Talent Attrition and Retention: Strategic Challenges for Indian Industries in the Next Decade
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Attrition rates have been high in several of the key sectors of the Indian Economy leading to discussions about which could be the best retention strategies to counter high labour turnover. Measurements are scarce of HR functions in Indian companies Srimannarayana, M. (2010). This article contributes to the measurement of Indian HR function by reporting on the findings of a survey of attrition in Indian companies and by discussing the possible strategies chosen by Indian companies to counter costly labour turnover. The authors question the causal link assumed by a large number of Indian companies that higher attrition can be contained through the payment of higher compensation packages. Paying higher salaries to retain staff increases operational costs without that this measure can guarantee lower attrition or ensure positive performance levels. Compensating high attrition through mostly higher salaries could eventually erode India’s comparative advantage in the global market, and could also erode Indian companies’ abilities in capturing new markets be that domestically or in foreign markets. The authors instead suggest that Indian companies should do more to strengthen the bonding of internal social networks and deepen individual job satisfaction and organizational commitments to ensure talent retention through competence development and career planning. Both remedies can be concurrently implemented through an effective and robust learning and development infrastructure which addresses both the individual development needs and the company’s strategic choices.

Keywords: Labour Attrition in India, Labour Retention Strategies, Comparative HR Policies, Strategic HRM, Talent Retention, Human Capital, Social Capital

INTRODUCTION

Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents while at the same time having to manage talent loss caused by attrition be that due to industry downturns or through voluntary individual turnover. Losing talents and employees result in performance losses which can have long term negative effect on companies especially if the departing talent leaves gaps in a company’s execution capability and human resource functioning which not only includes lost productivity but also possibly loss of work team cohesion and social good will.

Taking into account the remarkable growth rates of the Indian economy over the last 10 years, some scholars attribute India’s economic fortitude to special strength of Indian companies linked to supposedly unique management culture. One proposition put forward by Pellegrini, Scandura and Jayaraman (2010) is that Indian companies enjoy advantages due to a form of paternalistic leadership style consisting of a mixture of benevolence combined with authority.

Other scholars consider major Indian companies as having an organizational strategy which does not solely focus on shareholder value in contrast to Western especially to US enterprises. Cappelli et al (2010) propose that these major Indian companies make extraordinary investments in their employees, empower them in decision making and apply a special problem solving approach called Jugaad. In addition, Cappelli et al claim that Indian firms invest more in training and are more likely to measure and track all human resource outcomes than U.S. firms. (p.14).

Many aspects of these scholars’ observations and statement hold promise in regard to the development and maintenance of competitiveness of Indian companies domestically as well as in the context of business expansion strategies into developed markets. It is nevertheless useful to keep track of crucial organizational performance factors such as labour turnover. It has been noted that spectacular economic growth in India did not come without pain or change of social norms. One of the “causality” has been increased employee turnover.
Sign of System Vulnerability

Excessive labour turnover should not be taken lightly as it causes both financial costs and threats to the organizational growth and maturity by increasing system vulnerability and risks. System vulnerability by definition means “Degree to which people, property, resources, systems, and cultural, economic, environmental, and social activity are susceptible to harm, degradation, or destruction on being exposed to a hostile agent or factor” according to Business Dictionary (2014). Labour turnover especially of key personnel exposes enterprises to potential risks to their core competence and to the loss of key accounts. Both could result in loss of organisational performance and mounting costs of personnel expenditure. Finally, excessive turnover will have a negative impact on the sustainability of the company.

This causal link has been listed in the Corporate Sustainability Index deployed by S&P Dow Jones (2014) since 1999 as guidance for investment choices. Effective human resource management aimed at maintaining workforce capabilities and employee satisfaction is considered as one of the five key corporate competences which underpin corporate sustainability and hence desirability for investment purpose.

Macro System Issues of Turnover.

Turnover affects system vulnerability not only at the company level but also at the macro level. Due to specific characteristic of the provision of education services in India, Corporate India will continue to witness a high attrition level of its workforce especially of its better educated segment of the workforce. While India might enjoy a "youth bonus", with the youngest median age of its workforce being 26.2 years of age compared to the averages of years of the U.S. (36.9), Russia (38.7) and Japan (44.8) in 2013, India nevertheless suffers a chronic shortage of managers well trained in meeting modern economic and business demands (Vorhauser-Smith, 2012). Only a small percentage of the Indian population is enrolled in tertiary education institutions. According to the United Nations Human Development Report (2012), India achieved a gross educational enrolment rate in the tertiary institutions of 16.2% during 2002-2011. The small number of highly educated employees simply cannot meet the labour market demands. While the Indian economy continued to expand, this constraining macro condition of its educational system will continue to exasperate the skill shortage and employee attrition. In turn, high employee attrition can hamper the national development strategy and economic performance. Recent studies, by Mercer (2011) and Hay Group (2013) again observed an upswing trend of the labour turnover especially among the young talents in India.

Financial Costs and Repercussion of Attrition

High labour turnover is of particular importance as there are hidden or not so hidden costs involved. The financial impact of attrition is often misinterpreted and underpresented. Contrary to the common belief that company’s turnover costs are only incurred through recruiting, selection and training, in reality, other direct and indirect costs are also incurred due to staff turnover. Costs incurred include expenses due to the employee’s departure, expenses due to the replacement, and expenses due to the loss of productive and other related management and administrative expenses.

According to Phillips (2012), there are 12 categories of costs related to turnover that need to be taken into account. These include costs for: exit, recruiting, employment, orientation, training, wages and salaries paid while training, lost productivity, quality problems, customer dissatisfaction, loss of expertise/knowledge, management time for turnover and temporary replacement costs. According to one calculation, the costs related to turnover could easily run into 75% of the annual salary of the employee leaving the company in the USA (Darcy Jacobson, 2012). Comparable figure might exist in India when calculating the real costs of the persistent high level attrition rate amongst India’s, younger generation employees who are impatient in seeking fast track learning experience and seniority.

Yardstick for Management Sophistication Regarding Training and Development

Embedding of new employees and retaining of existing staff require personal engagement of the line management, otherwise investment in training and other retention strategies might not generate expected results and instead end up being mostly costs or worse resulting in demotivation if there is no management support nor personal involvement of the line management or supervisors in work based relationship management.

Recently published results of HR Measurement in India (Srimannarayana, 2010) reported that respondents assess the return on investment in HR primarily by a) intuition and perception of senior executives (40.4%), b) through observation by management and reactions from participants and users (46.5%) while only small number (13.1%) assess HR investment based on improvement in productivity, cost savings, quality etc.

The same study also indicated that while 68.4% of Indian CEOs interface with senior HR officer, the actual involvement of line management in implementing HR programmes is limited. Only 50% reported that HR programme are implemented through line managers while the remaining 50% indicated that their line managers are either not involved at all (14%) or only in a limited way (36%). Inability to leverage the learning and development opportunity with functional teams diminish the mentoring and coach relationship between the supervisors and employees. This in turn reduces employee engagement with the team and the company causing unintended “bonding deficit”.

Finding out whether labour turnover is high or low in specific sectors and why attrition occurs is a useful
yardstick to measure HR management performance based on evidence and to provide Indian management with data that can serve as the barometer of the workforce sentiment, and provide guidance for HR Management policies and corrective measures where seen appropriate and needed.

The goal of this article is to contribute to efforts being undertaken in India to measure HR investment and to shed light on factors impacting attrition and retention of human resources. What follows are the key results of a survey undertaken in India focusing on attrition and retention of human resources. Findings of this survey reveal both macro and micro factors that contribute to the on-going turnover but also offer an overview of what corporate India considers as possible solutions to this phenomenon. Comparisons will be made with more recent turnover studies in India in order to determine whether factors spurring forth this particular phenomenon of organizational behavior have changed or have been mitigated.

This paper will end with a recommendation for an alternative approach to the monetary response to talent attrition and employee turnover through targeted learning and development responses which address both individual and corporate needs for competence development and performance.

THE SURVEY
Research Objectives & Samples

The purpose of this survey was to identify level and patterns of labour turnover in India. Data was gathered through the sponsorship of the Chamber of Indian Industries (CII) in October to November 2007. Initial results were reported and validated during the National Seminar on Employee Retention on 4 December 2007 in Delhi and subsequently cited during a webinar titled Effective Human Capital Management for the Changing Times conducted on 26 April 2011 by the National HRD Network of India.

The goals of the survey were as follows:

- To identify the key organisational factors contributing to voluntary employee turnover in India
- To understand which organisational practices are linked to employee turnover in India
- To describe the most frequently used HR instruments used to reduce unwanted employee turnover in India

A total of 23 Questions were formulated pertaining to retention and attrition factors and made available to Indian companies electronically. Responses were invited on a voluntary basis.

What follows are the main findings of the survey and a subsequent discussion of the research results in light of current theories of labour turnover and talent management. In addition, the concluding section of this article offers policy suggestions for Indian companies on how to manage talent recruitment, retention and attrition in the most efficient and effective manner.

Definitions

Our use of the term “employee turnover” makes no distinction between white collar employees or blue collar employees. While employee turnover can be caused by dismissal, destruction of jobs or individual choice, this survey primarily addresses the latter that is of voluntary nature. However data available from different countries and by different independent studies tend to define this term “employee turnover” differently.

An important distinction needs to be made between “employee turnover” versus “job turnover”. Employee (worker) turnover reflects employees' transitions from one job to another. For instance, when an employee stops working at one company to either leave the labor market or takes a job at a different company. Job turnover, in contrast, reflects job creation and job destruction such as by a new software company opening up a new office in Silicon Valley and hiring ten employees.

If job turnover is high, then so will be worker turnover. Pries and Rogerson (2005) wrote, “Worker turnover is a larger concept than job turnover, since every instance of job turnover necessarily generates (at least) an equal amount of worker turnover”.

Survey Sample

A total of 151 senior managers and executives responded to the survey administered online in October-November 2007. The sample represents a broad cross section of industries, organisation size, and years in operation. The sectors represented were manufacturing (34%), engineering (19%); IT (19%) and the remaining 28% were spread across different services subsectors. 108 respondents provided company information concerning their functions, years of service in the current company and levels of responsibility.

Individual Characteristics of Respondents

A total of 88 senior managers and executives provided personal information relating to their job. The sample represents a cross section of functions, years of service at the current company and age groups. Concerning the gender of the respondents, 80% respondents were male, 20% were female. The functions represented were top management (21%), Human Resources (64%) and the remaining 15% represented different sectors including finance, training and quality assurance.

In regard to years in service, 44% of the respondents occupied their job for less than 3 years, 25% between 4-10 years and 31% for more than 11 years. The large representation of persons with less than three years of service is of importance in regard to the understanding of labour turnover choices of the younger generation of
Indian employees and their professional choices and preferences.

RESULTS
Employee Turnover Rates – Upward Trend

The survey results indicate that employee turnover in Indian companies increased over the last years due to the strong growth of the Indian Economy. The impact of this economic buoyancy has affected all economic sectors.

The employee turnover rate has also risen across all categories of employees regardless of professional qualifications. However, the low skilled employees showed lower turnover rates and the same holds for employees with more years of service in the same company.

Impact of Job Category on Employee Turnover – Across the Board Up Swing

In response to the question about the employee turnover rate in their respective company by personnel categories, the following answers were provided. Knowledge workers in today’s India exhibited the highest tendency for voluntary job change across different categories of employees. 51% of the respondents indicated a turnover rate ranging from 11% to 20% of knowledge workers (engineers, researchers, professionals) in their respective companies.

Ramani & Raghunandan (2008) reported high labour turnover estimate of 20%-60% for IT firms which are known to be faced with very difficult labour market conditions where demand is often not matched by existing supply of potential IT technicians and engineers.

Turnover of managerial staff was also high 51% of the respondents indicated a turnover rate ranging from 6% to 15% of managerial staff in their respective company.

Executive ranks were reported as being relatively stable. 57% of the respondents indicated a turnover rate below 5% of executive ranks in their respective company.

Clerical and operational workers were reported to have an increase of turnover as well. 50% of the respondents indicated a turnover rate between 2% to 10% of this category of workers in their respective company.

Impact of Seniority on Employee Turnover – 1-4 year of employment as threshold

Inquiring about the employee turnover rate in the respective companies by seniority showed that the number of years of employment in the company made a difference regarding turnover. Respondents pointed out that the highest turnover occurs during 1-4 years of employment.

They also suggest that high labour turnover of the young is a particularly acute problem in the IT industry where firms hire large numbers of young professionals who might have exaggerated job expectations which IT companies cannot fulfill.

Major Causes for Employee Turnover – Salary and Career Advancement

Respondents identified the following causes as major contributors to employee turnover namely, Salary, career development and relationship with Supervisor which were consistently ranked as the KEY factors that contributed to employee turnover in the Indian companies.

Table 1

<table>
<thead>
<tr>
<th>Causes of Turnover</th>
<th>% of Respondents</th>
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<tbody>
<tr>
<td>Salary</td>
<td>78%</td>
</tr>
<tr>
<td>Career Advancement</td>
<td>65%</td>
</tr>
<tr>
<td>Relationship with Supervisor</td>
<td>48%</td>
</tr>
<tr>
<td>Recognition</td>
<td>41%</td>
</tr>
<tr>
<td>Job Content</td>
<td>40%</td>
</tr>
<tr>
<td>Economic Growth &amp; Talent Competition</td>
<td>36%</td>
</tr>
<tr>
<td>Training &amp; Development Opportunities</td>
<td>21%</td>
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= 89%*  

*Cause of turnover related to manager-staff relationship
Organisational Behaviour Factors as the Major Causes of Employment Turnover – Supervisory relationship and leadership

Economic growth and ensuing talent competition, according to the respondents of this survey, seemed to exasperate some of the underlying human resource issues. These factors however could not fully explain the reasons why Indian employees moved from one job to the next.

The relationship with the direct supervisor was consistently identified as one of the top three reasons for turnover, pointing out difficulties regarding leadership amongst today’s managerial class of India.

Adding stated causes such as “Relationship with supervisor” (48%) and “Recognition” (41%) would result in a combined ranking of 89% of causes related to management-staff relations. Such high scores suggest that it might be timely and urgent for Indian management scholars to further study management-employee relationships.

Major Interventions Used to Mitigate Employee Turnover – Monetary Incentives & Career Advancement

Respondents identified the areas of intervention that companies took in order to counter the unwanted employee turnover. Top of the list was salary increase. The second was career advancement which also has salary implications.

Ranking the five most frequent areas of intervention to mitigate labour turnover, respondents indicated:

Table 2

<table>
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<tr>
<th>Most commonly used interventions</th>
<th>% of Respondents</th>
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<tr>
<td>Salary Increase</td>
<td>80%</td>
</tr>
<tr>
<td>Career advancement</td>
<td>73%</td>
</tr>
<tr>
<td>Recognition</td>
<td>63%</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>57%</td>
</tr>
<tr>
<td>Human Resource Policy &amp; Rules</td>
<td>45%</td>
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As asked about what further interventions would be needed in the near future, respondents indicated more actions were needed in the following areas namely Salary Increase (47%), Career Advancement (45), Recognition (34%), Training and Development (29%) and HR Policy and Rules (20%)

Reports on current practice contrasted with suggestions for further future interventions. All mitigating HR interventions were rated lower while a new item emerged namely the need for – Participation and Decision Making - possibly indicating dissatisfaction with current HR practices of Indian managers and again indicating the need to assess the strengths and weaknesses of current Indian Management Culture.

Mitigation of the Labour Market Condition – Better Alignment with Skill Demands of the Industry

The Indian Government’s expected interventions to mitigate the Talent Crunch were considered to be in need of being centered on skill development and close alignment with business needs. Respondents pointed out that training and education were some of the major measures needed in order to achieve more efficient and effective functioning of the labour market in India. At the National Level, Major Policy Actions were suggested To Enlarge the National Talent Pool. 80% of the respondents felt that the government could do more to enlarge the national talent pool through greater investment in education and training. 60% of the respondents also opined that quality assurance measure should be put in place in order to make sure that education and training outcomes meet the labour market demands and requirements.

Future Trends

Respondents indicated that employee turnover will most likely continue to increase over the next 5 to 10 years, compared with current situation.
In response to the statement “compared with current circumstances, employee turnover will decrease in the next 5-10 years; respondents disagreed by 65% while 35% agreed with the statement.

A large majority of respondents anticipate that the numbers of students graduating from tertiary education will not be sufficient and hence the competition for talents in the coming years will further increase.

REFLECTIONS AND LOOKING AHEAD

The findings from the online survey support the general perception that employee attrition and retention will remain at on the top of the list of critical tasks to be managed by the HR function in India for years to come. “Talent War” will possibly lead to an escalation of salary increases potentially reducing labour productivity and resulting in narrower profit margins and reduced competitiveness of Indian industries.

This prediction from the 2007 survey has been supported by the recent studies of Mercer and the Hay Group. In its “Preparing to Take Off” report, Hay Group reports 26.9% turnover rate in 2013 and expectation that the turnover in India will spike in 2014. Findings from Mercer’s 2011 What’s Working Survey revealed that half of all Indian workers are seriously considering leaving their organization at the time of the survey. Particularly the younger generations will work fewer years for a company and will seek better paying and faster career advancement elsewhere.

Something needs to be done at both company and national level otherwise employee turnover will erode Indian enterprises corporate capabilities to achieve high performance and retain competitive advantage.

Enlarging the National Talent Pool

The current talent shortage is a reflection of the general shortage of skilled labour and talent supply across skill levels. This phenomenon calls for interventions which go beyond the sphere of influence of a single company. System (macro) level realignments at national level are necessary in order to create adequate competitive factor conditions in India of which human capital remains the most critical factor of today’s business environment in India.

Continued education investment has to be one of India’s national development strategy and priority. Short of such public investment, India will not be able to bridge its skill shortage. While the Indian Institutes of Management (IIMs) enjoy high academic reputation around the world, its annual output of 1,740 graduates cannot meet the demand of India Inc. which requires 2,735 additional managers each year for example (Vorhauser-Smith, 2012)

Nuanced Approach of Responding to the Needs of Employees

Monetary incentives, training, career development opportunities are being used as the main employee retention strategies by most of the companies in India. An indiscriminate use of such measures could increase the operational costs and might erode the company’s competitive edge and India’s comparative advantage.

A more nuanced approach needs to be considered that would couple the operational requirements of Indian companies with the aspirations of their employees. Efforts are needed to ensure that investment in skills and talent development adds to individual competence and at the same time increases corporate productivity and helps avoid unchecked use of the “bench warmer” HR option.

The bench warmer HR strategy causes substantive salary increases and other negative secondary ramifications, such as perceived lack of “equity” by existing staff that do not benefit from the special attention and perks given to the bench warming candidates. In the 2013 Hay Group study, nearly 55% of India employees expressed concerns over pay fairness and 48% over the extent to which benefits meet their needs.

On career development, the same study found that 37% of Indian employees do not have confidence in being able to achieve their career objectives with their current employers: as a result they are worried about opportunities for learning and development (39%) and supervisory coaching for their development (36%).

While our survey findings identified career development as the second most important mitigation strategy by the respondents, it seems that the implementation strategies by different companies have not convinced their employees as being open and equitable.

Addressing Different Psychological Makeup of Younger Generations of Employees

Additional measures to stem the exodus of employees that are within a company’s sphere of control are more effective in reinforcing employees commitment to their respective company and conversely in improving employees’ psychological engagements with their company.

Efforts could for instance be made to strengthen the attractiveness of the work climate and psychological environment in order to retain existing staff and to attract high quality new recruits. Working environment issues are strongly influenced by the quality of leadership and supervisory (coaching) relationship between the supervisors and their direct reports.
The current trend to cope with the talent crunch by offering fast track promotion could further exasperate the situation. The upcoming young “leaders” with their still limited development of emotional intelligence in leading and managing an increasingly demanding workforce could lead to more turnover since their leadership style might be inappropriate and ineffective causing their staff to leave the respective company.

The selected fast track young future leaders are not given the necessary support in improving emotional intelligence in leading and managing other employees. Being promoted too early without acquisition of new competencies could lead to labour turnover of the next generation of recruits who might in turn not feel sufficiently recognized or properly guided and hence might opt to leave the company. The increasingly demanding workforce could lead to more turnover since their needed leadership style might be inappropriate and ineffective causing their staff to leave the respective company. In a recent study by Kaur (2013), “around 53% employees in India are not satisfied with their immediate manager” (p. 42).

Strengthening corporate working conditions or supervisory relations and HR responses to the human capital issues requires investments in human capital development which goes beyond developing technical competence but rather requires focusing also on personal development and maturity for the junior managers.

Research in other Asian countries found that younger generations growing up in more affluent circumstances and enjoying a surplus of employment opportunities tend to prefer a less authoritarian leadership approach (Yiu & Saner, 1991, 1993). This could also be true for India. Therefore effective leadership development is not only good for the junior managers but also for the more senior managers who are faced with increasingly more self-confident and more demanding subordinates.

Building Favourable Internal Conditions for Retention

Human Resource Function Redefined

It took more than twenty years to re-conceptualise the role of Human Resource from traditional personnel manager to Human Resource Manager. A very informative article written in 1986 by K.K. Tse highlighted the difference in role behaviour stating

...that not all personnel managers could make the grade to human resources manager as the latter calls for certain skills and totally different mentality most practising managers may not possess. (p.21)

K.K. Tse suggested that the HR manager knows how to provide assistance to top and line management to attract and retain quality staff, ensure that their capability and talents are fully and effectively utilised and knows how to provide continuous training and development to all levels of staff.

In a similar manner as suggested in the 1980s, another rethinking is needed which could be described as moving from HR Manager to Human Capital Manager. The reason for such a broadening of scope lies in the realisation that much of what results in HR behaviour should be linked to broader context than individual behaviour only. In other words, talents respond not only to individual incentives and sanctions provided by direct supervisors and HR policies, but they also respond to the norms of their social networks inside and outside of their organisations/companies.

Greater Use of the Social Network

The youth today interact in multiple social networks. Often HR policies and managers overlook the fact that social networks have a strong impact on individual choices of the younger generations. Memberships of such social networks might contribute to voluntary turnover. Similarly, departure of employees could also exert unpredictable psychological impact on those left behind and their work based social network already vulnerable to disruptions due to turnover by former key network members within the company. Therefore, unplanned employee turnover could cause disruption of collective performance and socio-psychological assets of the organisation.

Multi-level Approach to Human Resource Diagnostics

When analysing labour turnover today, HR managers therefore need to take into account the distinction which management scientists make between first level and multi-level theory and measurements. Ployhart et al (2011) state that

Organizational scholars (are) trained, for the most part, to ‘think micro’ or ‘to think macro’ – but not to ‘think micro and macro’ – that is, to ‘think multi-level’. (p128)

Ployhart et al basically propose a new conceptualisation of Human Capital consisting of the view that new insights need to be fostered which help HR scholars and practitioners understand how strategically valuable human capital resources have their origins in the psychological attributes of individuals and are transformed through unit-level processes. (Italics added p.127).

Applied to retention and attrition, HR Managers should be able to distinguish between misconceptions and evidence-based perspectives. David Allen et al. (2010) for instance challenges the often held belief, also in India (see above survey results), that staff quit because of pay. Instead, they suggest that evidence shows that pay and pay satisfaction are weak predictors of...
individual turnover decisions. Based on their research, they suggest that stronger predictors are for instance job satisfaction and organizational commitment, management supervision, work design and relationship with others.

**Addressing Systemic Vulnerability through Preventive Measures**

Taking relationship with others as an example, a HR professional should also want to understand how turnover impacts performance relationships, e.g., work teams, which in turn impact a company’s performance. Employees are embedded in a social setting full of relationships that in its totality is being described in the literature as “Social Capital” in contrast to “Human Capital”. The difference being that Social Capital entails the assets embedded in human relationships while Human Capital is often understood to mean the accumulation of individual competencies without the capital (know-how) of the social relationships.

Shaw et al. (2005) pointed out that the loss of key organizational staff can severely damage an organisation’s social fabric which in turn could lead to important decreases of a work group’s performance outcomes. Subramaniam et Al (2005) take a step further in their conceptualisation of an organisation’s performance and postulate the concept of Intellectual Capital which is the combination of Human Capital and Social Capital. This broadening of concept offers a perspective which HR Managers can use to analyse the factors causing loss of innovativeness in their respective company and take accordingly proactive measure to safeguard human and social capital of their firm. These measures encompass recruiting, retaining talents and in managing turnover.

**Becoming Human Capital Manager**

The transition from Personnel Manager, to Human Resource Manager and on to Human Capital Manager means that the person in charge of the HR function needs to go beyond traditional management practices and adopt the role of an internal consultant. Vosburgh et al (2007) for instance point out that the companies listed in the Hacket Group’s report (2004) as world class HR experienced 61 percent fewer voluntary terminations (p,12) and hence suggest that the manager in charge of the HR function should make sure that HR is well integrated with the implementation of business strategy and the best way to do so is by being a proactive internal consultant working in tandem with the business managers to tackle potential performance issues connected to the human factor.

From the perspective of the authors of this article, Indian HR managers should move from HR manager to Human Capital Manager in order to support the rapid growth of their respective firms. Human Capital Manager continues to do the less mundane activities of HR but is also keeping on his mental map the concepts and competencies pertaining to the harnessing of the firm’s Intellectual Capital (Human Capital and Social Capital). In other words, the HR function manager should be able to manage HC and SC proactively akin to that of a financial manager being accountable to the company’s financial assets. The human capital manager is expected to adopt state of the art HRM system to enable effective execution of this innovative function. In turn, he/she should be able to conduct HR research from the individual social and organisational perspective for diagnostic and forecasting purposes.

An example of management-scholar work in the field of Human Capital Management is for instance the survey of leading European Enterprises in regard to the effectiveness of in-service training (Saner and Yiu, 2009). The findings showed that an important number of enterprises surveyed did not create sufficient value from their training investment. This sub-optimal performance was due to insufficient alignment of training with strategic business objectives consequently the ROI of training investment could not be ascertained adequately. Similar research needs to be conducted by the HC managers as part of their routine management review of various management processes in order to keep an overview of the company’s human and social capitals. In this context, talent management and its leakage due to turnover merits ongoing monitoring through scientific inquiry and analysis.

**CONCLUSIONS**

These are some of the potential remedies for employee turnover problems of the present and challenges of the future for India’s companies in general and HR practitioners in specific. Employee turnover is a symptom pointing to underlying labour market imbalances and inadequate responses by enterprises afflicted by unwanted high employee turnover. High employee turnover is a serious business problem which cannot be simply smothered by salary increases and other costly extrinsic incentives alone.

Attracting well qualified professionals and retaining highly skilled employees in times of tight labour market conditions requires ingenuity and case by case solutions which go beyond the across the board and often indiscriminate use of financial incentives especially since this strategy is used by all the competitors as well.

The causal link that higher attrition leads to higher compensation packages and to higher operational expenses needs to be reassessed. If not, continued high attrition rates could eventually erode India’s comparative advantage in the global market, and could also erode Indian companies’ abilities in capturing new markets be that domestically or in foreign markets. Instead, efforts should be made to strengthen the bonding of internal social network membership to ensure talent retention. Efforts can also be made in
detecting factors that negatively affect employee engagement with the company early on so that social-psychological interventions could be made provided that the existing working conditions are of acceptable level and of appropriate decent standard.

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About CSEND

The Centre for Socio-Economic Development (CSEND) is an independent, project-financed, non-profit R&D organisation, registered in Geneva, Switzerland since 1993 specialising in organisational reform and institutional development world-wide. CSEND conducts research in the field of human capital development, quality of training and education, leadership, international negotiations, human resource management and national competitiveness. CSEND also works to promote constructive dialogue and collaborative relationships between government, private sector and civil society to promote sustainable development.