give up a Saturday for a leadership development course and you'll see their eyes roll. There were no complaints heard from the Indian leaders in these classes about being away from home or the lack of work/life balance. They were engaged, participative and pleased with the investment.
4. **A unique understanding of India:** Indian firms have the obvious advantage of understanding how to manage in an Indian context. Coca-Cola's Murthy highlights a simple, but telling, example. "Indian firms are very adept at managing the slightly more emotional nature of Indian leaders. While Indian firms have flexibility to support employees' feelings and emotions, multinationals are often bound by rules and regulations that prevent the type of empathy and coaching that can support success."



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- 5. The ability to develop and pay:** Two key factors in engaging and retaining great talent – professional development and compensation – are easier to come by at many Indian firms. According to Coca-Cola’s Murthy, “Because of their success, Indian companies can offer large wealth creation opportunities through stock options or shares. Western firms aren’t listed on the Sensex (the Indian stock exchange) so can’t offer similar benefits.” Growing firms also provide significantly more development opportunities, especially prized international postings. “Indian leaders are highly mobile and want to travel the world,” adds Murthy.

These five factors create a high but not impossible barrier for non-Indian companies wanting to compete against Indian firms. A far more powerful and challenging factor is Indian leaders’ nationalist passion for success.

The passion to succeed

In 1991, India eliminated the “license raj” – the bureaucratic licensing of industry that restricted Indian firms’ ability to compete on the international business stage. The ensuing twenty years have seen these firms become strong global competitors (i.e. Wipro, Infosys and Reliance) or leaders in their industry (i.e. ArcelorMittal, Taj Hotels and Larsen & Toubro)

Indians clearly take pride in this national ascendance and want it to continue. In my interviews and consulting experience with Indian leaders, it’s clear that they see sustained corporate leadership as inextricably linked with sustained national success. This belief is reflected in the communications of Indian executives. Dhirubhai Ambani, founder of the giant Indian conglomerate Reliance, is reported to have said, “Our dreams have to be bigger. Our ambitions higher. Our commitment deeper. And, our efforts greater. This is my dream for Reliance and for India.

“It’s challenging enough to compete against commercially motivated competitors. How can the rest of the world compete against firms who see their success as a patriotic imperative?”

The consequences of this nationalism are also visible in the number of Non-Resident Indians (NRIs) leaving the U.S. and returning to work for Indian companies. Already a steady flow of ten to twenty thousand each year, projections are that 100,000 more will return over the next five years.

This nationalistic pride is also reflected in a recent AON/Hewitt survey of 14,000+ job seekers across Asia. In the survey, Indian workers expressed a clear preference to work for an Indian company while other Asian workers preferred primarily American and British companies.

In just 20 years Indian firms have leveled the playing field with their Western competitors. Their progress has been supported by a unique cultural and social commitment to talent management that is challenging to find in any other country. An oft repeated mantra in HR is that how we do things matters as much as what we do. What Indian firms are doing in talent management should raise few eyebrows. How they're doing it could shift the world's economic balance even further in their direction.

For more information, write to office@saltodeefe.com ☎ 91 124 4288144 🌐 www.saltodeefe.com


