Managing in uncertain times: HR at a crossroads

Implications of the 16th Annual CEO Survey for Indian HR leaders
Managing in uncertain times: HR at crossroads

The 16th Annual CEO Survey results have thrown some interesting opinions from Indian business leaders. In spite of the Indian economy growing at the lowest rate in a decade, Indian CEOs continue to be optimistic about their growth prospects. However, they have voiced deep concerns about the VUCA (volatile, uncertain, complex and ambiguous) times we are operating in. Notably, 81% of the 73 Indian CEOs surveyed have stated that the biggest threat to growth prospects of their enterprise is the unavailability of key skills. So what does it imply for the Indian HR leader?

Pathways being pursued by Indian CEOs to create value in these times

- Targeting pockets of opportunity
- Strengthening the bridge between business and society
- Improving operational efficiencies
- Concentrating on the customer
- Strengthening the bridge between business and society

What CEOs expect from their HR leader
Aligning HR with business expectations

81% of Indian CEOs see the unavailability of key skills as the biggest threat to their growth prospects.

Clearly, the people agenda has entered the boardrooms. Indian CEOs expect their HR leaders to support the business on multiple fronts today. While the overarching HR agenda remains unchanged, finer nuances of the job appear to be changing. For example, the war for quality talent has intensified but the focus on hiring at any cost is diminishing. Existing growth-related HR priorities and securing the leadership pipeline will co-exist with the pressures of driving organisational efficiencies. At the same time, areas such as managing the environment, which HR leaders post-1990s would have seldom had the opportunity or necessity to focus on, will make a return.

So what does the Indian HR leader need to focus on in the coming year?
Focus in the coming year

How can we support the organisation’s growth aspirations in an efficient and cost-effective manner?

What capabilities do we need to develop in order to manage the environment that our business operates in?

How can we drive a customer-focused and inclusive culture where diversity both cross-cultural and otherwise?

How can we drive efficiencies across the organisation? How can we make the HR function more efficient and demonstrate tangible benefits we deliver to the business?

What innovative strategies should we use to develop the leadership pipeline and support capability building till the last mile?

Securing the leadership pipeline
Championing operational efficiencies
Managing the environment
Facilitating a cultural shift
Powering the growth agenda

Imperatives for Indian HR leaders
Powering the growth agenda

“I think the emerging markets will continue to see much higher rates of growth, particularly India, where we expect the three-year average between 7 and 8%. So even though the growth this year could be 5.5%, we think it’s going to climb back up.”

Shikha Sharma
MD and CEO, Axis Bank Ltd

While...
• Sixty-three per cent of Indian CEOs are ‘very confident’ of their companies’ revenue growth prospects over the next 12 months.
• Forty-one per cent are looking at organic growth in existing markets in the next 12 months.
• Eighty-one per cent see the availability of key skills as the biggest threat to growth prospects.

On the other hand...
• Fifty-one per cent expect to increase head count by less than 5%.
• Only 29% consider ‘filling talent gaps’ as a key investment priority in the next 12 months.

At the same time...
• Global CEOs consider India as the fifth most important market for future growth.
• Forty-four per cent of them would like to capitalise on the India opportunity by accessing local talent bases.

Implication for HR leaders

Powering the growth agenda
• The war for good quality talent will further intensify. At the same time, there will be further discernment and thoughts around the kind of talent to hire, and how well he or she fits into the organisational requirements and culture.
• While additional resources (though not substantial) may be looked at to power organisational growth aspirations, it may not necessarily come with a commensurate increase in resourcing and manpower budgets.
• The focus will be on doing more with less.
• The need to look for more more efficient and cost-effective sources of hiring may need to be explored.
• Automation will need to be utilised more aggressively not only to support hiring but also to free up resources to support the growth agenda.
• While organisations may be willing to invest in the acquisition or development of key skills, this may come at the expense of skills or talent segments felt to be non-core.
• The key lies in strengthening the employer brand.

Points to ponder

1. Will salary differentials between key talent and other employees increase further?
2. Are we ready to trade off internal equity to buy quality talent?
3. Which non-traditional sources can we tap to acquire high quality talent?
Facilitating a cultural shift

“The most important stakeholder is the customer. If there is no customer, we have no business.”

A M Naik
Executive Chairman, Larsen & Toubro Ltd

CEOs speak...

• Approximately 40% of CEOs in India feel that growing their customer base and enhancing their customer service are the top two priorities in the next 12 months.
• Eighty-nine per cent wish to strengthen their engagement with customers and clients.
• Fifty-three per cent wish to invest in a culture of ethical behaviour.

Also...

• Forty-seven per cent intend to increase their focus on workplace diversity and inclusion.
• Forty per cent will focus on board level diversity.
• Approximately 40% of Indian CEOs may focus on completing a cross-border M&A in the next 12 months.

And...

• Sixty-four per cent see over-regulation as a key economic threat.
• Seventy-four per cent were extremely or somewhat concerned about corruption in the country.

Implication for HR leaders

Driving a customer focussed culture

• With regulatory pressures and a need to reach out to customers in a better manner, HR will be called upon to drive a more ethical, customer-focused culture.
• Taking this to the last mile may be a tall task, since an organisation’s culture in many ways reflects the culture of the society we live in.
• This may require HR leaders to relook at a spectrum of issues including hiring sources, performance metrics and reward philosophies of customer-facing staff.

Focus on diversity and inclusion

• Simultaneously, the focus on diversity may mean the need to introduce inclusive people policies which take into account flexibility required at different life stages and by different employee segments (women, Gen-Y, physically challenged, etc.)
• Driving the diversity agenda may also require a relook at recruitment and career progression strategies for better representation of selected employee segments at senior levels.

Cultural sensitisation

• With cross-border M&A being high on the CEO’s agenda, HR needs to strengthen its capability in managing post-merger integration.
• Simultaneously, HR needs to facilitate a cultural shift where cross-cultural sensitivity is respected and embraced.
Securing the leadership pipeline

“The biggest threat is finding the leadership talent which can make things happen internationally.”

A M Naik
Executive Chairman, Larsen & Toubro Ltd

CEOs speak...

• While a vast majority of Indian CEOs say they have used a variety of talent development strategies to strengthen their leadership pipeline with varying levels of success, 81% intend to bring changes to their talent strategies.
• Seventy-four per cent intend to increase investment in developing a skilled workforce.
• Forty four per cent feel they have to pay their top executives at or more than competition to retain them.

However...

• Seventy-one per cent feel that strategic decision making is still centralised at top executive and board level.
• Approximately 50% feel that creating a skilled workforce should be the government’s priority as well.
• Thirty-four per cent are willing to explore alternatives to how top executives are rewarded in response to shareholders and public reaction.

Implication for HR leaders

Securing the leadership pipeline

• Clearly for securing a leadership pipeline ‘build’ is the preferred strategy over ‘buy’.
• HR leaders need to look for more effective interventions to develop the next line of leaders who are adequately prepared to handle VUCA (volatility, uncertainty, complexity and ambiguity).
• Strengthening the leadership pipeline is today a business prerogative. With increasing focus of boards and public on top executive pay, any change in the reward philosophy may have implications on retention of top leadership. A well-developed next line of leaders will help businesses weather such impact.
• Interventions for capability and leadership development need to percolate to the last mile within the organisation and beyond.
• HR should champion greater public-private and industry-academia partnerships to develop a skilled workforce which takes on challenges of the future.

Points to ponder

1. Where are we going wrong in our talent strategy?
2. Where does the onus of development lie - with the organisation or with the individual? Are we losing out on potential leaders because of lack of organisational will and ownership of talent?
3. Will we see a period of deceleration of salary growth?
4. How shall we manage expectations of employees who today feel that they are ‘entitled’ to salary rises every year and with every job switch?
Championing operational efficiencies

"To build a long-term business which is valuable and sustainable you have to set goals other than growth. We have always set goals for profitability along with growth, but we also aim to ensure that we have a proposition that is valued by both the customer and the employee."

Shikha Sharma
MD and CEO, Axis Bank Ltd

CEOs speak...

While...
- Improving operational efficiencies continues to be a top priority for 36% of Indian CEOs.
- Fifty-three per cent intend to initiate cost saving initiatives in the next 12 months.
- However, there has been a reduction in the focus towards cost reduction as compared to 2012 (60%).

At the same time...
- Forty-one per cent consider implementing new technology as a key investment priority in the next year.
- Eighty-one per cent intend to bring changes to their organisation structure.
- Close to one-third of Indian CEOs may consider initiating outsourcing of a business process or function in the next 12 months.

Implication for HR leaders

Championing the cause of operational efficiencies across the organisation
- HR should drive a more efficient (not necessarily leaner) structure across the organization.
- This may mean better post-merger integration and alignment of acquired entities.
- Automation and outsourcing of processes may need to be utilised more aggressively to free up resources for supporting the growth agenda.

Effectiveness of the HR function
- In addition to addressing overall organisation productivity issues, the overall effectiveness and efficiency of the HR function may come into focus.
- HR will need to look at making people processes more efficient and customer-friendly.
- Tracking of tangible benefits being delivered by the HR function may be high on senior leaders priority list.
- Evaluation of IT enablement of HR service offerings, and scope to outsource HR processes or functions need to be explored.

Points to ponder

1. Being operationally efficient vs being capable to handle VUCA? Are we expecting too much from our managers?
2. How will the structure of HR teams change to make themselves more efficient?
3. What will be the new balance between generalists and specialists?
Managing the environment

“Any corporation is only sustainable as long as all stakeholders are happy. The community around you is a major stakeholder which can disrupt your operation if it is not happy.”

A M Naik
Executive Chairman, Larsen & Toubro Ltd

CEOs speak...

While...
- Eighty-six per cent of Indian CEOs feel that employees including trade unions have a significant impact on their business strategy and 94% would like to increase their engagement with them.
- Close to two-third see media, local communities and social media users having a somewhat or significant influence on the company’s strategy.

At the same time...
- Seventy-five per cent feel that major social unrest in the country can have a potential negative impact on the business.

Implication for HR leaders

Managing the environment
- Potential unionisation threats and social unrest driven by local communities, media, etc. may bring proactive employee relations into focus.
- Simultaneously employer branding in social media platforms and local communities may gain prominence.
- Both of these may require HR professionals to relearn new skills so as to deliver value to the business.

Points to ponder

1. What are the HR capabilities of the future?
2. Social media, technology savvy or proactive employee relations – how proficient are we on these today?
3. Do we have a development roadmap for the future?
4. Will HR leaders need to demonstrate greater lateral leadership in the future?

Conclusion

The role of HR is set to become complex. It will have to meet the (often conflicting) expectations of various stakeholders. Its success will depend on its ability to find and implement innovative solutions to the talent puzzle while at the same time managing costs, productivity and efficiency. It must also strike the right balance between its role as employee advocate and that of business partner. Are you ready for the challenge?
About the 16th Annual PwC Global CEO Survey

We conducted 1,330 interviews with CEOs in 68 countries between 5 September and 4 December, 2012. By region, 449 interviews were conducted in Asia Pacific, 312 in western Europe, 227 in North America, 165 in Latin America, 95 in central and eastern Europe, 50 in Africa and 32 in Middle East. In India, 73 CEOs were covered. The interviews were spread across a range of industries.

To better appreciate CEOs’ perspectives for 2013, we also conducted in-depth interviews with 33 CEOs (including two CEOs from India) from five continents over the fourth quarter of 2012. Their interviews are quoted in this report and more extensive extracts can be found on our website at www.pwc.com/ceosurvey, you can explore responses by sector and location.
About PwC

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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.

Contacts

If you will like to discuss any of the issues raised in ‘Managing in Uncertain Times: HR at Crossroads’, please speak to your usual PwC contact or any of the contacts listed below:

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