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# INTO INDIA

## PAGEUP PEOPLE RESEARCH

**Talent management essentials in a land of optimism**





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## Message from the CEO

It is difficult to make any meaningful generalisations about India. Unique on so many fronts, India is dynamic and diverse and changes from city to city, region to region. My experience of India and its people reflects the spectrum of its evolution – extremes of progress and poverty, opportunity and legacy. Like, I imagine, most westerners visiting India, I am at once excited and overwhelmed, inspired and astonished.

However you experience India, one thing is clear: this country will be a driving force in our future and it has much to contribute to the world. As India and her citizens steadily increase in prosperity, so too will their influence on the global economy. While the rate of India's economic growth has slowed, it remains robust and consistent, and both local and multinational corporations are expanding their footprint in this market.

The youthful demographic profile of India and its labour force is unlike most other countries at present. Talent management challenges experienced by employers in India are therefore often quite different from those in more mature and ageing countries.

This white paper is the next in our *high growth markets series* and looks at the realities faced by multinationals building and expanding their Indian operations with an Indian workforce. While most core aspects of talent management such as talent acquisition, performance management, leadership and promotion are similar, their manifestation in the Indian context is unique. Successful companies are tailoring their systems and processes to both accommodate and leverage these differences.

For our existing and prospective clients considering expansion into India, I trust this paper assists in both identifying and addressing the workplace characteristics that are key to effective talent management in this exhilarating emerging economy.

A handwritten signature in black ink, appearing to read 'Karen Cariss', written in a cursive style.

**Karen Cariss**

Global CEO

## Introduction

**India is the world's largest democracy and the second most populous nation on earth. 1.2 billion people call India home. Its three largest cities, New Delhi, Mumbai and Kolkata house nearly 60 million people between them, while 70% of the population still reside in rural provinces. 81% of the population are devout Hindus, 14% are Muslims and 2% Christian.**

Like many countries in the emerging world, transformational change is occurring on many dimensions: social, political, economic and environmental. India's urbanisation rate is bringing three hundred thousand additional residents to its cities every year, and the opening of its doors in 1991 has liberalised many internal structures. India is now the fourth largest global economy, behind the E.U., U.S. and China.

73% of North American and Canadian companies participating in a recent Mercer survey indicated they are developing business in the emerging markets. India was noted amongst the most challenging countries for multinational corporations (MNCs) to operate in, citing high taxes, competition for talent and complex remuneration and benefits structures<sup>1</sup> as major difficulties.

Notwithstanding, business is booming. India's recent growth has been underpinned by strong local consumer demand and a lowered reliance on international trade. India's growing middle class is forecast to number around 570 million by 2021 and represent significant consumption potential. CEOs in India

are bullish about growth prospects: 55% are very confident and a further 36% are somewhat confident in their company's revenue prospects over the next 12 months. The local market is deemed as the most likely source of these revenues<sup>2</sup>.

However not everything is totally rosy. Despite having eluded the clutches of the global financial crisis, growth in India is proving difficult to sustain at the 8-9% per annum rates that had become the norm. This year the Indian economy will see a more modest growth rate of 6%, a dream for any western nation, but in the emerging world it fails to impress. Most point the blame at the government, which despite the radical transformation commenced in 1991, is still plagued by endemic corruption, stifling bureaucracy and political complexities<sup>3</sup>.

Like its other BRIC counterparts, India is at the threshold of a new era in the global distribution of power. A young and growing workforce underpins its strength and India has the potential to be a great global pool for talent. In this white paper we explore some of the nuances that define effective talent management in India.

## The Indian business landscape

### Bureaucracy, corruption and infrastructure

In its annual Ease of Doing Business Index<sup>4</sup> which ranks 183 countries, the World Bank ranking for India in 2012 is the worst of the BRIC nations at 132 (Russia: 126, Brazil: 120, China: 91) and worse than the South Asian regional average of 117. In particular, starting a new business, dealing with construction permits, enforcing contracts and paying taxes represent some of the most challenging of business activities. For example gaining a construction permit takes on average 7.6 months in India and enforcing legal contracts an average of 3.9 years. Compare this to Singapore, where these activities will take 26 days and 5 months respectively.

In the Corruption Perception Index 2011<sup>5</sup> India ranks toward the higher end of the corruption scale: 95 out of 182, worse than Brazil (73) and China (75), but ahead of Russia (143). Perceptions of corruption impact the level of trust individuals have in their institutions. In the case of India, the Edelman Trust Barometer draws a clear distinction between business and government: while 70% of Indians trust business to do 'what is right', only 44% trust their government to do the same. Industries such as banking, technology and automotive are seen by Indians as highly trustworthy<sup>6</sup>.

Ethics in the emerging world continues to attract attention due to the significant variations both between advanced and emerging markets and also within the emerging world. A recent study of ethics in the BRIC nations highlighted that there was little homogeneity even between the BRICs, and that formal and normative approaches were favoured in the U.S., compared to the informal, relational and contextual approaches in the BRICs<sup>7</sup>.

CEOs in India rate bribery and corruption as the number one threat to their business growth prospects in 2012. This compares to CEOs in China who rate this risk factor at number eight, and the global composite at 14<sup>8</sup>. Clearly this remains a significant issue for business in India, and government policies and reforms are responding too slowly.

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Then there is India's mind-boggling infrastructure. Famous for all the wrong reasons, the inability of the country to align its 21st century thinking with its 19th century infrastructure, most notably transport and energy, continues to inhibit India's potential. India comes in at rank 56 on the World Economic Forum Global Competitiveness Report, a long way behind China, at 26<sup>9</sup>.

### BUSINESS EXPANSION

If there is one country that can definitively lay claim to 'owning the space' when it comes to business process outsourcing (BPO), it is India. India continues to hold number 1 ranking in AT Kearney's annual list of top offshoring locations, a position it has held since the study was established in 2003<sup>10</sup>. For the past two decades India has developed its information technology and IT-enabled services to the point of contributing 6.4% of GDP in 2011 (up from 4.8 in 2006) and estimated to reach 7.0% by 2015<sup>11</sup>. (Notably, the two largest destinations for India's software exports are the U.S. (67%) and Europe (25%), both of whom are severely economically challenged at present, with unclear flow-on effects for Indian providers<sup>12</sup>).

India now boasts some of the largest corporations in the world, with eight companies in the Fortune 500, up from five in 2005. More and more, Indian jobs are growing in the services industries and numerous Indian conglomerates have expanded offshore and hold significant global presence, including Tata, Reliance Industries, Mahindra & Mahindra, Aditya Birla Group and Infosys.

Multinational corporations based in the U.S. and Europe are diverting both attention and resources to India and the emerging world in a bid to supplement revenue and growth shortfalls in their traditional markets.

Country Rank	Company	Global 500 Rank	City	Revenue (\$ millions)
1	Indian Oil	98	New Delhi	68,837
2	Reliance Industries	134	Mumbai	58,900
3	Bharat Petroleum	272	Mumbai	34,102
4	State Bank of India	292	Mumbai	32,450
5	Hindustan Petroleum	336	Mumbai	28,593
6	Tata Motors	359	Mumbai	27,046
7	Oil & Natural Gas	361	Dehradun	26,945
8	Tata Steel	370	Mumbai	26,065

India now boasts some of the largest corporations in the world, with eight companies in the Fortune 500

Source: IMF World Outlook, 2011

## Talent Management in India

With the largest youth market in the world, India is much less affected by the ageing demographic trend typical of the west. 65% of India's population is aged between 15-64 years: the median age is 26.2, compared to the U.S. 36.9, Russia 38.7 and Japan 44.8. This drives a high demand for education and India has a large number of educational institutions to cater to this need. Notwithstanding, literacy rates are still low overall, at 74%, due in large part to the rural concentration of the population. (Notably, women are typically less educated than men, at 66% and 85% literacy respectively). India has a labour force of 488 million, second only to China. Whilst more than half the population is still employed in the agriculture, the services sector has seen the greatest growth and now employs 34% of the Indian workforce.

Strong consistent growth and an optimistic business mindset are reflected in the sentiment of Indian CEOs. In a recent survey, 66% said they are very confident of finding the talent they need for their operations (compared with only 38% of Chinese CEOs, and 30% globally). That said, the same group reported that the following talent constraints had negatively impacted their businesses in the past 12 months<sup>13</sup>:

- 39% experienced talent related costs increasing more than expected
- 26% were unable to innovate effectively
- 33% were unable to pursue a market opportunity
- 41% had to cancel or delay a strategic initiative.

### EDUCATION INSTITUTIONS

Type	Number
Schools	1.6 million
Universities	500
Colleges	25,000
Technical	7000

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India has a labour force of 488 million, second only to China

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Multinational  
and locally based  
organisations  
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India's top talent

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India's increasingly youthful workforce is changing expectations and attitudes toward work. Young Indians are highly brand and status conscious, competitive and career-focused. In addition to competitive remuneration, they expect professional development, fast track career opportunities, mobility options and work-life balance. There is a substantive shift in the mindset of India's young professionals to the generation they are replacing – and it looks a lot more western<sup>14</sup>.

Indian employees are also highly ambitious. In a 2012 global study, 78% of Indian participants reported that they aspired to reach senior executive or CEO positions, compared to only 52% their Chinese counterparts<sup>15</sup>. This study also highlighted that 98% of Indian high potential employees expect to be promoted to the next level within five years, compared to 91% in China and 86% in Singapore.

Multinational and locally based organisations are competing aggressively for India's top talent. Many graduates of Indian colleges and business schools still find themselves driving cabs and relegated to jobs not requiring tertiary education. This continues to be a reflection on the local education system, which despite improvements still produces a pool of graduates of which only 15% are deemed suitable for white-collar careers in large corporations.

Talent management as an integrated function is still evolving in India. Most emphasis has been on talent acquisition, driven by business growth and high levels of attrition. This is now being augmented with a focus on broader aspects of talent management, such as engagement, productivity and retention. Next generation performance management, compensation, succession, career management and workforce planning tools and processes are emerging on the Indian talent landscape and are anticipated to integrate with business performance measures. As is the case with many activities in India, bridging the gap is likely to occur at a fast pace and leapfrog the slower evolution that has occurred in the west.



## What Indian employees want

Career advancement

Base pay

Training opportunities

Type of work

Working for a respectable organisation

Bonus or other incentives

Retirement savings plan

Flexible work arrangements

Source: Mercer - Inside Employees Minds 2011

## Six factors influencing talent management in India

### 1 Employee attrition

The heat is on in the Indian talent market. The millennial generation represents a significant proportion of the total workforce and those with valued skills attract significant competition.

Generational values are also changing the expectations of young employees of their employers. A recent Mercer survey<sup>16</sup> highlights the top employment factors that potential employees seek, with career advancement, pay and training topping the list.

#### TURNOVER

By all accounts, turnover in the labour market in India is a big issue. Mercer's survey reported that 54% of all employees are seriously considering leaving – today. This is true of all employees aged between 16 and 44, with a notable spike of 66% for the 16 – 24 age category. Intention to leave is correlating with actual turnover, and despite salary increases averaging 15% per annum, turnover rates of young professionals is generally 15% to 30% and in some industries, 50%<sup>17</sup>.

#### ENGAGEMENT

High turnover correlates with low levels of employee engagement. Why are Indian workers not engaged? Three factors seen to contribute are:

##### Generational factors

Indian workers are not overly dissatisfied with their job or organisation – 76% and 75% satisfaction respectively (Mercer), however they remain open to better opportunities and are less prone to be loyal to their current employer. The challenge for employers of the millennial generation is to create a workplace in which opportunities for learning and promotion are continually available.

##### Competitive factors

Quantity of labour is high but quality is relatively low. Large numbers of employers are fishing in the same talent pond. Competition is particularly high for top performers already working in respected organisations – high pedigree backgrounds mean employers will already have invested significantly in training and development, increasing the market worth of these employees.

##### Management factors

A Right Management survey of over 4,000 employees in 28 Indian companies found that only 47% were satisfied with the immediate manager<sup>18</sup>. Low calibre management capabilities are an issue worldwide and in India, as elsewhere, contribute significantly to employee dissatisfaction and consequent turnover.

### Impact of employee attrition on talent management

- High churn rates negatively impact morale and slow down productivity
- Recruitment costs increase substantially
- High turnover breeds a culture of low commitment
- Individual, team and organisational performance are compromised

## 2 Employer branding

Defined as “building an image in the minds of the potential labour market that the company, above all others, is a great place to work”, employer branding is an important factor in the competitive Indian talent market.

A recent study of prospective Indian employees highlighted eight factors that influence their perception of employers<sup>19</sup>. Topping the list was that the employer be a caring organisation. This relates to welfare aspects such providing free food for employees and transportation home after hours. As an enabling organisation, employees look for evidence of support for freedom of expression and policies that allow them to achieve their potential. Opportunities for career growth also rank high, as do fair, ethical and flexible work environments.

In the past Indian labour was cheap and readily sourced. Such an environment poses little risk to business and managers can be lulled into treating labour as disposable. India has evolved from this mindset as its industries have grown and absorbed all the available skilled labour. Today, competition is rife and the balance of power in the war for top talent is with the talent. In a scenario where skilled employees are choosing their employers, employer branding has become essential for competitive advantage. Indian employers are developing strategic employee value propositions to attract and retain the best talent<sup>20</sup>.

For example:

- **INFOSYS** has established a Global Talent Program, sourcing graduates from around the world, training them on assignments in India and returning them to their home countries and InfoSys subsidiaries.
- **TATA CONSULTING SERVICES** has a global program based on ‘growth beyond boundaries’ that gives employees exposure to world-class projects and technologies, cross-domain experience and flexibility to manage work/life balance.
- **TATA STEEL** continuously reinforces its 140-year-old brand heritage with values of being trustworthy, safe, reliable and value for money, as well as a exciting place to work.
- **CEAT TYRES** has been recognised for innovation in human resources practices including talent management, retention, career development, training and use of technology.

These Indian companies compete head to head with some of the best global multinational brands and competition is fierce. As the Indian economy becomes increasingly reliant on its services sector, premium skills will only become more important for business success and the employment brand will be at least as important as the product brand of the organisation.



### What Indian employers must offer

#### Employer value proposition (EVP)

- Caring organisation
- Enabling organisation
- Career growth
- Credible & fair
- Ethical & flexible
- Product & services brand image
- Positive employer image
- Global exposure

Source: Srivastava & Bhatnagar, 2011

### Impact of employer branding on talent management

- Proactive employer branding strategies with clear and attractive value propositions will drive competitive advantage in talent acquisition
- Delivering on the promise of the employer brand will be essential for retention
- Employers need to understand and meet the needs of employees exactly as they need to understand and meet the needs of their customers to survive and thrive.



60% of employees reported experiencing stress, sleeplessness, headaches and fatigue on a regular basis

### 3 Productivity

When it comes to the productive output of both its industries and its employees, India still has a way to go. The inevitable comparisons with China highlight what is possible in a fast growing, highly populated economy, and India lags in many regards.

Based on a recent McKinsey Report, India performs below global benchmarks on most facets of business operations, including technical systems, management infrastructure and capabilities, mindsets and behaviours<sup>21</sup>. Improvements are under foot, with one of the country's largest firms, Tata Steel, showcasing the way. By focusing on business efficiencies, Tata Steel won the revered Deming Prize for:

- improving worker output by a factor of 8 between 1998 and 2011
- increasing employee accountability
- reducing management layers from 13 to 5
- training 2,000 employees per annum at its dedicated technical institute.

Increasing employee productivity through enhanced capability development is becoming a critical factor for talent management in India. Studies of firms in India confirm broader global evidence that high employee capability is linked to increased organisational performance. Companies that have been able to harness organisational learning, defined as "the capacity to learn from experience and experimentation" have benefited from improved productivity and overall improved corporate performance<sup>22</sup>.

#### WORK/LIFE BALANCE

The global financial crisis has, around the world, put pressure on organisations to cut costs and increase employee productivity. In a study exploring the work/life policies and practices of 30 companies in Chennai, only 9 had documented work/life policies, 5 of which had them as part of global policies. The manufacturing industry provided the least access to work/life initiatives compared to the information technology sector. In general, few companies provided access to services such as on-site child-care, summer camps for employees children, career breaks and subsidised health and fitness programs<sup>23</sup>.

Increasing business competition in the BPO sector has put pressure on margins and is fuelling the drive to increase employee productivity. Long hours, 24x7 shifts and high workloads are taking their toll on Indian employees, who are increasingly reporting the negative health and social effects of poor work/life balance. In a study of 259 employees of 22 local and multinational companies engaged in business process outsourcing, over 60% reported experiencing stress, sleeplessness, headaches and fatigue on a regular basis<sup>24</sup>. A recent study of work/life perspectives highlighted that 83% of Indian high potential employees believe their workplace currently fails to meet their flexibility and work/life balance needs<sup>25</sup>.

#### Impact of productivity & work/life balance on talent management

- Increased levels of training and development are required to increase employee productivity
- Rewards and recognition should strongly favour high productivity
- Employee burnout is becoming an occupational health and safety risk
- Competitive differentiation in the talent market can be gained by implementing more work/life policies and programs

## 4 Technology

The world is in the throes of a technology revolution, with a ‘perfect storm’ convergence of processing power, scalability and affordability. Key beneficiaries will be the emerging nations, whose users are likely to leapfrog traditional devices such as PCs to access online services, and go straight to mobile.

The explosive growth of telecommunications in India can be attributed to widespread government reforms of this industry supporting the development of new infrastructure and services. In the first decade of the 21st century, growth of fixed telephone lines in India was static, but mobile phone subscription rose from 0.4 to 45.4 per 100 people and usage grew 130% to 440 minutes per user per month by 2009<sup>26</sup>. As at the end of 2011 there were 900 million mobile subscribers in India, and growing - thanks to low tariffs, low handset prices and a highly competitive market<sup>27</sup>. At the rate of 19 million new subscribers per month, India is expected to reach 97% saturation with 1.26 billion handsets by 2014<sup>28</sup>.

As at 31 December 2011 there were 121 million Internet users in India, representing 10.2% population penetration<sup>29</sup>. Of these, over 45 million have FaceBook accounts and approximately 11 million are Twitter subscribers.

In the enterprise market, IBM reports four key trends that are transforming business<sup>30</sup>:

1. **Business analytics** - the ability to transform vast data sources into meaningful business information is driving the appetite and demand for analytics. In the BRIC countries, 49% of companies are seeking to automate processes through advanced analytic capabilities.
2. **Mobile computing** - the development of industry specific applications for mobile access is the main priority for business in India and China.
3. **Cloud computing** - 75% of organisations believe they will develop their cloud capabilities in the next 2 years, citing flexibility and scalability as its number one benefit.
4. **Social business** - adoption rates are already high in India at 57% of companies claiming to be using social business networking tools for information sharing, innovation and improved decision making.

Advances in technology and increasingly sophisticated business practices will see more software as a service (SaaS) enterprise technology replacing both manual and in-house systems. Gartner estimates spending on human capital and ERP solutions to grow at an average rate of 17.5% per annum between 2012 and 2015.



At the rate of 19 million new subscribers per month, India is expected to reach 97% saturation with 1.26 billion handsets by 2014

### Impact of technology on talent management

- Mobile proliferation will drive talent management technologies to phone and tablet devices
- Internet access will snowball in India, increasing the demand and supply of online technology
- Remote regions will benefit from improved technology infrastructure, enabling more flexibility in work practices
- Large global enterprises will move their enterprise systems to the cloud



As most Indians are religious, respecting their beliefs is important in gaining acceptance in India

## 5 Cultural factors

### LANGUAGE

Different states in India have different languages and dialects however Hindi is the official language of government. English is an accepted and established second language in India (rather than a 'foreign' language) and is widely used in business, media and public administration. References to "Indian English" recognise the many dialects, variations in pronunciation and 'Indianisms' (words and usage idiosyncratic to India and not prevalent in other English speaking countries) that have evolved throughout various states. English speaking Indians do not hesitate to use the language with English speaking foreigners and this is often seen as reflecting higher levels of education<sup>31</sup>.

### RELIGION

The majority of Indians are Hindus and a smaller percentage are Muslim – these represent the two main religions followed in India. Both have distinctive rituals and taboos that foreigners should observe, for example Hindus will not eat beef (the cow is the most sacred animal in this religion) and many are vegetarians. The caste system can be traced back to Hindu origins and still underpins social distinctions in Indian communities. Muslims do not eat pork or drink alcohol and are required to attend formal prayers five times daily. As most Indians are religious, respecting their beliefs is important in gaining acceptance in India.

### HIERARCHY

Like many eastern cultures, social status and hierarchy are immensely important and strictly observed. The traditional caste system in India still underpins social structure, although it does not emerge as a significant workplace issue. Indian's have a profound respect for status at home, in the workplace and in the community. In business, titles and qualifications are highly revered, so business cards should clearly display them. Formal titles such as doctor, professor, Mr or Mrs should be used addressing others.

### COLLECTIVISM

Indians rank moderate to high on the collectivist spectrum – they identify themselves within a group and value their role within a team more so than as individuals. Collectivist cultures are characterized by high power distance – the extent to which the society accepts the distribution of power according to rigid hierarchies. Most western countries score below 50 on the Power Distance Index. India's moderate to high ranking at 77 points to clear cultural differences in the value and emphasis placed on individual versus group contribution, recognition and rewards.

### RELATIONSHIPS

Many Indians have large and extended families and have been raised to develop integrated and interdependent relationships. In business, Indians prefer to deal with counterparts well known to them, so building long-term business relationships is important. Personal and professional credibility is highly important, as are referrals from mutual third parties.

Business negotiations can be slow or drawn out by western standards. Often Indians are seeking to get to know you better and establish trust in the relationship. Patience is necessary, as is the need to be open and sharing. Negative emotions and behaviours such as anger, annoyance or frustration should not be displayed and could be damaging to the relationship. Confrontational approaches and high-pressure negotiations are very uncomfortable for most Indians and should be avoided. Similarly, open criticism or disagreement are also culturally unfamiliar.

## INDIA TIME

Despite the fast bustling nature of India's cities, getting things done is not so speedy. Most foreigners experience much longer delays in India than for the same task in the west – be it getting to a meeting, gaining agreement on a proposal or completing a negotiation. Patience is essential to alleviate frustration: something that usually takes a week can easily take a month in India.

## THE BOSS IS THE BOSS

Indians expect senior leaders to adopt the leadership mantle: give direction and specific instructions, plan, supervise and make decisions. Subordinates are expected to implement their leaders' instructions without question. Many multinational corporates are looking to increase participative leadership, empowerment and accountability. It is important to understand that this may be quite foreign to the upbringing of many Indians and 'giving' employees these freedoms may not mean they are readily accepted.

## THE ANSWER IS "YES"

Whatever the question you pose to an Indian, you are likely to receive a positive response. Culturally, they simply do not like to say no. A direct negative response would be considered rude, so Indians are likely to say what they think you want to hear. A subtle skill to develop when working with Indian counterparts and employees is to read between the lines and pay attention to non-verbal cues such as hesitation, withdrawal of eye contact, vague responses and failure to commit.



## Namaste

A traditional Hindu greeting given by placing the palms together in front of the chest and a slight bow of the head.

## TIPS FOR BUSINESS ETIQUETTE IN INDIA

- Recognise the hierarchy by greeting the most senior or eldest person in a meeting first
- Hand shaking is an accepted greeting among men, however is rarely used between women and men, and many Hindu Indians will use the 'namaste' (see above)
- Greet and farewell each individual
- Be punctual for meetings, but do not always expect your Indian counterpart to be
- Exchange business cards with the right hand
- Expect meeting cancellations or delays – personal and family priorities come ahead of business, so last minute changes to meetings are frequent
- Decisions are made at the top – you may waste a lot of time and effort negotiating with middle management
- Gifts are not necessary, but should you receive one, accept it graciously and do not open it in front of the giver
- Check the calendar for religious and public holidays – they are numerous – avoid planning important meetings around them



Companies worldwide have learnt the value of changing product design and marketing to suit the varying cultural environments in which they sell them

## 6 Globalisation

Multinational corporations are frequently challenged with balancing global business strategy execution with the needs, values, priorities and other idiosyncrasies of local markets. Nowhere is this more true than in India, where localisation is required not just at the country level, but also internally at the regional level. Human resources practices are especially sensitive to localisation as it is people that engender the cultural nuances that result in the success or failure of implemented practices.

Glocalisation, an evolved term used to describe the point at which global and local approaches and practices intersect, is becoming increasingly important as multinationals strive to juggle the balance between these sometimes contradictory forces.

### BENEFITS OF GLOBALISATION

- Standardisation & consistency
- Best practice knowledge transfer
- Transparency & perceived equity
- Efficiency & ease of administration

### BENEFITS OF LOCALISATION

- Cultural adaptation increases take-up
- Compliance with local legislation and policies
- Local knowledge accelerates effectiveness
- Increased relevance of policies and practices

### BENEFITS OF GLOCALISATION

- Global best practices as the foundation for local adaptation
- Supports a global mindset with both shared and unique goals
- Encourages teamwork and fosters innovation

Companies worldwide have learnt the value of changing product design and marketing to suit the varying cultural environments in which they sell them. So too, internal processes such as talent and human resources management are being scrutinised to adapt them to the local workforce.

For example, Korean electronics and whitegoods manufacturer LG adapted many of its people practices when it established its Indian operations. These included developing<sup>32</sup>:

- a results based culture tapping into the natural competitiveness of Indian employees and ensuring clear line of sight between performance and rewards
- a monthly evaluation system with associated incentives
- a transparent approach to feedback.

HR and talent management practitioners recognise the need to accommodate local differences. Policies, processes, systems, training and support should allow local customisation within a global framework.

### Impact of glocalisation on talent management

- Headquarters based outside of India should provide global guidelines but allow local implementation
- Expatriate managers and specialists should work to transfer knowledge, corporate culture and appropriate best practices to local subsidiaries
- International assignments, training and development opportunities increase global awareness and develop a global mindset

## Critical business issues and talent management in India

### Strategy execution at Infosys

Bangalore based Infosys is one of India's largest and most respected multinational corporations and was ranked 15 in the Forbes list of most innovative companies worldwide. Effective strategy execution, in both advanced and emerging markets, underpins the success of Infosys.

**Infosys**<sup>®</sup>

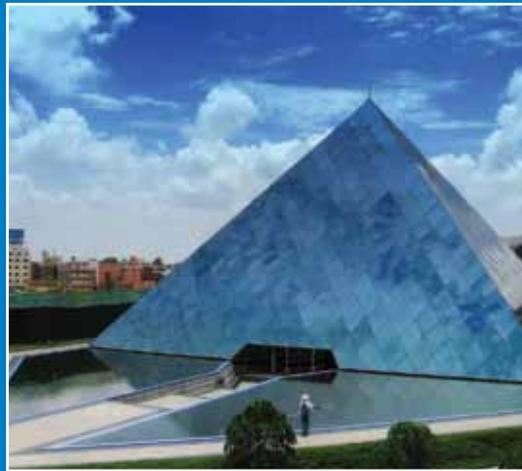
In a recent Infosys Viewpoint<sup>33</sup>, the company highlights three components of effective strategy execution in emerging markets:

- **innovation hubs**
- **growth momentum and**
- **smart sourcing**

Innovation hubs focus on leveraging resources and knowledge management and growth momentum acknowledges the need to understand market segments and tailor to their unique needs. Smart sourcing reflects the need for effective talent management. Infosys recognises that critical skills are in high demand and short supply, so they recommend two ways to tap into skills that are essential for business strategy execution:

- build an ecosystem of partners to augment your organisation's skill strengths and weaknesses
- develop local management and leadership capabilities for the future.

Infosys sees that there is more than one way to achieve an outcome. In a fast paced world, lateral strategies are necessary to overcome short term limitations.



### Strategy Execution

Ensuring business performance, profitable growth and competitive value propositions.

Effective talent management aligns the human capital required to execute global and local business strategies in the present and the future.

## TIPS FOR EFFECTIVE KNOWLEDGE TRANSFER

### 1. Establish appropriate protocols

The decision-making authority and level of direct parent intervention in local issues will vary and requires clear guidelines to overcome confusion and resistance.

### 2. Support knowledge transfer with appropriate resources

People, training and technology are required to support effective knowledge transfer. Cultural values and leadership commitment to information sharing and global collaboration provide the necessary environment for effective knowledge flows.

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## Business Intelligence

Meaningful, accurate and timely information that informs strategic decision-making and provides competitive advantage.

Effective talent management utilises human capital data to develop predictive analytics that forecast talent risks and opportunities.

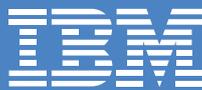
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### Business Intelligence at IBM India

In a diverse populous country with high levels of variability in the quality and availability of infrastructure and services, IBM India is harnessing the combined power of cloud based technology with mobile devices and social networking popularity to help solve some long standing problems.

Last year IBM India launched its Spoken Web technology, designed to overcome the challenges faced by people living in remote and rural regions of India in accessing the Internet. Due to poor technology access in these areas, few have access to reliable high speed Internet services via PCs – but many more have mobile phones. Mobile phone saturation is already over 80% and estimated to be 100% by 2015. Spoken Web technology will allow voice-activated services to replace key-entered information. IBM is applying this technology to assist in job matching candidates with employers around the country.

IBM India is also applying advanced analytics technology to customer-focused activities. Its Voice of the Customer Analytics tool (VOCA) gathers and analyses numerous sources of customer feedback traditionally gained only via feedback forms. By using state of the art analytics-enabled technology VOCA combines information gathered from call centre transcripts, audio recordings, emails, surveys and demographic data to produce accurate and predictive customer sentiment information.



IBM's investments in the emerging markets reflect the shift in its business activity. By 2015 IBM forecasts revenues from emerging markets to represent 30% of its total, up from 17% in 2009<sup>34</sup>.

The fast-accelerating trend toward big data and sophisticated analytics could see India as a hub for global capabilities required in this area. An estimated 190,000 jobs will be created in data mining and analysis and other advanced fields for which job descriptions do not yet exist. The human resources function lends itself extremely well to advanced analytics, given the multiple sources of voluminous employee information gathered by organisations. Workforce planning and forecasting, as well as performance and productivity analysis are likely to be revolutionised over the next few years.



## TIPS FOR IMPLEMENTING HCM BUSINESS ANALYTICS

- Invest in unified systems that allow for numerous data sources to be seamlessly integrated for fast and accurate information analysis and reporting
- Focus on metrics that deliver true business value, such as customer acquisition and retention, corporate performance and critical skill forecasts, not those that merely churn HR data.

## Talent Pipelines at Aditya Birla Group

Knowing what to look for typically makes it a lot easier to find. In talent management, this is the logic behind competency profiling. When you have a defined competency profile, you know exactly what skills and attributes are critical for success in a role – and then you can begin to build a talent pipeline.

The popularity of competency frameworks arises from their ability to hone in on what really matters in terms of aligning people capabilities with the needs of the organisation. Like any framework, it creates a structure. Talent management activities – like recruiting candidates that have the critical competency set, or developing high potentials to improve them, or even measuring the performance of individuals and teams with them – can subsequently take place.

ABG is an example of an Indian multinational organisation who has put competencies into practice to build a multinational talent pipeline.

## Global Talent Pipeline

Global supply and demand for labour is unevenly distributed and shifting demographics, social and educational factors are crystallising a worldwide shortage of critical skills.

Effective talent management ensures a rich pipeline of technical, managerial and leadership skills to ensure business continuity, including strategies to reduce time to productivity and accelerate high potential.



### Aditya Birla Group (ABG)

Aditya Birla Group (ABG) is a large Indian conglomerate established over 50 years ago and spanning businesses including metals, telecoms, fashion, insurance and retail. Based in India, ABG operates in 40 countries and earns over 50% of its revenues abroad. With a workforce of over 130,000 employees, ABG is committed to identifying and developing a strong talent pipeline to support its global business needs.

Having established a set of 9 core competencies, ABG applies this framework to the identification, assessment and development of future leaders. Senior leaders rate the performance and potential of identified talent and ensure appropriate development activities are matched to the needs of the hi-potentials.

ABG senior leaders claim to spend between 30-40% of their time in these initiatives to grow and nurture the company's future leaders<sup>35</sup>.



**ABG Behavioral Competencies**

1. Vision & Strategy
2. Business Acumen
3. Promotes Teamwork
4. Develops Self & Others
5. Customer Focus
6. Innovates & Improves
7. Get Results
8. Influencing
9. Communication

Surrounding text: How well do we lead a business?, How well do we lead teams & people?, How well do we engage & retain customers?, How well do we execute?

## TIPS FOR BUILDING A TALENT PIPELINE

### 1. Align the talent pipeline with business strategy

Strategic human resources management is about aligning people and skills with the business goals they are employed to implement.

### 2. Identify and develop potential

With many young leaders emerging in India, early identification and focused development are critical to ensuring capabilities are fast tracked and quickly transformed from potential to actual performance.

### 3. Focus on critical skills

Pareto's 80/20 rule applies to an organisation's critical skills. A small percentage of your workforce has the critical skills that drive real business outcomes. Employees with these skills should be actively sourced, nurtured and retained.

## Knowledge Capital

Knowledge capture, storage and transfer enable continuous improvement and best practice development, leverage corporate memory and minimise brain drain.

Effective talent management facilitates the transfer of business critical knowledge and best practices across generations, geographies and cultures.

## Knowledge capital at Bharti Walmart

In India there are over 200 million people in the 15-24 age bracket – many looking for their first jobs and the opportunity to launch a career. While inter-generational and cross cultural knowledge transfers are important for multinational corporations operating in India, even more so is the challenge of building workplace knowledge in youth that have had limited education (especially in the vast rural and semi rural populations) and little or no work experience.

Many corporations are stepping up to the mark with large scale skill development programs designed to build job specific skills as well as general workplace skills that are a transferable investment in India's youth.

One such organisation is Bharti Walmart<sup>36</sup>. Established in 2009, this joint venture represents the Indian arm of Walmart Stores Inc. With a global workforce of 2.1 million and 2011 revenues of US\$419 billion, Walmart sees its investment in developing the retail skills of young Indians as an investment in its own business expansion in this country, as well as supporting the Indian retail industry overall.



In a collaborative partnership between Walmart, the Government of Punjab and Centum Learning, Walmart has funded the training of over 8,000 low income students in retail skills including job specific, communication and interpersonal skills. 2,900 have been placed into jobs with Walmart, while many more have been recruited into other retail and hospitality roles on the basis of their advanced workplace preparation.

The program is still evolving and key learnings include increasing student commitment by assisting with transport access to training centres and requiring advance payment that is 90% refunded if the student completes the program.

The primary objectives of creating more opportunities for youth in remote regions and building the human capital capabilities of the next generation of Indians are at the forefront of initiatives such as these.



## TIPS FOR EFFECTIVE KNOWLEDGE TRANSFER

### 1. Establish 'hard' and 'soft' skill programs

Technical and specialist skills are necessary for task completion but so are supervisory, management and leadership skills. In the longer term, these latter soft skills will be the enablers of greater workforce performance and productivity.

### 2. Invest in being a learning organisation

Leading MNCs in India recognise and accept their role in educating and up-skilling their workforce, making them more productive and more employable.

## Optimising human capital management in India

### Talent acquisition

In a buoyant labour market characterised by high turnover and continuing business growth, talent acquisition is as much a strategic activity to ensure business continuity, as it is an operational one to quickly fill vacancies. Recognition of what attracts top talent and creating competitive strategies to target potential employees with this in mind is differentiating those employers that are successful in recruiting the best.

As an example of an organisation taking a strategic sourcing approach, Mahindra British Telecom (MBT) utilises a learning organisation philosophy to attract and retain top talent. The company's program of induction, training and leadership development is used as a competitive lever and is viewed as a major contributing factor to achieving offer-acceptance ratios as high as 90%. Further, employee referrals and an internal 'buddy system' account for nearly 20% of new recruits<sup>37</sup>.

The market for MBA students is robust in India. Figures released by the Graduate Management Admission Council (GMAC) show that of 5,366 MBA students from 136 business schools globally graduating in March 2012, 62% held job offers on graduation (close to the all-time high of 66%). Indian employers are competing aggressively for these graduates, lifting salaries by 200% over 2011 levels. 88% of Indian employers are recruiting new MBAs in 2012, ranking India second only to the U.S. for MBA graduate demand<sup>38</sup>.

#### RECRUITMENT AND SELECTION PRACTICES

Labour constitutes a large proportion of the operating costs of most organisations, especially those in service related industries. Consequently, the investment of time and effort at the point of employee selection can be a considerable contributor or hindrance to business performance. In a study of 259 Indian enterprises, researchers found that the higher the level of strategic integration between recruitment and selection practices with business strategy, the better corporate performance (by measures of growth in sales, market share, productivity and employee satisfaction)<sup>39</sup>.

College campus recruitment is a popular way to gain entry-level employees in India. Junior to mid level sourcing is usually advertised - popular job boards include:

- Naukri.com
- Shine.com
- Times.com
- Monster.com
- Headhonzos.com

Social networking sites such as LinkedIn are increasingly being used by recruiters to source professional employees and international search firms such as Korn Ferry, Stanton Chase and Egon Zehnder are notable in executive recruitment. Frequently used methods of assessment include:

- psychometric assessment including aptitude testing
- group interviews and activities
- panel interviews
- combination assessment centres

Contrary to practices in the west, Indian laws *do not* prohibit interviewers seeking detailed personal and non job-relevant information from prospective employees. For example, requiring information about sex, religion, gender, parents, family, caste or social background are acceptable during the interview process, and many Indians include such information on their resumes<sup>40</sup>.

### How do organisations compete?

Harvard Business Review cites a two-prong approach for attracting and retaining talent in emerging markets:

- make compelling promises
- keep them



Indian conglomerate, Tata, recruits local engineers around the world and sends them to its headquarters in India to experience the commitment to excellence inherent in its brand values. Further, it provides aspirational goals such as challenging engineers to build a \$2,000 car that can be affordable in low income communities.

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## Optimising performance management

### Do:

- Tailor global performance management systems to the local environment
- Establish clear performance criteria and performance rewards
- Invest in performance management training for managers and employees
- Ensure the process is visibly fair and equitable

### Don't:

- Assume employees have all the skills they need to do the job
  - Accept projects are on track without probing or checking milestones
  - Provide negative feedback or criticism in public
- 

## Performance Management

High performing individuals, teams and organisations get better results. But this is easier said than done. Almost universally, organisations are challenged by their own performance management systems and processes.

To business, high performance means employees are meeting or exceeding the expectations of their job descriptions. To employees, high performance is likely to be driven by clear performance expectations and a work environment that intrinsically and extrinsically motivates them to deliver discretionary effort. How does this critical aspect of talent management play out in the Indian workplace?

A recent Gallup survey highlights the link between employee engagement and performance: disengaged employees rarely perform at optimum levels, and 51% of Indian employees claim to be disengaged. One contributing factor to this is the low perceived credibility of performance processes by Indian employees – only 41% believe that good performers attain better rewards than average or poor performers<sup>41</sup>.

### HARD VERSUS SOFT MEASURES

Many multinational corporations entered the Indian market to take advantage of the benefits of business process outsourcing. Initially these processes were highly procedural and lent themselves to quantitative performance criteria, such as call volumes and response times, items processed and enquiry resolution times. Such *hard* key performance indicators (KPIs) are highly transparent, easily established, tracked and managed.

However, India is a collectivist culture and places a strong value on personal relationships and interactions. Consequently, *soft* measures including teamwork, communication and collaboration are important in the overall management of performance. One recent study in the BPO environment established a significant correlation between the level of hope employees had about their work prospects, and their job performance<sup>42</sup>.

Indians respond well to participative goal setting, performance incentives and constructive feedback. Wherever possible, performance expectations should be clear, supervision consistent, feedback regular and rewards aligned with goal achievement. Indian blue collar workers are protected by legislation, so termination, even for poor performance is very difficult. White collar workers however expect to be measured against their performance.

A recent study of multinational corporations in India highlighted that most implement standardised global performance management systems and avoid local customisation. This is internally justified by the need to gather consistent across-the-globe comparative performance metrics which by definition require a universal approach. The trade-off is potentially lower levels of engagement and higher dissatisfaction with the process<sup>43</sup>.

## Compensation & Rewards

Having the right compensation strategy and structure in place in a highly competitive labour market such as India is imperative. Salaries have been increasing steadily over the past decade, initially at an average rate of about 25% per annum up to about 2005 and since then around 15% per annum. Noted, these increases come off very low bases, and the average salary is still only around US\$2,600 per annum, but the trend and expectation is that salaries will continue to grow<sup>44</sup>.

The importance of competitive compensation in a tight skills market is clearly evident. In a recent survey of 532 employers in eight Asian markets including India<sup>45</sup>, respondents reported on issues and approaches related to compensation trends.

- 43% claimed that controlling the costs of benefits was a key challenge
- 90% said they pay above statutory requirements
- 67% believe their benefits packages are competitive
- 21% believe their packages exceed market norms.

In terms of perceived value by employees, medical assistance in the form of in-patient and out-patient support was by far the most preferred employment benefit.

Recognition of performance and contributions, both on an individual and team level, are increasingly important in India's competitive labour market. In addition to market based remuneration packages, employees are also seeking employment in companies that reward effort. In one study of Indian software and service organisations, the highest-ranking organisational activity linked to value creation for the business was "thanking employees" through a variety of reward and recognition programs<sup>46</sup>. Pay for performance and variable pay components of total remuneration are both prevalent and accepted in the Indian workforce.

Benefit	Preferred by employees
Medical assistance	76%
Retirement support	35%
Annual leave	30%
Illness/disability insurance	16%

Source: Towers Watson – HR Perspectives on Benefits trends 2010

43% of employers claim that controlling the costs of benefits was a key challenge

### Total Compensation = Base salary + mandatory fringe benefits

+ Bonus	For workers earning Rs10,000 or less per month
+ Dearness allowance	Employees below management level
+ Provident fund	12% of wages
+ Paid annual leave	1 day per 20 days worked
+ Health insurance	4.75% of total wages
+ Severance pay	15 days for each year of service
+ Paid sick leave	7 days per annum
+ Casual leave	7-10 days for unforeseen circumstances
+ Maternity leave	12 weeks at full pay

Source: Economist Intelligence Unit – Human Resources in India

The scarcity of senior management and leadership skills in the emerging world is having a predictable effect on remuneration packages. A leading multinational bank cites that their top talent in India, China and Brazil are paid double that of their peers in the UK<sup>47</sup>.

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Supply falls short of demand: an estimated 2,735 new managers are required in India each year

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## Leadership Development

With the explosive growth of the services sector in India has come a strong demand for high quality management and leadership skills. There has been a 55% increase in the number of institutes offering management education in India, with over 100,000 students undertaking MBA programs at 1,200 Indian institutions. Still supply falls short of demand: an estimated 2,735 new managers are required in India each year, with graduations topping out at 1,740<sup>48</sup>.

The DDI Global Leadership Forecast 2011<sup>49</sup> included 1,629 respondents from India (1,556 Leaders and 63 HR Professionals). Although 51% of Leaders and 37% of HR Professionals rated the standard of leadership in India as high, this still highlights that up to half of all Indian managers fail to meet the required standards. Organisations in India are helping to bridge the gap through focused leadership development. In 2011, 44% of survey respondents claimed to have increased their spending on developing leaders by more than 10% over the previous year, and 52% expect that in 2012 they will do so again. This is almost twice the increase demonstrated by the consolidated global sample.

The leadership competencies most in need of development have remained largely the same, with one notable exception. In the past the operational ability of making difficult decisions was ranked in the top three: going forward, this is being replaced by the more strategic need to be able to identify and develop future talent. This highlights the increasing importance of effective career-pathing and succession planning in Indian organisations.

### Critical Leadership Skills (PAST 3 YEARS)

- Driving & managing change
- Making difficult decisions
- Coaching & developing others

### Critical Leadership Skills (NEXT 3 YEARS)

- Driving and managing change
- Coaching & developing others
- Identifying and developing future talent

Source: DDI Global Leadership Forecast 2011 - India Highlights



## WOMEN IN LEADERSHIP

A survey of 56 large organisations in India (19 local Indian companies and 37 multinationals) on gender diversity recently highlighted the state of gender equality in the Indian workforce<sup>50</sup>. Overall, women hold a minority of management positions: less than 1 in 8 in local companies and 1 in 5 in MNCs. At the executive level, only 1 in 20 roles are held by women in local companies, and 1 in 10 in MNCs.

Representation of Women		
	Local Companies	Multinational Corporations
Executive managers	5%	12%
Senior managers	9%	14%
Managers/Directors	16%	19%
Management pipeline	27%	30%

MNCs appear to be doing a better job of optimising workforce diversity

Source: Catalyst 2010 Benchmarking Report

MNCs appear to be doing a better job of optimising workforce diversity. By measures of attrition and promotion, MNCs are well ahead of local companies. 84% of MNC respondents can point to a formal strategy for the advancement of women in their organisations, compared to just 37% of local companies, and while 95% of all respondents had leadership development programs in place, only 17% of local companies compared to 51% of MNCs had programs specifically targeting the development of women. For those women in leadership development programs, a senior mentor was a popular support, and across the board, CEOs or senior executives tended to champion mentoring initiatives.

Mercer India also cites gender diversity as the most popular form of diversity program, well ahead of culture, race, age, disability, sexual orientation and religion. Diversity and inclusion programs are being targeted as key to talent sourcing and retention strategies: 70% of organisations surveyed noted that the driver behind their diversity programs was recruitment, 61% said it was to improve their employer brand, and 60% viewed it as a means of gaining access to untapped talent pools<sup>51</sup>.

The continual pace of change and growth requires strong leadership. As these survey results show, it also requires a style of leadership that can guide and support employees through periods of intense ambiguity and be able to provide a strategic vision for the future as well as deal one on one with the challenges faced by individuals. Transformational leadership is required in India to lead organisations through exponential growth and the associated changes to roles, structures and direction. One study of organisations in northern India found that transformational leadership was as strong a predictor of organisational commitment as pay<sup>52</sup>. This highlights that employees place the same importance of effective leadership as they do on practical financial considerations.

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There is an increasing number of high quality management and other tertiary educational institutions in India

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## Training and Development

Indians value learning and education very highly. In the traditional caste system, the highest order, Brahman, were teachers, scholars and priests. Today, Indian parents see education as the best, and in many cases, only way to improve the prospects of their children, so there is a strong emphasis on educational achievement.

There is an increasing number of high quality management and other tertiary educational institutions in India, but their ability to meet the demand for graduates still has a long way to go. For example, acceptance ratios for places in India's top business schools is around 1.5% of applications received annually, compared to U.S. Ivy League schools who accept between 9 - 15% of applicants<sup>53</sup>. Even then, only an estimated 15% of students graduating from Indian colleges are deemed of adequate calibre to take positions in multinational corporations.

Consequently, much of the workplace training and education load is borne by organisations who see this as the only way to fast track Indian talent. Over the past decade, multinational organisations in particular have led the charge in using corporate training as both a key factor contributing to organisational effectiveness as well as a retention strategy. By establishing high tech corporate universities and training centres, companies such as Accenture, IBM, Infosys, Wipro, Syndicate Bank and ABG are contributing to workplace skill development as well as increasing their attractiveness as employers<sup>54</sup>.





Employees working in Indian call centres have a much higher than average need for certainty

### ADAPTING FOR CULTURAL DIFFERENCES

Training content and delivery methods need to recognise the cultural differences between India and the west. International training firm ITAP highlights the implications for training implementation in India based on cultural variations using Hofstede’s cultural dimensions model. For example, employees working in Indian call centres have a much higher than average need for certainty. In the training environment, this calls for highly structured content that clearly and methodically presents the material to be learned.

Similarly, the factor of power distance is much higher for Indians. This translates into expectations that trainers are experts in their field, will lead the learning process and provide close supervision. Indian training rooms are likely to be less participative, more instructional and formal than those in the U.S<sup>55</sup>.

Training and development are amongst the most highly sought offerings by potential employees and organisations in India are using this lever actively to attract and retain talent.

Cultural Analysis - Culture in the Workplace Questionnaire™ Data				
Description (average)	Individualism	Power Distance	Certainty	Achievement
India Call Centres Overall average	53	61	70	49
Hofstede India Country Average	48	77	40	56
Hofstede USA Country Average	91	40	46	62

Source: ITAP International Training, 2012

## In closing

Like its neighbours and emerging market peers, India is in a state of significant transformation. It stands to be a major global economic force in the near future and is already at the centre of the strategic plans of many multinational corporations.

India's next generation workforce is now graduating from colleges, acquiring workplace skills and progressing along ambitious career paths. Their numbers are large and growing and we can expect their contribution to business growth and innovation to be commensurate with their potential. Harnessing this dynamic talent pool is the challenge for managers and organisations everywhere.

The workplace in India bears many similarities to workplaces in western nations. Still its unique characteristics and cultural distinguishers should not be underestimated or undervalued. Indians are proud and optimistic about their future prospects, and rightly so.

India is stepping up at a time when the western world is strapped in lethargy. How India evolves, manages its internal and international growth and develops its human capital will be among the hallmarks of our global future.

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## About the author

Sylvia Vorhauser-Smith is Senior Vice President of Research at PageUp People. She is responsible for driving thought leadership in the field of human capital management for global organisations facing cross border expansion and growth.

Vorhauser-Smith has more than 25 years of experience in corporate and entrepreneurial business environments, including positions as Head of Selection and Development at Westpac Banking Corporation, Human Resources Manager for Citibank Limited, and General Manager of Integrated Talent Management for PageUp People. Prior to joining PageUp People, Vorhauser-Smith was Founder and Chief Executive Officer of consulting firm Talent Edge, specialising in bespoke leadership development and talent management solutions.

Vorhauser-Smith is a regular national and international speaker on neuroscience, talent and human capital management, having addressed audiences in Boston, Singapore, Kuala Lumpur and across Australia. She is a featured contributor to Forbes Magazine and author of numerous white papers on talent management. Vorhauser-Smith holds a Bachelor of Business and Graduate Diploma of Psychology from Monash University, and a Post Graduate Certificate in NeuroLeadership from Middlesex University.



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