

Significance of Talent Management in Public Sector Enterprises in India - A Case Study

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Abstract: The dynamic nature of global business is putting an ever-increasing pressure on companies to be constantly on the lookout for incomparable talent in a market where demand far exceeds supply. Given the current focus on the linkage between talent and an organization's business challenges and strategies, effective strategy execution requires sufficient numbers of the right people with the right skills and knowledge, in the right roles. Pressing business necessities, such as increasing turnover as the economy improves, globalization of markets and labor forces, aggressive competition and heightened corporate oversight, have intensified the need to acquire, develop, deploy, motivate and retain key talent. Getting the right people with the right skills into the right jobs is always a challenge.

Key words: HRM, MDPs, PRP, PSEs, training.

I. INTRODUCTION

Most of the organizations do not feel much about managing their talent. Talent management is not only important for hiring people as per the need, it is also important for determining when to hire. In the traditional model of hiring supply meant developing people internally for future. There was an upfront investment in candidates recovered through an enhanced performance over time. This was a good perspective; there were equal chances of making and losing money by investing the people. Hiring from outside or temporary employment on the other hand was seen as something that cannot fetch you substantial returns and or act as potential source of knowledge and competitive advantage.

The traditional and lifetime model has been breaking up and giving way to a new model. Outside hiring increased along with the increased employee turnover. The change was brought over by organizations failing to plan. Increased pressures from market for speed of delivery and variety of goods, the third wave of corporate restructuring and failure to keep up with new management practices brought chaos to planning.

In a survey conducted in 2003 by SHRM it was found out that 60% of the firms have no succession planning of any kind. Surprisingly more than 70 % had it in that late 1970's. IPMA-HR survey of the workforce as a whole in the year 2004 found out 63 % have no workforce planning of any kind; the same was an integral component of virtually all companies in 1950's.

People now prefer flat hierarchies, build careers around jobs and want a clear performance management system. There are work-life balance concerns, issues of job flexibility all of which calls for renewing the social contract with the employees. The employees, their psyche, their beliefs and most important their attitudes

are changing - talent management cannot afford to sit back. It needs evolution.

II. CONCEPTUAL OVERVIEW OF TALENT MANAGEMENT

Talent in general terms refers to the capabilities, skills or the art a person possess in a particular field. It also refers to those people who have high potential, scarce knowledge and skill or who can successfully bring about transformation and change in the organization. Such individuals are usually sought after in the market and their contributions to the business add direct value to its strategic or competitive positioning.

Coming to the word Talent Management in an organization, it refers to those special steps an organization adopts to recruit, develop and retain its pool of top talent. The steps adopted should normally be creative and should not project bureaucracy. Talent Management also denotes a deliberate approach taken up by an organization to attract, retain, motivate, and develop and succession plan for people with the aptitude and abilities to meet not only the current requirements but also future organizational needs. In talent-hungry market scenario, one of the greatest challenges that organizations are facing is to successfully attract, assess, train and retain talented employees.

Talent Management encompasses in itself the entire process of Planning, Recruiting, Developing, Managing, and Compensating employees throughout the organization. Organizations have realized the need for talent management and are now focusing on methods to develop and retain the existing talent in their organization rather than trying to acquire a new talent because the cost of identifying, developing and retaining the talent internally is more cost effective than that of replacing the talent, which is lost from external market. Though it may appear initially that in the process of

retaining talent, we are spending more in terms of increased wages, rewards and recognition, when we practically analyze, the cost of acquiring a new talent is higher. Apart from higher cost of acquiring the new talent, it has furthermore faced the initial hiccups of a new employee getting along with the organizational goals and strategies.

Talent management implies recognizing a person's inherent skills, traits, personality and offering him a matching job. Every person has a unique talent that suits a particular job profile and any other position will cause discomfort. It is the job of the Management, particularly the Human Resource Department, to place candidates with prudence and caution. A wrong fit will result in further hiring, re-training and other wasteful activities. Talent Management is beneficial to both the organization and the employees. The organization benefits from: Increased productivity and capability; a better linkage between individuals efforts and business goals; commitment of valued employees, reduced turnover, increased bench strength and a better fit between people's jobs and skills.

Employees benefit from: Higher motivation and commitment; career development; increased knowledge about and contribution to company goals; sustained motivation and job satisfaction. Talent signals an ability to learn and develop in the face of new challenges. Talent is about future potential rather than past record of accomplishment. So talent tends to be measured in terms of having certain attributes, such as a willingness to take risks and learning from mistakes, a reasonable level of ambition and competitiveness and an awareness of their ones strengths, limitations and impact on others.

Several talent management processes need to be in place on a strategic level in order ensure its success. Such processes/strategies include talent identification, recruitment and assessment, competency management, performance management, career development, compensation, succession planning. Talent management has a number of benefits to offer such as employee engagement, retention, aligning to strategic goals in order to identify the future leadership of the organization, increased productivity, culture of excellence and much more. Organizations have long known that they must have the best talent in order to succeed in the hypercompetitive and increasingly complex global economy. Now, however, along with the understanding of the need to hire, develop, and retain talented people, there also is awareness that organizations must approach talent as a critical resource that must be managed in order to achieve the best possible results.

The important dimensions, which constitute the concept of talent management, are attraction, retention, motivation, development, and succession planning. But they are bundled together to produce a more coherent whole that can be a vehicle for the development and implementation of coordinated and mutually supporting activities that help the organization to get and to keep the talented people it needs. The idea of talent management

is attractive for many reasons. Managers and HR professionals feel they should be doing more about developing their organization's workforce for the future and talent management is assumed to be just about this. Talent management is about positive thing doing things for your people, investing in developing them, building on their potential and, therefore, helping people make the best use of their strengths and improve upon their weaknesses. The term talent management also has the potential to be applied both to meeting the needs of the organization and of the individual, which is in tune with the current sense of what Human Resource professionals should be trying to do. Talent management starts with the business strategy and what it signifies in terms of the talented people required by the organization.

Ultimately, its aim is to develop and maintain a talent pool consisting of skilled, engaged, and committed workforce. Organizational strength has been believed to be depended on the on the shoulder of its employees as they are recognized as the most important and valuable assets in organization. This could be due to the current trend on intangible assets such as brand names, innovation, creativity and entrepreneurship, the arena of today cater to company that can produce the potential of their key resources, as this will formulate them to be defined as outstanding. Concerns about locating, attracting, assessing and sustaining top talents in all markets have been increasing rapidly. To be successful it is not only important for the organization to find the right people on the right position but they should identify the superior performers for every position. Moreover, in reality it is argued that 5 the vision and strategy of a company are important as the people that eventually drive the company into the future. Every business unit is making sure that they can respond and withstand the challenges of talent crisis by developing an effective talent management strategy like identifying the key talented people in the organization, cultivating and developing the skill of their present workforce and retaining highly talented employees by protecting them from competitors.

III. NEED AND IMPORTANCE OF TALENT MANAGEMENT

Talent management is a process that emerged in the 1990s and continues to be adopted, as more companies come to realize that their employees' talents and skills drive their business success. Companies that have put into practice talent management have done so to solve an employee retention problem. The issue with many companies today is that their organizations put tremendous effort into attracting employees to their company, but spend little time into retaining and developing talent. A talent management system must be worked into the business strategy and implemented in daily processes throughout the company as a whole. It cannot be left solely to the human resources department to attract and retain employees, but rather must be practiced at all levels of the organization. The business

strategy must include responsibilities for line managers to develop the skills of their immediate subordinates.

The study made by Dr.T.V.Rao revealed that Human Resource management with special reference to Talent Management in Indian PSUs has a great past and is currently at a crossroads in spite of some innovative practices attempted by the enterprises. The authors has pointed out the ignoring role of the PSEs and commented on the short-target driven rather than long-term intellectual-capital focused. The author has concluded that PSUS need to focus on consistent implementation of ideas, encourage the talent of the employees and fair leadership which administers all theses will lead to the success of the PSEs in the long run.

IV. OVERVIEW OF PUBLIC SECTOR ENTERPRISES

Central public sector enterprises (henceforth, referred to as PSEs) have been established, managed, and controlled by the Government of India as government companies (under the Companies Act or statutory corporations under the specific statues of Parliament). In these enterprises, the Central Government holding in paid up share capital is more than 50 %. The government has used these public enterprises as an instrument for attaining self-reliant economic growth, and over the years they have played an eminent role in the sustainable growth of Indian economy.

The Central Public Sector Enterprises (CPSEs) have been a strategic lever for Indian economic development in both pre independence and post-independence era. In pre-independence era there were very few CPSEs in India which were centric to Railways, the Posts and Telegraphs, the Port Trust, the Ordinance Factories, All India Radio, the Aircraft factories, etc. Over the years, CPSEs not only have grown in numbers but also in the range of activities such as manufacturing, engineering, steel, heavy machinery, textiles, pharmaceuticals, petrochemicals, etc. This growth in span of CPSEs is a consequence of several initiatives taken during various Five Year Plans. The number of CPSEs as on 2010 was 249, with total investment of nearly INR 5.8 lakh crores against five CPSEs with total investment of INR 29 crores in 1951.

CPSEs growth has been in line with the overall growth of the country, recording a CAGR of 11 percent as against the GDP growth rate of 16 percent CAGR during FY2005-2010. Decline in turnover from INR 12.7 lakh crores in FY2009 to INR 12.3 lakh crores in FY2010 was primarily because of reduction in sales of refined petroleum (INR 74 thousand crores) though turnover in some other industries have been increased e.g. transportation, power generation, etc.

The opening of the economy has changed the market dynamics with private sector playing a greater role in shaping the industrial landscape. As a consequence, the CPSEs have been exposed to competition from domestic and multinational corporations. The recent economic downturn has reaffirmed the confidence in public sector

enterprises in India as they have emerged relatively intact as compared to private companies. Nonetheless, not all CPSEs performed that well. During 2009-10, 158 CPSEs of the total 249 reported cumulative net profit of INR 1.08 lakh crores.1 Public enterprises that have reformed their businesses and benchmarked their performance with the best practices are able to perform better than the rest of the CPSEs. CPSEs are transforming in terms of organization, financials and operations in order to narrate a turnaround story. However, many CPSEs are still facing several issues such as financial autonomy, bureaucracy, corruption, risk aversion, ineffective governance, political interference, inability to recruit the right talent, and corruption.

The Public Sector Enterprises over the last many decades have played a significant role in the national development. The government owns or controls interests in key sectors including Infrastructure, oil, gas, mining, manufacturing and banking. Over the decades the Government of India (GoI) has taken a number of steps to improve the performance of CPSEs including through better corporate governance. Post liberalization, there has been an increased pressure on CPSEs to improve their competitiveness and the listing of CPSEs on the stock exchanges. As of 31st March 2014, the 50 CPSEs listed on the Stock Exchanges, contributed about 15% of the total market capitalization. Besides this there are 169 unlisted CPSEs. ONGC and Coal India are the 2 top CPSEs of the Top 10 companies on the stock exchange. The total market capitalization of all the CPSEs is Rs. 74.22 Lakh Crores. Despite subdued growth the PSEs clocked a net profit of Rs. 1,15,300 Crores in 2012-13, a 17% jump over the previous fiscal. They employed 14.04 lakh people and spent Rs. 1,16,375 Crores on salary and wages in 2012-13.

V. SIGNIFICANCE OF TALENT MANAGEMENT IN PSES IN INDIA

Investments in human capital have become the key priority for most of these enterprises. However, employing the right talent is just one part of the story. Training employees on a regular basis to keep their skills equipped at all times is of equal importance. Barring some honorable exceptions, the current state of HR in most PSEs can be put as under: Culture of precedence, standardization and industry practice.

In many PSEs, including Navratna and Maharatna companies, Human Resource management, policies, practices and systems have remained stagnated and have only shown incremental or marginal changes. In one Maharatna company, the promotion policy has not been revised for last 12 years and one can get promoted right up to ED level without the process of interview. The current tendency in many PSEs to hire consultants for HR to design new systems of appraisal or training is although a positive step but in the absence of an internal culture to improve the human processes, much of the output gets wasted. Most PSEs have not aligned their HR to the needs of the new order which calls for focus on

development of younger talent, developing open communication systems, diversity management, fairness in promotions, administrative excellence, investment in training and development. According to a research study by the Great Places to Work Institute (2012-13) in spite of many good features of Public Sector such as high level of pride, respectability, the following trends cause concern:

a) Employer Brand of PSEs has been diminishing over the last couple of years.

b) PSEs figure poorly on Trust Index such as communication and credibility, fairness and camaraderie. The research also concludes that PSEs figure low on communication, grievance redressal, hiring, rewarding and listening.

Any reform process in PSE can be facilitated by emphasizing and putting at center stage its people processes. Reforms in HR is a vital prerequisite for any PSE to continuously improve its positioning in a competitive market place and respond with greater responsiveness to a wider range of stakeholders. A good feature of some PSEs is that the HR function is represented at the Director level. As such directors generally come from the line function, it is important that they are inducted into the professional HR function through a formal training programme in Key Steps in building HR Functions Recruit HR specialists at Junior, Middle and Senior Level Induction of Director (HR) in HR functions through a long duration HR programme.

Develop in house training excellence Train the trainers and HR specialists in process work through Indian Society of Applied Behavioral Science or similar institutes. Create appropriate structure in HR – Separating development from administrative Create Director committee for HR and include outside specialists in HR Develop an “HR Policy” document clearly enunciating corporate approach to various sub systems of HR Clear role definition for HR functionaries and accountability Work-plan both short term and long term for HR. There is a need to induct people specialists in PSEs. People issues are increasingly complex and require suitable academic orientation in psychology, methodologies of appraisal, learning, assessment, etc.

PSEs in some sectors like oil and gas are also rapidly expanding and are increasingly eyeing acquiring of assets abroad. Maharatna and Navratna companies have been delegated certain powers by the Government for investments in capacity expansion. It is an undisputable fact that many of the new aspirations and diversification into new business areas can be met only through the availability of a continuous pipeline of talent and leadership in such companies. The panel of experts on Reforms in CPSEs (2011) has also pointed out that the PSEs management is confronted with the need for ever changing skill sets, higher efficiency standards due to increased competition and the need to retain talent in the face of attrition. A performance culture, nevertheless, needs to be inculcated in CPSEs.

Productivity of resources both manpower and materials is going to play a major role in determining the success of CPSEs in future. Different PSEs are at different levels of maturity in regard to their Human Resources in terms of competence, availability of specialized people and leadership pipeline. While government has taken a number of steps to improve the level of governance in the PSEs, there has been far and few initiatives to improve the system of Human Resources Development. Except for introduction of incentives in the form of Performance Related Pay (PRP), mostly it is left to individual PSEs to architect their Human Resources within the overall framework of the guidelines issued by the Department of Public Enterprises.

VI. REHASHING OF TALENT MANAGEMENT SYSTEM IN INDIAN PSEs

1. Training content and form was changed to make it more relevant to emerging areas such as Risk Management, Asset Liability Management, Technology Management, Forex Management and Market orientation;
2. Emphasis on development of Talent pool in the area of Credit, Forex and Treasury; Involvement of Functional General Managers in design and conduct of the programs were the hall mark of this initiative;
3. Staff College should be encouraged to undertake research initiatives relating to issues in operations
4. To meet the Leadership challenges, Management development programs are to be undertaken in collaboration with IIM, Ahmedabad, MDI Gurgaon and Grow Talent;
5. Training was decentralised at functional level and each functional head was expected to devise their own training plan to develop the critical skills and talent for their functions.
6. Existing HR officers were groomed through a long duration programme at MDI to develop their orientation from an IR mindset to developmental agenda.
7. There is an increasing realization that deployment of quality human resources is critical for sustainable performance of the PSEs. Accordingly, in pursuance of attracting and retaining quality talent, most of the PSEs have taken requisite initiatives like having a succession planning policy aimed at identifying employees with leadership potential and accordingly grooming them to fit into the envisaged leadership roles.

VII. CONCLUSIONS

PSEs often face strong competition from private organizations as they operate in a highly regulated environment. During their operations, PSEs could either gain momentum in their growth through sustainable development guidelines or face restrictions and deterrents due to price war, competition, and obsolescence of resources and technology. In order to meet these, effective talent pool in the form of employees is vital for the success of PSEs. The talent management

is the next generation vital factor which in turn decides the fate of PSEs. The focus of talent management tends to be on management, executive positions and highly technical positions, in order to meet the challenges, continuous training and development, performance management will add energy to the talent management. Linking of Talent management through effective Human resource management with the strategic goals and business objectives, develop organizational culture that foster innovation and flexibility, finally getting the competitive advantage is what is organizations need to focus today by managing the talent.

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