

# *A question of talent*

## Summary findings 2011-12

PwC Saratoga  
India Human  
Capital  
Effectiveness  
Survey  
July 2012









# *A fundamental driver of growth*

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PwC Saratoga is the world's leading source of workforce measurement. In India, Saratoga was launched in 2010 with the annual India Human Capital Effectiveness Survey.

This year's report includes human capital metrics covering financial impact, productivity, resourcing, learning and development, compensation and benefits, turnover and retention, the human resource function and workforce structure.

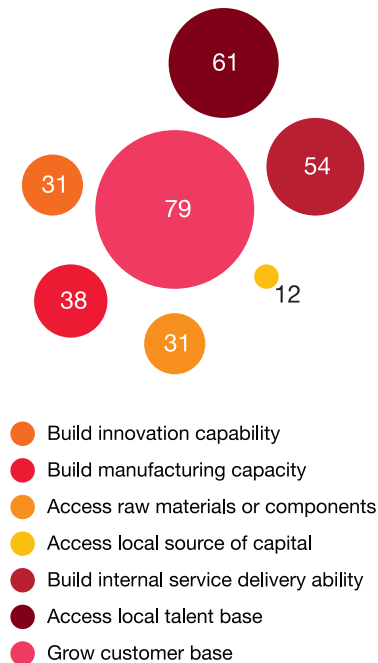
The survey was conducted across 58 organisations in India and its findings only re-affirm the belief that business leaders share across sectors--that talent is the fundamental driver of business growth.

For example, did you know that for every rupee that organisations invested in their people, they earned a net profit of 88 paise? Or that with human capital increasingly finding a place on the CEO's agenda, organisations have put together succession plans for three out of every four key roles, on an average? Or that with 35% of their workforce having tenures of less than two years, Indian organizations lagged their APAC and Western counterparts in retaining their people, for whom this figure was 30% and 15% respectively?

Companies which underwent the Saratoga benchmarking exercise are using its findings for their annual people planning exercises, to take stock of the health of their human capital and to chart action plans. Organisations are looking at putting in place scorecards and key performance indicators based on relevant metrics.

Here we present a summary of the key inferences drawn from the findings of the survey. We will be happy to discuss them as well as the challenges and issues you face.

# A cautious turn of events



*% CEOs identifying a given area as a key objective for 2012 in India  
15th PwC Annual Global CEO Survey*

The 15th Annual Global PwC CEO Survey indicated that in spite of low levels of confidence in economic turnarounds, business leaders were fairly certain of the abilities of their own companies to navigate through the grey.

So, while only 15% of the 1250 business leaders from 60 countries, including India, who participated in the survey were of the opinion that the global economy will improve in 2012, about 40% of them said that they were 'very confident' about their own companies' revenue growth.

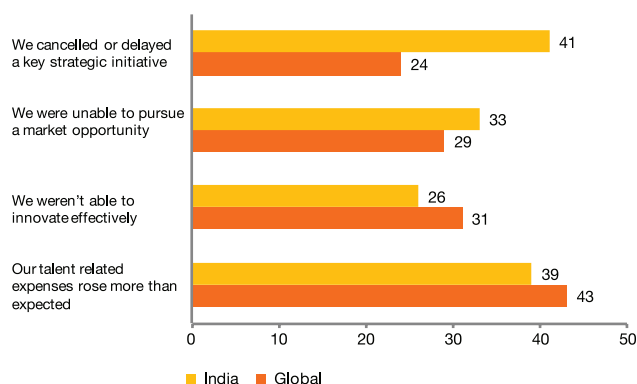
In other words, business leaders may be uncertain of the many political, social and regulatory developments underway, but they are not sitting back and doing nothing about it.

They are investing in their capabilities to improve their businesses' resilience against market volatility. They are focusing on products, services and markets which they are convinced hold the best growth opportunities. And they are looking at getting the best out of their talent.

For India, business leaders tabled accessing the local talent base as one of the key objectives they want to achieve in 2012, second only to growing the customer base.

# The question of constraint

*% CEOs identifying tangible effects of talent constraints*  
*15th PwC Annual Global CEO Survey*



Talent constraints are imposing tangible costs on companies. A look at the impact of talent constraints in India suggests that businesses have lost out in terms of cancelling or delaying key strategic initiatives.

In other words, the question of talent presents itself both as an opportunity as well a critical pressure point for CEOs in India. The 2011/2012 India Human Capital Effectiveness Report identifies the following key emerging talent themes:

- **Building capability, not just numbers.** Organisations are investing in training and developing their people to have the right skills in place.
- **Focus on retention.** Organisations are innovating to stem attrition trends. Getting rookies to stay is now an important element of the resourcing process.
- **Human capital issues are very much part of the CEO's agenda today.** The human resource function is increasingly in the limelight. With it, there is an expectation to deliver effectively and efficiently.

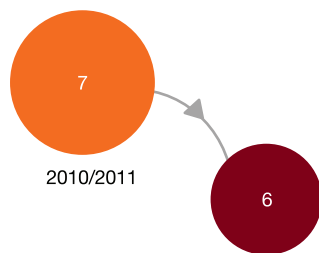
# Building capability, not just numbers

Organisations participating in the 2011/2012 India Human Capital Effectiveness Report indicated that it is not just about getting the right talent numbers in place. Instead, the trick is to have the right skills as well.

For example, participating organisations pointed out that deficiencies in managerial capabilities had led to several sub-optimal situations, such as reduced team sizes.

Thus, while the focus on growth persisted this year (with the median proportion of their workforce hired from the market at about 27-28%), organisations focused on learning and development this year, clocking higher hours per person than in 2010-11. Additionally, they looked at widening their talent source pools, especially for women.

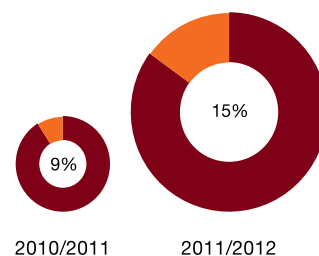
*Span of control*



*L&D Hours per FTE*



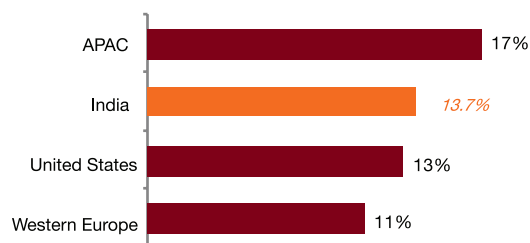
*Gender Diversity (% of Women)*



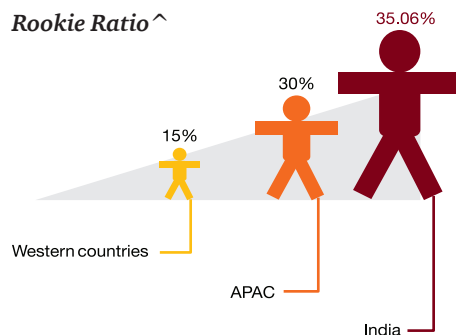
*Note: Median metric values for all India Human Capital Effectiveness Study participants have been represented here*

# Focus on retention

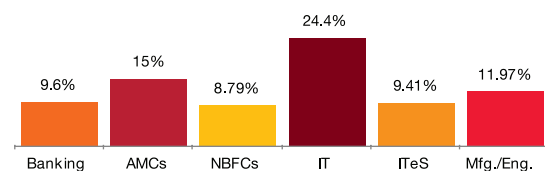
*Variable pay (as a% of compensation)\*^*



*Rookie Ratio*^



*Internal appointment rate\**



With organisations continuing to lose talent (the median resignation rates for 2010-11 and 2011-12 have been largely consistent at about 15%), the focus is increasingly shifting (pan sector) to retention.

Participating organisations are looking at leveraging talent enablers like variable pay. An area of focus is also the rookie population or employee with less than two years' tenure in the organisation, where organisations are looking to bridge role expectations mismatches and better integrate their younger populations. In fact for many, getting rookies to stay is an integral part of the resourcing lifecycle.

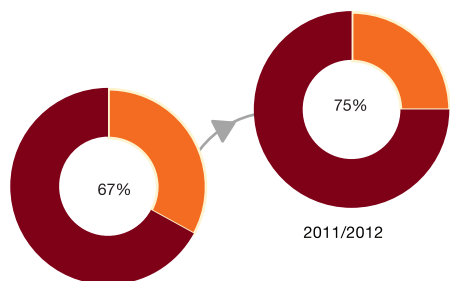
In other words, retention extends beyond merely keeping employees 'happy'. Many organisations are now rethinking their rewards approach, looking to move towards a total rewards philosophy. Internal role movements are increasingly being seen as a strong tool of engagement. Several others recognise that different demographic segments have separate requirements and expectations.

*Note: Median metric values for all India Human Capital Effectiveness Study participants have been represented here*

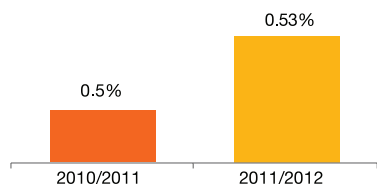
*\*Metric available to participating organizations only*

*^Source: PwC Saratoga global research*

# Part of the CEO's agenda



2010/2011  
% key positions covered under succession planning\*



HR Costs as a percentage of total cost

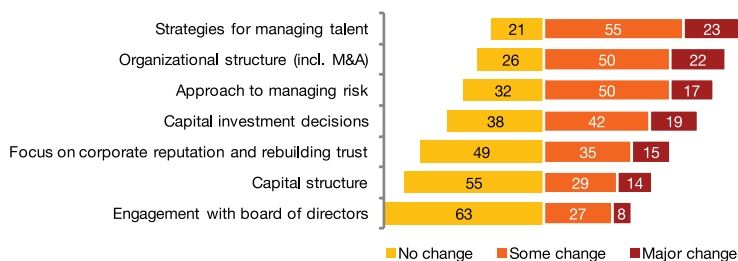
Note: Median metric values for all India Human Capital Effectiveness Study participants have been represented here

\*Metric available to participating organizations only

That more strategic talent management calls for human resources and business functions to work closely together in planning and decision-making is not new. That talent is increasingly dominating the CEO's agenda is a welcome development. The 15th Annual Global CEO Survey suggests that 78% of all CEOs want change in the way they manage talent.

Succession planning is a key element of strategic talent management. The 2011/2012 India Human Capital Effectiveness study indicates increased focus on identifying successors for key positions. And with business leaders' emphasis on the talent agenda, even HR spend has increased.

## % CEOs identifying change in different areas 15th PwC Annual Global CEO Survey



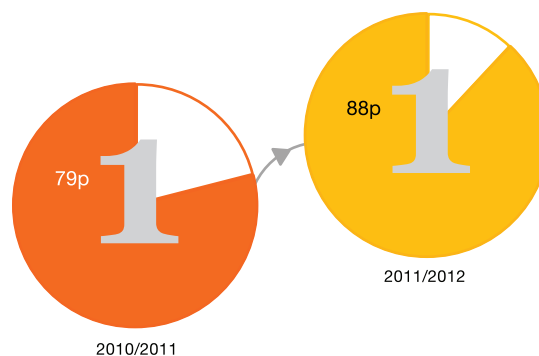


# The way forward



The big question now is whether HR can step up to the new talent challenge. Can it reinvent itself as not just a function but a partner in growth? Can it moderate its speed of responsiveness to that of a multi-speed world? Is centralised or localised HR the way forward? Can it rethink rewards?

In an uncertain world, organisations will need to maximise their talent advantages. For HR, this presents an opportunity to align business plans and talent strategies, pay attention to pivotal roles and focus on the financials. Business leaders will increasingly look for tangible results from human capital interventions. For them, the risk of not doing so is altogether real.



*Human Capital ROI: The net return organizations in India got for every rupee spent on an employee as 'investment on human capital'*

*Note: Median metric values for all India Human Capital Effectiveness Study participants have been represented here*

# About the 2011-12 survey and report

<i>FTE Size</i>	<i>% representation among participants</i>
0-500	21.05%
500-1000	19%
1000-5000	26.31%
More than 5000	33.33%

<i>Revenue size</i>	<i>% representation among participants</i>
0-100 Cr.	10.34%
100-500 Cr.	24.13%
>500 Cr.	65.50%

## Demographics

The survey population comprised 58 organisations from across sectors and of different sizes in terms of workforce as well as revenue. Data analyses were also carried out along these buckets.

## Industry sectors

Banks, financial services, IT, IT enabled services and engineering and Manufacturing were the key sectors represented in the survey report. In addition, the survey also saw participation from organisations in markets such as real estate broking, telecom infrastructure, retail, etc

## Workforce size

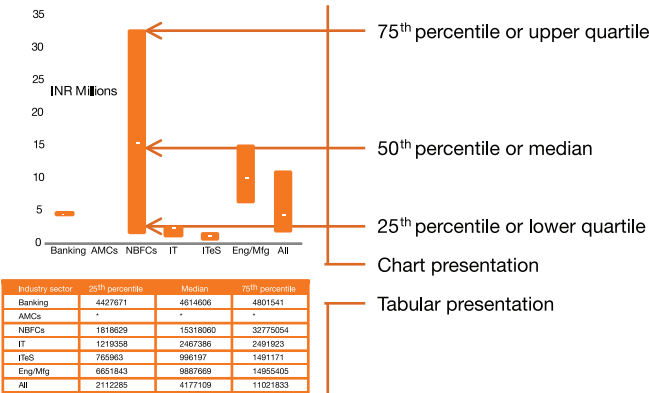
Where size is a consideration, our published demographic was based on the number of full-time equivalent (FTE) employees. FTE refers to the headcount in addition to temporary and casual workforce elements.

## Revenue size

Measuring organisations in terms of revenue size, as opposed to workforce size, can be useful when considering both financial performance metrics as well as some structural organisation measures.

Our global database of human capital impact metrics contains data from in excess of 18,500 organisations across industries and nations. Further information of our global benchmarks can be made available upon request.

*Please note that demographic analyses for a specific metric are dependant on both relevance and availability of data.*



Data presentation

Percentiles

Throughout the report we use percentiles as they measure the spread of a range of data population when it is ordered from its lowest to highest values, using a scale from zero to 100. Therefore, the 25th percentile has one quarter of the values in the range below it. At the 75th percentile, 75% of other values in the range are lower and just 25% of values exceed this level.

Quartiles

These divide the ordered population range into four parts, each containing an equal number of data points (organisations) from the database. The second quartile position (i.e. the 50th percentile), represents the ‘middle’ ranking organisation, usually termed the median.

Unlike the use of averages (means), segmenting a data range into equal quartiles means that values are less affected by outlying data at either extreme of the population. This is particularly true for the middle 50% of data points, i.e. the range between the upper and lower quartiles (inter-quartile range).

In most cases, we recommend that the inter-quartile range is used for benchmarking since this describes the majority of the external market. In our chart presentations, the inter-quartile range is described by the orange rectangle, with the median highlighted as a white bar within its range.

Where we make a suggestion for a performance target, it is done to achieve an upper or lower quartile position, described by the edge of the orange bar in the chart presentation and shown as the 25th or 75th percentile in the tabular presentation. A sample representation is shown below:

# *How PwC Saratoga can help you*

As part of PwC's People and Change and Human Resource Services, PwC Saratoga is the world's leading source of workforce measurement, teaming with hundreds of executives and HR departments each year to apply a more vigorous, evidence-based approach to decision-making around their workforce.

PwC Saratoga has used technology and meaningful metrics to help organisations maximise return on HR investment for more than 30 years.

Today, we integrate employee attitudinal research and metrics to drive execution action and support clients looking to develop and deploy dashboards, employee surveys and predictive solutions; conduct workforce planning initiatives and benchmark the workforce and HR function.

In India, we launched Saratoga in 2010 with the India Human Capital Effectiveness Survey. An annual exercise, the inaugural edition saw participation from organisations across sectors such as pharmaceuticals, manufacturing, technology and FMCG.

With leading organisations now disclosing workforce performance data alongside and even within their annual reports, our Saratoga service offering is intended to enable better decision-making through evidence-based benchmarking insights on human capital. We continually refine the database to deliver insight across new measures and approaches in human capital. Clients also benefit from using our add-on qualitative measurement tools in areas such as employee engagement, customer satisfaction with HR (voice of the customer) and activity analysis.

In other words, we can help you in the following ways:

- Measuring your organisation's human capital effectiveness using our portfolio of over 100 human capital metrics
- Benchmarking your metrics against our continuously evolving database. We will provide you with a customised scorecard.
- Working with you to put in place action plans for your human capital function



# About us

## People and Change

With a pan-India network, we assist clients in improving the performance of all aspects of their human resource function such as performance management system, organisational design, job evaluation and banding, rewards, competencies, vision and values, culture, employee engagement, change, talent management and development and function diagnostics. We have worked extensively with clients across different sectors, industries and borders. We also possess deep understanding of the country's business environment.

## Contact us

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## PwC

PricewaterhouseCoopers Pvt Ltd is a leading professional services organisation in India. We offer a comprehensive portfolio of Advisory and Tax & Regulatory services; each, in turn, presents a basket of finely defined deliverables, helping organisations and individuals create the value they're looking for. We're a member of the global PwC Network.

Providing organisations with the advice they need, wherever they may be located, PwC India's highly qualified and experienced professionals, who have sound knowledge of the Indian business environment, listen to different points of view to help organisations solve their business issues and identify and maximise the opportunities they seek. Their industry specialisation allows them to help create customised solutions for their clients.

We are located in Ahmedabad, Bangalore, Bhubaneswar, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune.

Tell us what matters to you and find out more by visiting us at [www.pwc.com/in](http://www.pwc.com/in).

# Notes



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