CHAPTER 1 – INTRODUCTION

This chapter consists of the following sections:

1.1 Defining Talent
1.2 Measuring Talent
1.3 Formulating Talent Strategy Plan
1.4 Managing “Employability Hot Button”
1.5 Focusing on Talent Shortage
1.6 Diagnosing the Dynamics of Talent Supply Chain
1.7 Spectrum of Research Work
CHAPTER 1 - INTRODUCTION

Take away my factory, money, land and organization but leave me my people and within 5 years, I will have it all back.”

- Alfred Sloan, Fortune’s Businessman of the century.

The words of wisdom from Sloan, who served as the President of General Motors Corporation for 14 years (1923-1937), speak volumes about the importance of “human capital” in making or marring an economic activity. The utility of human capital in turn reflects his/her “talent”; an innate quality that needs to be fine tuned or nurtured to meet the growing expectations from employers in today’s economy. In general parlance, the natural aptitude or skill in an individual to perform a task efficiently and effectively is referred to as “talent.”

1.1 Defining Talent

Ken Shelton, the founder of Executive Excellence, a 16-year-old training and publishing firm in values-based personal and team development, ethical management, and principle-centered leadership, defines talent in the business context as 'capability applied to create value that is recognized and rewarded by primary stakeholders, owners, managers and customers' (Shelton, 1999). People with “talent” always know how their jobs fit within the value chain and excel in performing the routine tasks at the high-leverage components of their jobs. They are a vital source lending comparative advantage to their employers in the global market.
1.2 Measuring Talent

Successful businesses use a combination of human capital metrics and decision support tools to leverage on the performance of their human capital. Such reporting systems cover different employee-specific focus areas like recruitment trends, attrition trends, growth trends, skill gaps, risk factors, costs, performance, professional goals vs. corporate goals, and profitability. Several methodologies are mooted by experts to measure talent quantitatively and therein calculate the return on investment in human capital.

Grow Talent Company Limited, offering services in the areas of acquisition, assessment and development of talent, advocates quantifying talent using the concept “House of Talent”.

Four capacities make the “House of Talent” of an individual and collectively of the organization (Figure 1-1).

1. AQ = Action quotient, which measure the capacity to act
2. CQ = Conceptual quotient, which measure the capacity to think
3. RQ = Relationship quotient, which measure the capacity to relate
4. LQ = Learning quotient, which measure the capacity to learn

Note: AQ stands out the most and is visible even from a distance. CQ and RQ form the pillars of “House of Talent.” LQ takes an individual to the house of talent. Talent Quotient (TQ) is the weighted average of the four capacities.
By measuring TQ, organizations can optimize their human capital investments, which typically account for 35-60% of their operating budget. Pivotal employees can be zeroed in on the basis of TQ values and accordingly companies can re-define their people processes with an aim to retain the talent and charter future business growth.

1.3 Formulating Talent Strategy Plan

Talent always seeks creative freedom and expression. Pay for performance schemes coupled with a supportive management helps in engaging talent and boosting the TQ. Also to have a long term competitive advantage, organizations must have a well aligned “talent strategy” plan, implemented through phases. In Phase - 1, identify the talent gaps from a business perspective and develop an action plan for acquiring, cultivating,
rewarding, and organizing talent. Next comes the implementation phase; wherein the cause-effect assumptions made while designing the action plan can be actually tested. In the last phase, measure the performance outcomes using performance indicators. Based on the performance outcomes modifications / status quo of the plan can be effected (Bergeron, 2004).

Acquiring talent: Spotting creative talent emerges as the first building block in any “talent strategy” plan. Creative talents falls under eight groups (Levesque, 2001):

1. Adventurers, whose improvisational creativity allow them to experiment with clever and practical responses to problems; their flexibility, curiosity and skilful ingenuity, add positive energy to the team. At work they are the crisis solvers.

2. Navigators, whose more reflective, adaptive creativity focus on facts and details and allow them to build on what others have done. At the same time they will add their own unique twist.

3. Explorers, whose possibility creativity plunge them into a world full of new options, opportunities, and discoveries. Their timeless idea generation pushes them beyond accepted and expected solutions.

4. Visionaries, whose more introspective synthetic creativity ask thoughtful, bold questions, see multiple connections, and provide incredible insights into the future. As strategic planners and futurists, their keen foresight helps the team uncover far reaching visions and possibilities.

5. Pilots, whose strategic creativity provide new strategies and plans to improve designs and performance; their focus on goals and objectives enable the team's creative efforts to be effectively channeled to achieve results efficiently.
6. Inventors, whose analytical creativity build theories and models to analyze problems and provide insights; their ability to figure out what makes things tick supports the search for unusual solutions.

7. Harmonizers, whose relationship creativity provide a focus on people issues and support a climate that brings out the team's creativity; their communications and political skills and consideration of context and circumstances facilitate successful implementation of change initiatives.

8. Poets, whose gentle value-driven creativity encourage reflection, articulation of feelings and an appreciation for elegance; their nurturing support and calming grace provide a team with a safe place for testing new ideas.

Any successful organization has to have a well aligned Talent Strategy that will help them navigate the “employability hot button” cutting across these eight creative talents.

1.4 Managing “Employability Hot Button”

An effective talent strategy plan invariably succeeds in addressing one vital issue, namely, employability of human capital. Employability refers to a person’s capability of gaining initial employment, maintaining employment, and obtaining new employment if required. An organization can ramp up its competitive advantage in the market by effectively managing “Employability Hot Button”; which in turn depends on four key activities, namely, staffing, transforming, attracting and retaining (Figure 1-2).
"Whether it's a store manager or a software developer, there's a huge gap between the business results that average employees deliver and what stars deliver. If you want to win the battle in the product market, first you have to win the battle in the talent market."

- John J. Sullivan, Management Professor, San Francisco State University.

The “stars” or the creative talents are bound to emerge as the most important asset of any company; triggering “war for talent” among recruiters. The age-old practice of posting open positions in newspapers or job portals is giving way to “walk-in interviews”, campus recruitment drives and employee referrals.
Quicken Loans, a US based internet lender had 200 openings of mortgage bankers to be filled in a month. The job demanded a great deal of customer interaction. The team of recruiters organized a “road rally” wherein they visited a select group of stores like Best Buy and Circuit City and restaurants like T.G.I. Friday’s. They walked the aisles, bought merchandise, ordered meals and zeroed in on employees and managers who stood out by virtue of their energy, enthusiasm and rapport with customers.

1.4.2 Transform

The next step towards managing “employability hot button” is to transform the creative talents to become star performers. Individual psychometric test results and interview feedbacks can be analyzed to identify potential areas of improvement. Subsequently the hired talents can be put through modern training methodologies and tools to impart active learning. A judicious mix of Instructor-led-training, Web-based-training and on-the-job training can be used to align the talents to organizational systems and processes. Using a performance management system individual roles and tasks can be aligned with the company’s overall goals and objectives. Through a transparent feedback system the creative talents can be honed further to recognize their strengths and weaknesses and chart out their own development path within the company.

sanofi-aventis, a US based pharmaceutical company, and winner of ASTD’s BEST award¹ 2007, launched an innovative continuous learning program for their professionals.

¹ Established in 2003, the ASTD (American Society for Training & Development) BEST Awards Winner’s Circle includes small and large private, public, and not-for-profit organizations from around the world. Award winners show that they are BEST at Building talent, Enterprise-wide, Supported by the organization’s leaders, fostering a Thorough learning culture.
Through a combination of more than 700 courses aligned to corporate values, key productivity measures and core competencies, offered via CD-ROM, textbook, audio CD, DVD, and online and classroom training, every employee created an individual development plan. Curriculum maps that identify the training programs for each of these areas are available through the company’s Learning Management System (LMS). The employees identified a development area suiting their functional area and core competency and then used the course maps to select the courses most aligned to their need.

1.4.3 Attract

Upon aligning the creative talents to organizational goals, the next step is to make the work/job role attractive to them. Competitive compensation packages and people-oriented work culture continue to play a decisive role in attracting talent. Besides, employees are found to be more loyal to companies where managements trust their employees, set the highest standards in people-practices helping the employees in work-life balance, commit themselves to first class employee development, seek out opinions and ideas from across the workplace and treasure their employees as they do their customers.

*National Thermal Power Corporation*, India's Largest Power Producer, supports their high performing, high potential people, through a slew of highly motivating measures, namely, executive MBA programs, M.Tech programs in Power Engineering, open competitions for excellence, need-based interventions and planned interventions.
**Wipro**, the world’s first SEI-CMM² Level 5 Information Technology (IT) Services Company supports global certifications of all the employees in Wipro Technologies to motivate and encourage them in enhancing their skills. Wipro also encourages and supports its employees in the pursuit of knowledge, including that which leads to the award of a higher certificate, diploma or a degree from top-notch institutes and universities in India and abroad to help its employees in their academic pursuits.

### 1.4.4 Retain

In the final step towards managing “employability hot button” companies strive to retain talent; handpicked in the staffing stage, and groomed by training, and support environment. Companies succeeding in attracting and retaining talent are referred to as “talent magnets.” (Lee, 2000). Managers in “talent magnets” clearly understand that the company’s competitive advantage largely depends on their ability to attract and retain people. Market forces decide the movement of employees; a far cry from the inward looking people practices wherein companies focused more on making the organization as pleasant and rewarding for the employees. Human Resources (HR) management practices are also changing with times.

**Prudential**, one of the leading UK based Life Insurance Company, has rolled out “Building Management Capacity” program integrating recruiting, training and retention efforts targeting its workforce (Cappelli, 1999). The program started with an assessment of how long the organization would like employees to stay on board. They found that the creative talents can be grouped into three. The first group consists of real geniuses an

---

² Software Engineering Institute – Capability Maturity Model
employer will want to retain on a long-term basis. The second group consists of creative
talents with specific skills which are in short supply. The last group will be doing easy-to-
fill jobs. The first group gets maximum priority when it comes to intensity of retention
efforts and hence investment.

A successful talent management strategy takes care of both the top performers and
average performers. The top performers are indispensable while the average performers
are also needed to run the organization. Through a balanced talent management approach
companies can fine tune the “employability hot button,” therein sustaining their
competitive advantage.

1.5 Focusing on Talent Shortage

Acquiring creative talents has emerged as a big challenge in all sectors of business
activities, be it consultancy, manufacturing, or the service sector, bringing the whole
issue of “Talent shortage” to the center stage of talent management. Talent shortage
refers to the shortfall in employable professionals/creative talent, competent enough to
face the challenges of today’s “knowledge based economy (KE)”. (Laporte, 2007). The
employability of Scientists and Engineers is gauged from their talent and skills to
integrate with the KE; characterized by new models of knowledge production, access and
distribution and technological connectivity. In a global poll, 75% of HR managers cited
attracting and retaining talent as the #1 priority while 62% cited company-wide talent
shortages as the main problem (Economist, 2006 as cited in Wince-Smith, 2006).

A Talent Shortage Survey conducted by HR Consultancy Manpower Inc., revealed that
nearly 41% of employers worldwide experienced difficulty in finding employable
workers. The developed world alone is expected to face a shortfall of 40 million working people by 2020 (Pawar, 2007, p.6-9). The severity of the problem was highest in Costa Rica (93%), followed by USA and New Zealand (62%); Japan with 61%, and Europe, the Middle East and Africa (EMEA) with 31%, followed suit. With an estimated pool of 45-50 million working people by 2020, India was better placed with only 9% of sample employers reporting difficulty in finding suitable workers compared to 19% in China; its main competitor in outsourcing services. But in World Bank’s Knowledge Economy Index (KEI), which measures the overall preparedness of a country to integrate successfully with KE, India’s downslide continues. In 2007, India was ranked 101st among 140 nations covered in KEI, showing an unhealthy slide from its 97th position in 1995 (The World Bank, 2007).

Also HR professionals are cautious when it comes to hiring graduates in developing countries. A McKinsey study shows that even if there are 100 graduates with the correct degree for 100 such requirements, only 10-50% of candidates are likely to be hired (Figure 1-3).
Of 100 graduates with the correct degree, how many could you employ if you had demand for all?

<table>
<thead>
<tr>
<th>Region</th>
<th>Engineer</th>
<th>Finance/accounting</th>
<th>Generalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and Eastern Europe</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>50</td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>50</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Poland</td>
<td>50</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Russia</td>
<td>10</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>India</td>
<td>25</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Philippines</td>
<td>20</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>20</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Brazil</td>
<td>13</td>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>

Suitability rates empirically based on 83 interviews with human-resources (HR) professionals working in countries shown. Mexico is the only country where interview results were adjusted—to 20% (from 42%) for engineers and to 25% (from 35%) for finance/accounting employees—since interview base was thinner and risk of misunderstandings high.

Source: Interviews with HR managers, HR agencies, and heads of global-resourcing centers; McKinsey Global Institute analysis

Figure 1-3 Talent challenge


In Asia, India’s position is slightly better off than China. Nearly 10-25% of India’s graduates (25% in engineering, 15% in finance/accounting, and 10% in general stream) are likely to get offer letters whereas only 3-10% of Chinese graduates may get hired.

A joint study by National Association of Software and Service Companies (NASSCOM) and Booz Allen Hamilton, a global Strategic management and technology consulting firm, published in 2006 on the potential of outsourcing engineering services; excluding software engineering, Product Lifecycle Management and other Information Technology enabled Services (ITeS), to India, estimated US$ 40 billion opportunity for India by 2020, creating 250,000 jobs for Indian engineers. But are our graduates employable enough to tap this huge potential?
India has almost 1400 engineering schools as of 2007, producing nearly 400,000 engineers a year. But as per a NASSCOM study conducted in 2005, only one in four engineering graduates was employable. The rest fell short in technical skills, fluency in English and ability to work in a team or deliver basic presentations (Majumdar, 2007).

A glimpse of India’s faltering education system can be perceived from the fact that India ranks third; next only to the U.S. and China in production of graduates but falls far behind world rankings when it comes to quality of graduates. Nearly 2.5 million students graduate each year from over 300 universities and 15,600 colleges in India. Each year India produces twice the number of engineers in comparison to the U.S.

But when it comes to quality of education, not even a single Indian University figures in the world’s top 300; a list compiled by a Shanghai university in 2006, after evaluating universities and research institutes all over the world. The Indian Institute of Science, Bangalore, comes in the top 400 and IIT Kharagpur ranks still lower (Basu, 2006).

Despite mastery over theories, Indian students were found to fall short of global standards when it came to practical adaptability and professional attitude to compete in a global economy. Thus, more than the number of qualified resources, the problem confronting India is the questionable quality of manpower. NASSCOM has projected a 235,000 shortage in skilled manpower by 2009 in the IT sector given the current demand and supply.
1.6 Diagnosing the Dynamics of Talent Supply Chain

It is important that we appreciate the dynamics of the Talent Supply Chain (TSC) in the context of a talent shortage faced by an IT Services firm.

The various stakeholders in a TSC and their interdependencies are schematically given in Figure 1-4.

1.6.1 Demand Signal Complexity

Many of the IT Services firms are faced with the complex task of growing year on year by greater than 30% while improving their profitability also by a steep percentage. This expectation is set by the capital markets where analysts and investors expect these firms
to be performing at this scale. The Management of these firms is expected to be committing to the media about their performance projections a year ahead and typically investors expect the firms to out do on these projections. This situation creates an abnormal pressure inside these Organizations to be performing at better than Best in Class standards on Operational parameters like Productivity, Quality and Resource Utilization.

For an IT Services firm that is based out of India, the customers shown on the right side are typically distributed globally. Many of the firms have about 60% of their businesses come from the US, about 30% from Europe and the balance 10% coming from the Far East countries.

The demand for outsourcing from these geographies depends on the general health of their economy. Unexpected ups and downs in economy result in highly unpredicted demand forecast. This uncertainty influences the demand signal (Figure 1-4). Since the size of the orders has become large, the cycle time for getting an order from the customer have also become high. With stiff global competition the predictability of business from the sales force has gone down to as low as 25% and hence the demand projections that are arrived at from such a business funnel is more a matter of intellectual guestimates than a scientific prediction of the future that can be used for business results.

In summary, the demand complexity arises due to:

- Geographically distributed customers
- Economies of geographies being cyclical
- Size and complexity of orders having gone up by an order of magnitude
Cycle time to get orders having significantly increased
Global competition has reduced predictability of orders
Customers have become more demanding in expecting faster turn around of servicing their orders

1.6.2 Internal Optimization

Given this uncertainty of demand projections and the need to show higher returns on the capital employed, IT service firms employ a highly sophisticated method of optimizing their internal operations to maximize key parameters.

They have online systems which capture the skill details of every individual in a granular form and update it on a quarterly basis. These systems track the completion of ongoing projects to predict as to when the people resources would be available for deployment into other projects. Those who are not currently on projects are encouraged to attend training programs that aim at enhancing existing skills and also re-skilling wherever required so that they can be utilized in the event of any new opportunities surfacing.

There are also several incentive schemes promoted by these firms to enhance productivity when employees work beyond the call of their duty or on weekends / holidays.

The objective of all these exercises are to:

- Increase overall productivity of the workforce
- Ensure higher engagement and utilization of the employees
- Have the buffer for the 30%+ growth of the Organization
- Be ready for faster ramp-up in the event of a steep business requirement
In spite of such an automated internal management, only 75% of the employees work typically on customer earning projects and the cost of sustaining the balance 25% workforce is the price that Organizations have to pay for the steep growth expected from them.

1.6.3. Supply Signal Complexities

From the supply side, there are only three viable alternatives for IT Services firms. Firstly, they can sub-contract the work to smaller firms. However, this has its own set of complexities as many of the customers have highly sensitive data that they would not permit leaving their Offshore Development Centers. Also, wherever sub-contracting is done, the quality standards are questionable as this is a people intensive work and output can vary from organization to organization based on the people and process maturity.

The second approach is to augment the workforce by lateral recruitment from other organizations in the same space. This comes at a steep price as the demand for experienced work force is quite high and employees market their skills across organizations and make a kill out of the opportunity. Such lateral recruits also many a time do not fit into the culture of the new organization. They also bring along with them the risk of jumping careers and organizations as they have past experience in that. The loyalty factor to the organization has to be built over a period of time through sustained investments.

Given these complexities and the fact that there is an escalation of about 12% on the cost in the supply side year on year due to salary increases and no commensurate increase on
the price side from the customers — in fact most of them are expecting a reduction in prices, the only viable alternative for IT firms is the third strategy - to focus all their energy on fresh recruits from campuses who are still available at an affordable cost. It is prudent to invest in their skills aggressively to make them ready for customer projects.

The complexity here is that offers to campus recruits are given typically at the end of their 3rd year of studies and hence there is a 24 month gap between the demand prediction and the student actually being available to fulfill that demand. This is a huge uncertainty risk factor that one needs to factor in as part of the overall supply chain optimization.

Supply side constraints can be summarized as:

- Sub-contracting is not viable as customer confidential material needs to be protected
- Sub-contracting can lead to quality issues due to variation in people and processes
- Lateral recruits are expensive
- Lateral recruits need to be en-culturized
- Lateral recruits are prone to career hops as they have past experience of the same
- There is a typical 12% escalation in costs year on year
- Campus recruits are the best option to manage margins
- Campus offers are given 24 months ahead of the prediction of a demand

All the above dimensions are the ignition keys for IT firms focusing on optimizing their TSC for overall better performance.
Accordingly their strategies factor in approaches towards:

1. Demand predictability
2. Resource optimization through elimination of the various states of waste
3. Just in time supply

Among these three approaches for an IT Services firm, in the current context, the highest influencer on better TSC is a backward integration process with the campuses as this is where the volumes are high and cost management can be maximized.

Among the campuses, we have the Engineering campuses and the Science campuses. Typically 20% of the intake only comes from Science colleges and 80% comes from Engineering campuses. Hence, it is more prudent to look at the Engineering campuses as the scope for this Research. Moreover, some organizations have gone as far as setting up Corporate Universities in this process of backward integration. However, that is a very costly investment and a replication of the supplier process.

1.7 Spectrum of Research Work

Our research aims at managing the TSC through a process of increased stickiness between the campuses and the IT firms thereby making the campuses fine tune their role to shape graduating students to suit the needs and expectations of the Industry or in other words making the graduates employable.

It is our strong belief and conviction that teaching cum learning methodologies must hone the employability skill in graduating fresh students - otherwise the talent supply chain
management (TSCM) will become 'will-o'-the-wisp'. It is this conviction that prompted us to choose this issue as the centre piece of our research investigation.

Our report is organized into seven chapters. After delving into the criticality of identifying "creative talents" and the pivotal role they play in sustaining the growth momentum of an organization we will proceed to a précis of major findings extracted from detailed literature review; followed by a detailed description of the methodology adopted for conducting the empirical research. An explorative treatise on analysis and research findings is presented followed by bibliography and appendices.