Talent trends in India, 2015

People and organization
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Talent trends in India, 2015
It gives us great pleasure to launch the report, EY-NHRDN Talent Trends in India. Human capital is widely acknowledged as a key enabler of growth and a critical differentiator in today’s Volatile, Uncertain, Complex and Ambiguous (VUCA) world. The war for talent is getting fiercer than ever, and organizations are competing in the talent marketplace with innovative strategies aimed at attracting and retaining the “best in class” talent. In our research, we have aimed to capture the thoughts of HR professionals on talent management practices.

We would like to thank all those who participated in the surveys. We also wish to express our special thanks to Mr. Yogi Sriram, Dr. Gopal Mahapatra, Prof. Vijayan Pankajashan, Prof. Sasmita Palo, Prof. Mousumi Padhi, Prof. Snigdha and Prof. Zubin Mulla for their continuous support and guidance.

We would like to acknowledge the EY team, Alpana Dutta, Impa Agarwal, Dr. Kruthika Jayatheertha, Kaaviya Mariappan, Prachi Choudhary and Shahin Sonali, who worked hard on completing the research.

We hope this analysis bears out the trust you placed in EY through your participation. This is the first of what will be an annual survey, covering different aspects of talent attraction, performance, development, growth and retention in organizations for various categories of employees.
About this research
Today’s global economy has created a complex and dynamic environment in which organizations must learn to compete effectively in order to achieve sustainable growth. The global environment has not only changed the way business is conducted, but has also created the need for organizations to manage their talent in the global context. EY – People & Organization collaborated with NHRDN to conduct this research from August and November 2014 to get a comprehensive view of talent trends across industries in India.

The HR leaders, business managers, VPs and CXOs of more than 60 organizations across 11 industries responded to the survey, which covered talent-related aspects across employees’ lifecycles to capture the latest trends and practices in leading enterprises. We covered six talent areas – sourcing, engagement, development, retention, use of HR analytics and competency mapping.
Executive summary
Executive summary

EY’s People and Organization survey

Today, the environment in most organizations is global, complex, dynamic, highly competitive and extremely volatile, and this trend is likely to continue in years to come. In addition to these external factors, most organizations are also facing several global challenges related to talent flow, engagement, and development and retention of employees, e.g., older or mature workers and younger ones, and shortage of required competencies. EY’s Talent trends in India survey, 2014–15 presents a comprehensive picture of talent-management trends in India.

1. HR is undergoing a major redefinition. The war for talent has made organizations look at various ways in which they can source best-in-class talent. According to our findings, social media has emerged as an effective mode to locate talent and the role of technology is more crucial than ever before. Organizations are deploying technology to support execution of their business strategies and effectively communicate the vision of their talent programs.

2. Employee churn is a major concern for most industries, but particularly for service organizations (consulting, banking, finance and insurance) and support organizations (service desks, call centers and consulting). According to our survey, the highest employee turnover is seen in customer-facing employees. However, the average time taken to fill these vacancies is within six months, which indicates ample availability of skills in the market.

3. The power of rewards and incentives to motivate employees is indisputable. Employee reward and recognition programs are a strong tool for motivating employees to change their work habits and encourage behavior that benefits businesses. A formal performance management and reward system is the key for managing talent. Our survey indicates that except for blue collar employees, most roles are governed by streamlined performance management process. Furthermore, organizations consider that variable pay is an engagement driver at all levels, except in the case of blue collar employees. In terms of long-term/share-incentive schemes offered by enterprises, senior management levels are cognizant of the usefulness of the system and consider it favorably, compared to other employees.

4. The normal distribution or the “Bell Curve” has now become an inalienable part of performance management systems. The application of the Bell Curve in performance management assumes that in any work force population, performance will follow the normal distribution, with the majority of employees tending towards the average, a few above it and a few below. This implies that performance is relative and not absolute. Although, 75% to 80% of companies use the The Bell Curve/Forced Ranking method to measure performance, our survey indicates that 61% of the respondents perceive it as an unreliable solution to manage performance. The most cited view is that application of the Bell Curve leads to high competition among employees and results in reduced collaboration and cohesiveness. Moreover, it is perceived by employees that most organizations give weightage to seniority while assigning “high ratings,” which reduces the objectivity of the process further.

5. Managers need to play a key role in maximizing and enabling high individual and organizational performance. Our survey highlights the perceived lacunae in many managers’ capability of developing and nurturing talent, and in “walking the talk” in terms of values and display of expected behavior. However, there is consistent agreement on the value of demonstrated capability in translating strategic plans into executable ones. Therefore, preparation should perhaps begin at campus-level initiatives. In today’s scenario, with the limelight on coaching in India, our survey throws light on the need for coaching to begin at early management level.

6. Most organizations have a wealth of internal talent that need to be given development, cross-functional movement and advancement opportunities. Their potential largely goes untapped. Our findings indicate that in order to develop talent, 43% of organizations encourage cross-functional movement. The most cited challenges faced by the participant organizations in encouraging cross-functional movement include (a) resistance to change, (b) barriers due to a change in location and (c) resistance from superiors.

7. Changing business dynamics present increasing challenges to HR on how best to develop and deploy an agile and highly competitive workforce while maintaining cost-efficiency. Our survey highlights the fact that HR analytics is on its way to becoming well-established in HR processes such as in recruitment, performance management systems and succession planning.

8. Organizations’ internal capability to reach their HR goals are found to have best-in-class models in the areas of employee engagement, labor-related regulatory compliance, rewards for high performance, and leadership development. Most organizations use defined competencies and behavioral indicators that are applicable organization wide, and the majority of them emphasize the importance of assessment and development of leadership.
Introduction
Introduction

Is the war for talent intensifying?

As organizations gear up for 2015, it is time for them to review and make preparations to gain a competitive advantage in finding and retaining the best performers amid acute shortage of top-class talent. Talent management has always been at the forefront of human capital-related issues, but it is not an area of strength for many organizations. In fact, failures in talent management are an ongoing source of concern for many of them, which tend to shift from having a surplus of talent to a shortfall in their number.

The notion of the war for talent is rooted in two main assumptions. First, in the knowledge economy, traditional sources of competitive advantage are losing their edge. Second, candidates who are talented and competent have a wide choice of the most attractive jobs and are becoming more demanding about the companies they choose to work for. As we have experienced, candidates do not just research companies before they accept job offers today; they do so even before they apply to these.

The NHRDN-EY – People and Organization Talent Trends in India, 2014-2015 survey provides an overview of current trends in talent management, retention and development across industry segments observed by HR professionals in India. This report has been divided into several sections, starting with strategic priorities and HR capability, and followed by talent processes across employees' lifecycles.

Talent-related processes

Robust measurement of performance has been identified as the most well-established talent-related process. Most other talent-related processes are still "work in progress" with a third of all participating organizations having plans to initiate or improve these over the coming year. "Career-pathing_ processes are considered to be well-established by only one-third of organizations, and a similar proportion have plans to work on this area this year.

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Organizations’ capability to achieve HR goals

Organizations believe they have best-in-class capability in the areas of employee engagement, compliance with labor regulations and in rewarding performance. Managerial coaching, management of diversity and change management are areas in which significant capability is required.

Exhibit 2
Exhibit 3: Top 3 business priorities for the next 12 months
Social networks such as LinkedIn, Facebook and Twitter have emerged as the main non-conventional methods of sourcing. Technology enables organizations to convey relevant information to potential candidates by attaching job descriptions, organizational profiles and/or links to relevant websites. Tier II and tier III cities, given their unique combination of low-cost and scalable talent pool, and breadth and depth of available skills, have emerged as the second most popular non-conventional destinations for sourcing, followed by psychometric testing.
Our survey indicates that there is a high annual turnover of employees working in customer-facing roles, followed by internal production/operation areas. Interestingly, there is a very low turnover at the top and senior management levels, which indicates that organizations are better at retaining employees at leadership levels than at junior and mid-level ones.
While the time taken to fill various positions could be an indication of availability of skills in the market, it does not take into account how effective recruitment processes can be or how well they match candidates to organizations’ requirements. Bearing that in mind, our survey findings indicate that most vacancies are filled within six months.

**Some highlights:**

- Three-fourths of all junior- and middle-level vacancies are filled within two months. This includes sales and related roles, as well as in operations.
- Filling vacancies at the top is a significant challenge. Around 14% of top management vacancies remain open for more than 6 months, while 75% take longer than 2 months to fill.
Engagement

Performance and rewards

Performance management and reward practices are key activities for managing talent. We find that performance management, benchmarking of salaries (and linking these to performance) are common practices. Employee share/Employee Stock Ownership Plan (ESOP) schemes and remuneration committees are less widely practiced.

Our findings indicate that a formal performance management process is in place for top, middle and junior management employees across industries. Around 41% of our respondents have institutionalized performance management process for blue collar workers.

Linkage of variable pay to individual performance

Compensation packages offered by most organizations include salary schemes that are linked to employees’ and/or companies’ performance. Our survey queried respondents on linkage of variable salaries to performance across different levels/roles in organizations².

Variable salary packages are expected to enhance interpersonal relationships, raise job satisfaction and reduce absenteeism, wastage of intermediate material or capital and turnover rates, all of which should have a positive and sustainable effect on the performance of organizations. The survey revealed that respondents consider variable pay a key engagement driver at all the levels, except for blue collar employees. Select organizations, mainly with turnovers of more than INR50 billion (INR5000 crores), have linked variable salaries to the performance of blue collar workers as well.

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² [http://cep.lse.ac.uk/conference_papers/26_05_2011/pellizzari.pdf](http://cep.lse.ac.uk/conference_papers/26_05_2011/pellizzari.pdf)
Salaries with reference to remuneration benchmarking surveys

Organizations tend to fix their employees’ salaries with reference to benchmarking surveys, based on their hierarchy, i.e., 76% of the respondents do this in the case of their senior management and 53% for white collar employees.

The way organizations benchmark their salaries

Our survey indicates that the majority of organizations benchmark their employees’ salaries by using relevant and available country-, industry- and job-related data. However, obtaining a critical mass of accurate data for comparison and making sure that these are accurately compared is a challenge.

Employees’ participation in long-term/share incentive schemes

Our findings indicate that employees at the senior management relate to the company more than others and opt for long-term/share incentive schemes. The engagement level of employees at the junior management level and below is low and they participate less in such schemes.

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3 http://www.apqc.org/benchmarking
**Percentile at which majority of organizations peg their salaries**

Employees’ financial packages constitute the main motivation for them to come to work. These therefore number among organizations’ highest costs. Achieving a balance that suits employees and benefits businesses’ strategic goals is one of the most difficult tasks facing HR professionals.

More than 50% of our respondents peg their salaries at between the 40th–60th percentile in the market. A significant 22% of organizations peg their pay packages below the 40% percentile.

**Is the Bell Curve/Forced Ranking Performance System a good solution for managing performance?**

In our survey, the majority of the respondents indicated that a better solution than Bell Curve/Forced ranking is required.

The top three reasons for their preference:

- These create too much competition between employees and take away from essentials such as team work and collaboration.
- Sometimes, good performers are “force ranked” to a below expectation performance level.
- It is a futile exercise since organizations have devised methods to “rotate” high ratings, based on seniority/promotion eligibility/other criteria.

**At what percentile do you peg your pay packages for your hi-potential employees?**

In order to motivate and keep their hi-potential employees engaged, more than 60% of organizations peg their pay packages at the 70th percentile and above.
Development
Development

Capability of managers

The capability of managers to manage people is extensively acknowledged as the key to the successful management of talent in an organization. Translating strategy into executable plans, with clear direction, has been identified as the most commonly observed managerial skill. On the contrary, problem-solving, development of talent and managing employees’ performance are skills that are in short supply.

Identifying high-potential employees

The majority of organizations use a combination of performance and potential to identify high-potential employees; only 7% identify them on their potential alone.

“People are not your most important asset. The right people are.”

Jim Collins
Business Consultant
Author and Lecturer, on Companies’ Sustainability and Growth

Exhibit 15

Exhibit 16
Cross-functional movement

Cross-functional movement seems to be increasingly used as a means to retain and develop employees. Around 43% of organizations encourage movement across functions and group companies, and 9% in the same function across group companies. However, the survey revealed that one-fourth of the companies allow limited or no cross-functional movement to their employees.

Exhibit 17
Across functions, across companies 43%
Across functions, same company 25%
Same function, across companies 9%
Same function, same company 19%
No cross-functional movement 4%

Organizational support for cross-functional movement

The way in which most organizations support and facilitate cross-functional moves for their employees include providing them with training and action learning opportunities.

Exhibit 18
Training 68%
Action Learning Projects 50%
Coaching 28%
Shadowing 40%
No Support 14%

Exhibit 19: Challenges faced in companies allowing cross-functional movement

- Resistance to change
- Change of location
- Lack of acceptance by employees
- Resistance from superiors
- Individual personal limitation

Cross-functional movement
Retention

Innovative practices to retain talent

The survey required respondents to share innovative practices in their organization to retain talent.

Exhibit 20: Innovative practices to retain talent

- Build-buy-borrow model for talent management
- Excellence awards
- Special one-time financial incentives to high potential employees
- Global talent exchange program
- Profit-sharing scheme
- Short-term cross-functional projects
HR analytics

Analytics aligned to HR processes

HR Analytics seem to have made major inroads across the board. It is being used in recruitment and PMS processes, and to review HR trends. Moreover, many of our respondents are planning to use in the next 6-12 months.

Exhibit 21: Use of HR analytics
Competency mapping
Development

Defined competencies and behavioral indicators

The majority of the respondents, i.e., 60%, have defined competencies and behavioral indicators that are applicable organization-wide.

Competency model for different systems

The majority of organizations are currently using the Competency Model as a base to execute HR processes.
Nature of participant organizations
Nature of participant organizations

Around 43% of the respondents described their organizations as private sector and India-originated MNC enterprises, and 29% of them as private sector, India-originated companies with operations within the country.

Annual turnover of organizations

Our respondent sample covers a good mix of organizations across the size spectrum. Most of them have annual turnovers in the range of above INR50 billion (INR5000 crores) and between INR5 billion–INR20 billion (INR500–2000 crores).

The industry that best describes the respondents’ organizations

Around 20% of the respondents’ organizations are engaged in the financial industry, followed by the technology, telecommunications and entertainment sectors.
Exhibit 27: Age of the respondents

- 25-30 years: 10%
- 30-35 years: 20%
- 36-40 years: 23%
- 41-45 years: 13%
- 46-50 years: 15%
- 51-55 years: 10%
- 56-60 years: 10%
- 60 years & above: 0%

Exhibit 28: Respondents: gender representation

- Male: 78%
- Female: 23%
Conclusion

There is no single global standard or world-class policy and practice for talent management. Each organization has a different style and culture, along with varied business needs and priorities. It is critical to start with HR practices that are right for an organization rather than aping so-called “best practices” that are relevant for organizations at a different maturity level. The eventual objective of a company should be to achieve a level of excellence that enables its HR to become a strategic business enabler, aligned with its leadership philosophy and value system, and at the same time providing employees with a value proposition that is well-differentiated from its competitors. This would support sustainability and long-term organisational performance. Since there is no barometer to gauge the effectiveness of talent management practices, it is wise for organizations to keep a tab on their organizational outcomes and seek to refine their talent management architecture accordingly.

Business leaders and HR practitioners should constantly reflect on the following areas and engage in the following activities:

- Evaluate and anticipate shifts in business priority while weighing the effectiveness of their existing talent frameworks to ensure their strategic fit
- Review their execution-related approach to spot and rectify errors in order to improve their overall impact
- Monitor risks and gaps after implementing talent-related programs, since there may be a need to review and refresh these.
People & Organization (P&O) – EY’s HR Consulting Practice

Our value proposition

80+

- Dedicated team of more than 80 HR specialists in India
- Extensive knowledge base spanning HR value chain across industries
- Global network of over 700 HR specialists
- Significant experience in large transformational initiatives
- Extensive experience in the Indian private and public sector

Salient features of P&O, India

- People & Organization India is among of Ernst & Young Global’s five “Centres of Excellence.”
- It has deep functional and industry experience.
- It has strong global delivery experience (e.g., in the US, South East Asia, the Middle East, Europe and Africa).

Key differentiators of our approach

1. Rich experience of having worked with large government entities, public sector enterprises and diversified business conglomerates
2. A team with deep expertise in implementation of change-related initiatives; from business case assessment to implementation
3. A collaborative approach that will engage your business leaders to challenge the status quo
4. An approach that is focused on business outcomes, with clear steps for implementation

“EY maintains a market-leading position in its human capital consulting services in India. EY’s reputation for human capital consulting is strong in its thought leadership and service delivery, among the business and academic communities.”

– HR Consulting Marketplace 2010-2013, Kennedy Consulting Research & Advisory
## Our service offerings

### Core module

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<th>HR Diagnostics</th>
<th>Organization Structure</th>
<th>Talent Attraction</th>
<th>Talent Management</th>
<th>Learning &amp; Development</th>
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<tr>
<td>HR Due Diligence (incl. IR)</td>
<td>Job Evaluation &amp; Job Banding, Grading</td>
<td>Source to Onboard system- Design/ Strengthening</td>
<td>Competency Modeling (Behavioral, Techno-functional)</td>
<td>L&amp;D Process Design</td>
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<td>Surveys &amp; Analytics (Engagement, Culture, Values etc.)</td>
<td>Governance &amp; Decision-Enabling Mechanisms (Organizational, Board)</td>
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<td>Competency Mapping/ Capacity Assessment</td>
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<td>Hire-to-Retire Metrics, Benchmarking</td>
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### Composite Solution

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<th>Sales Force Effectiveness</th>
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<th>HR Cost Optimization</th>
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<th>Performance Management</th>
<th>Rewards</th>
<th>HR Effectiveness (incl. IR)</th>
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<td>Total Rewards strategy</td>
<td>HR Strategy, Scorecard, Service Delivery Model (incl. HR SSCs)</td>
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<td>Performance Measurement System design</td>
<td>Compensation &amp; Benefits Surveys</td>
<td>HR Organization Structure/ Strengthening</td>
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<td>HR Operational Effectiveness</td>
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<td>Incentives – Short &amp; Long term (Cash/ Stock-based, Sales, Leadership)</td>
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<td>Voluntary Retirement Schemes</td>
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<td>Non-Monetary Reward &amp; Recognition programs</td>
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<td>Prepare for Change</td>
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<td>Design &amp; Plan Change</td>
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<td>Implement &amp; Sustain Change</td>
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**IT-Enablement**

- HR Technology support (HRMS, ERP-HCM, stand alone)
- Online Surveys
- Trackers, Dashboards

| HR Transaction Support | People-led Organization Transformation | HR Function Transformation |
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