

Four Key HR Practices That Drive Retention: Insights from India

By Michael Haid

Michael Haid has more than 15 years of extensive consulting and leadership experience in the areas of selection, assessment, and leadership development. He has led global competency integration and assessment initiatives at organizations such as Coca-Cola, 3COM, UHC Health Systems and ARAMARK. His consulting projects have focused on aligning business strategy to HR initiatives. Michael helps create, implement and measure effective hiring, promotion, development, and performance management systems in organizations. He has consulted extensively in the manufacturing, engineering, high-tech, service, and health care industries.

Copyright © Right Management 2008. All rights reserved. Right.com • 800.237.4448. Used by permission.

The Challenge

What is the biggest and most intractable hindrance to growth faced by companies doing business in India today? For many organizations, it's double-digit rates of attrition among employees. Running at an average of 15% to 20% annually, turnover is as high as 50% to 100% per year in some sectors. The reason: As more organizations have expanded their operations, the need for talent has skyrocketed. But there isn't enough skilled labor to fill the demand. As a result, you risk losing your talent to other organizations if you are not diligent about ensuring a high level of satisfaction and pride. And with so many companies drawing on a limited talent pool, the competition is fierce. The problem is an issue even during turbulent market conditions, because high performers, who are critical to your company's current and future performance, are sought after during upturns and downturns.

Keys to Fostering Engagement

But, companies aren't powerless in the battle against high turnover rates. Drawing on findings from a comprehensive study exploring talent management in an emerging market which included 4,800 employees from 28 companies across a variety of industries, Right Management pinpointed four HR practices—performance management, professional development, manager support and an organizational commitment to a larger social purpose—as being particularly important. Specifically, the practices were found to have a significant relationship to employees' feelings of pride and satisfaction with the organization. And those two sentiments, in turn, were related to lower turnover and higher levels of engagement. Right Management also recommends a number of crucial steps companies can take to ensure the successful implementation of these practices.

For organizations that fail to tackle the retention problem, the consequences can be dire, from poor customer service to slower than planned growth. Indeed, high attrition levels can impair a company's ability to build strong relationships with clients and to run operations efficiently. What's more, multinationals may experience the ultimate irony: Due to the high cost of hiring and retraining, they may not be able to reap the cost savings that led them to India in the first place.

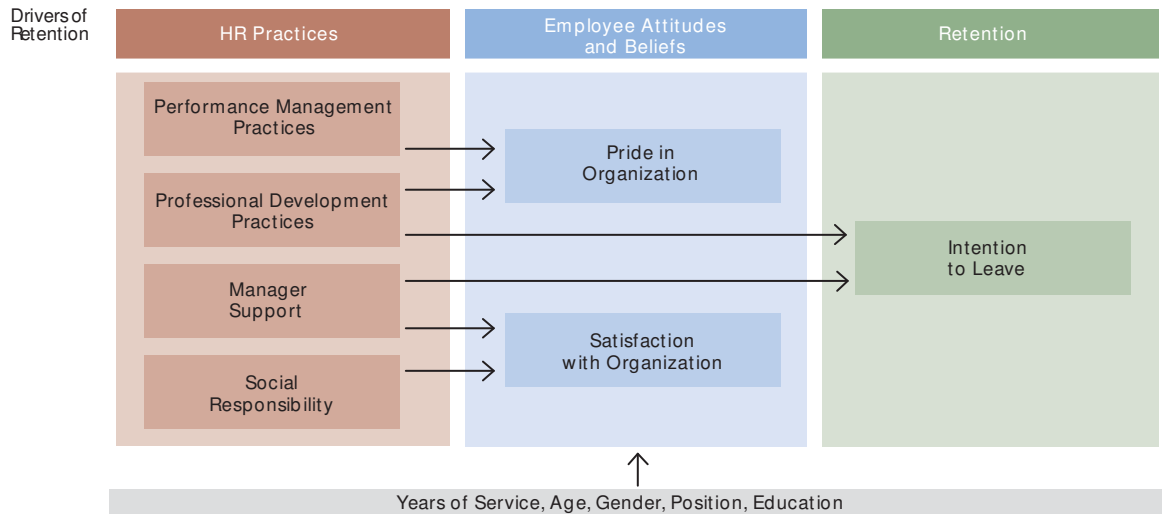
A Strategy for Boosting Retention

Addressing the four crucial HR practices—and forging a more-engaged workforce—is key to combating attrition. But, putting the right steps in place requires a comprehensive process, ranging from training leaders in basic management skills to creating structured career paths. Here are specific steps for each practice:

Implement effective performance management systems. More-engaged employees place a great deal of importance on having a performance management process that effectively assesses, recognizes and rewards employees. To be successful, however, these systems should be designed to drive accountability throughout the company, based on the organizations overall vision and mission. And, the effort needs to start at the top, by having senior management define how each senior team member will move the organization forward. Then, those

objectives and goals should be cascaded throughout the business, ensuring that everyone is working toward the same goals.

At the same time, multinationals need to be sensitive to the local culture when setting up their performance management systems. Particular attention should be paid to managers' ability to give feedback. The reason: Many managers are resistant to provide criticism, fearing their employees will leave the company. Organizations need to provide their managers with training in how to provide feedback that is direct and developmental. They can also use a more inclusive process, with a joint setting of goals, ensuring that employees feel ownership of the process, as well as more frequent informal reviews.



Provide development opportunities for all employees. Clearing prospects for immediate on-the-job growth is another significant factor leading to higher retention and engagement. That means providing employees with structured career paths, based on an understanding of the skills needed in various roles throughout the organization and the status of talent currently employed. Without that knowledge, it is impossible to foster an employee's sense of career success. In addition, those opportunities need to be for everyone, not just "A" players. Best practices include providing stretch assignments, as well as implementing a development center through which coaches and mentors can provide feedback and identify areas of strength.

As with performance management systems, companies also have to understand cultural differences that may exist. For example, opportunities for development should go beyond the Western career path, which typically involves climbing a career ladder and mastering a set of skills before moving to the next rung. Instead, companies should provide a less linear progression by giving employees opportunities to move laterally, do project-based work, and take on greater responsibilities. In addition, multinationals need to understand the role of the manager in an individual's career progression. In Western cultures, the expectation often is that the individual employee is accountable and responsible for his or her career progression. In India, the manager needs to play a more hands-on role in development, coaching, and mentoring.

Offer manager support. It is vital that managers have the skills needed to motivate, guide, and assess their teams. But, because many new and even more-experienced managers lack certain basic skills, they often aren't effective leaders. The answer: Provide coaching and do so at each level. But, keep in mind that, for novices, there is a special problem. Due to the urgent need for

managerial level personnel, employees in India are often promoted to supervisory roles before they're ready to assume such responsibilities. In these cases, organizations need to focus on accelerating the ability to manage others using coaching that covers a wide range of issues and competencies, including mentoring, managing expectations, conducting performance reviews, reaching team objectives and providing effective feedback.

Make sure there's an organizational commitment to a larger social purpose. Employees place a high value on commitment to the community. For that reason, organizations should provide opportunities for employees to participate in initiatives and special interest groups around such issues as hunger and poverty, and create forums and communities on company web sites for individuals involved in these efforts to share information. Such activities should also be highlighted in annual reports.

Case Study: Social Responsibility as a Leadership Competency

To underscore to employees your commitment to corporate social responsibility, make sure you promote managers with the same values. Consider Tata Steel, a global firm that is part of the Tata Group. Partnering with Right Management, Tata Steel created a leadership competency framework, to help identify high-potential managers to deploy in the company's development centers. Understanding the importance employees placed on the organization's commitment to corporate social responsibility, they included such competencies as "Shows sensitivity and genuine concern for the eco system" in the mix. As a result, they were able to assess the potential of managers around these dimensions and pinpoint those who could be groomed for more-responsible roles. One outcome: Tata Steel ranked highest among companies included in the Right Management study as having a larger purpose.

Our Recommendation

Addressing the problem of attrition in India requires a comprehensive effort. But by taking steps to implement key HR practices, companies can increase employee engagement and retention, and, as a result, boost their competitiveness in the growing Indian market, enabling them to address changing market conditions quickly and nurture a pool of talent that will give them the capabilities they need in the future.

Interesting in learning more? If you would like to review the details of this study, you can receive a complimentary copy of the Executive Overview at www.right.com/indiaretention. For more information, please call your local Right Management office or e-mail contactus@right.com.

Linkage

Linkage is a global organizational development company that specializes in leadership development. We provide clients around the globe with integrated solutions that include strategic consulting services, customized leadership development and training experiences, tailored assessment services, and benchmark research. Linkage's mission is to connect high-performing leaders and organizations to the futures they want to create.

With a relentless commitment to learning, Linkage also offers conferences, institutes, summits, open-enrollment workshops, and distance learning programs on leading-edge topics in leadership, management, human resources, and organizational development. More than 200,000 leaders and managers have attended Linkage programs since 1988.

Linkage
Burlington, MA
781.402.5555
info@linkageinc.com