An Analytical Study of Top Management Perception on Talent Management Efficacy in Indian Cement Industry

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Abstract

Talent Management is a set of integrated organizational Human Resource (HR) processes designed to attract, develop, motivate, and retain productive, engaged employees. The goal of talent management is to create a high-performance, sustainable organization that meets its strategic and operational goals and objectives.Talent Management puts together the right people with right skills into the right jobs.

Lewis and Heckman (2006) defines talent management as identifying mission-critical values, competencies and talents needed in the current and future workforce; clarifying the methods that will be used to recruit, hire, develop, manage and retain a high performing workforce.

Dijk (2008) states that talent management requires a systematic view that calls for dynamic interaction between many functions and processes. Talent management is about attracting, identifying, recruiting, developing, motivating, promoting and retaining people that have a strong potential to succeed within an organisation.

Keywords:

Perception, Talent management, Cement industry.

Cement Industry – An Overview

Over 2011 and 2012, global consumption of cement continued to climb, rising to 3585 Mt in 2011 and 3736 Mt in 2012, while annual growth rates eased to 8.3% and 4.2%, respectively.China, representing an increasing share of world cement consumption, continued to be the main engine of global growth. By 2012, Chinese demand was recorded at 2160 Mt, representing 58% of world consumption. Annual growth rates, which reached 16% in 2010, have softened, slowing to 5–6% over 2011 and 2012, as China's economy targets a more sustainable growth rate. Outside China, worldwide consumption climbed by 5% to 1535 Mt in 2011 and 2.7% to 1576 Mt in 2012.

In 2013, the world production of cement was 4,000 million tonnes. China produced more than half of the world production with 2,300 Mt. The other top producers were India with 280 and USA with 77.8 million tonnes. Total cement capacity worldwide was recorded at 5245

Mt in 2012, with 2950 Mt located in China and 2295 Mt in the rest of the world.

Iran is now the 4th largest cement producer in the world and has increased its output by over 10% from 2008 to 2013. Due to climbing energy costs in Pakistan and other major cement-producing countries, Iran has a unique position as a trading partner, utilizing its own surplus petroleum to power clinker plants. Now a top producer in the Middle-East, Iran is further increasing its dominant position in local markets and abroad.

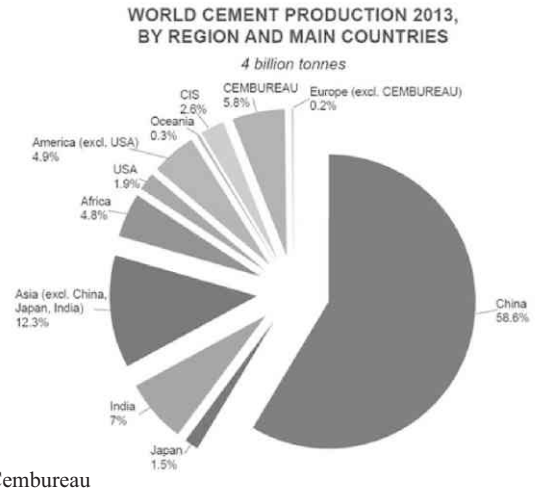
The performance in North America and Europe over the 2011–12 period contrasted strikingly with that of China, as the global financial crisis evolved into a sovereign debt crisis for many economies in this region and recession. Cement consumption levels for this region increased by 4.9% in 2011but dipped by 1.1% in 2012.

The performance in the rest of the world, which includes many emerging economies in Asia, Africa and Latin America recorded annual consumption growth at moderate rateof 5.1% and 4.3% in 2011 and 2012, respectively.

As at year-end 2012, the global cement industry consisted of 5673 cement production facilities, including both integrated and grinding, of which 3900 were located in China and 1773 in the rest of the world.

Figure 1 shows the world cement production in percentage in 2013 by region and main countries.

Fig 1: World Cement Production 2013 by Region & Main Countries



Source: Cembureau

Today, the Indian cement industry is very large, second only to China in terms of installed capacity, and has grown at a very fast pace in recent years. The rate of growth over the past 20 years has been phenomenal. Since 1992, India's cement production has gone over five times from around 50Mt/yr to 280Mt/yr in 2013.

Although, the Indian cement industry has some multinational cement giants, like Holcim and Lafarge, which have interests such as ACC, Ambuja Cement and Birla Cement, the Indian cement industry is broadly home-grown.

UltraTech Cement, the country's largest firm in terms of cement capacity, holds around 22% of the domestic market, with ACC (50%-owned by Holcim) and Ambuja (50%-owned by Holcim) having 15% and 13% shares respectively.Many of the remaining dozen top players are Indian includingJaiprakash Associates (10%), The India Cements Ltd (7%), Shree Cements (6%), Century Textiles and Industries (5%), Madras Cements (5%), Lafarge (5%), Birla Cement (4%) and Binani Cement (4%). The top 12 cement firms have around 70% of the domestic market. Around 100 smaller players produce and grind cement on a wide range of scales but are often confined to small areas.

The Indian cement industry, isnot only large, but also one of the most energy efficient, according to the World Business Council for Sustainable Development's (WBCSD) Cement Sustainability Initiative's (CSI) Getting the Numbers Right (GNR) data programme. India performed very favourably in terms of specific energy consumption per tonne of clinker produced, with an average 3130MJ/t across the 50% of cement capacity that the GNR programme received data on. Brazil and China, which also have rapidly-developing large cement industries, performed slightly less well. In all three cases, it is the recent expansion of the industry in that nation that provides this thermal efficiency, a consequence of modern plants simply being more efficient than older ones. This is clear in comparison with the EU27 group of countries and the USA, both of which have older industries.

In India, the efficiency is further enhanced by the work of dedicated plant engineers who seek to maximise the

efficiency of the equipment due to the fact that expensive foreign coal is the dominant fuel for the cement industry. Coal is also a reliable and stable kiln fuel, which means that Indian kilns can be very finely tuned and hence can be made more efficient than if a less reliable or variable/alternative fuel mix were to be used.

When it comes to CO_2 emissions per tonne of clinker, India performs less well, making 837kg/t of clinker. This is close to the global average but behind those industries that have successfully implemented alternative fuel substitution such as Germany.

In November 2012, the India Brand Equity Foundation (IBEF) said that it expected double-digit growth in the cement industry for the 2013 and 2014 fiscal years. It reported that the cement industry would increase production by around 71Mt/yr over the same time-frame to reach over 350Mt/yr in 2014.

Meanwhile, the Indian Government's 12th Five-Year Plan, which runs for 2013 to 2017, states that India will require a cement capacity in the region of 480Mt/yr by the end of 2017. It states that a further 150Mt/yr of capacity will be required to accomplish this. ACC expected India to have a capacity of 500Mt/yr by 2020.

Highlights 2014

- Lafarge and Holcim plan to request for the European Commission's approval for their possible merger. The two companies had earlier unveiled plans in April 2014 to create the world's biggest cement group with US$ 44 billion in yearly sales.
- JSW cement plans to enter the Kerala market to cash in on the construction frenzy in the state. JSW is presently building a three million tonnes per annum (MTPA) capacity plant at Chitrapur in Karnataka to add to the current 5.4 MTPA capacity in South India.
- Zuari Cement through its subsidiary Gulbarga Cement Limited (GCL) plans to set up a 3.23 MT cement plant in Gulbarga, Karnataka. The company along with the cement plant is setting up a 50 MW captive power plant in the region.
- Malabar Cements plans to set up an automated cement handling and bagging unit as well as raw materials import facility in the Kochi port. Malabar Cements has projected a minimum throughput of 300,000 tonnes per annum which can be extendable up to 600,000 tonnes per annum, apart from intermediate products and raw materials such as clinker, limestone and coal.
- Reliance Cement Company (RCC), a subsidiary of Reliance Infrastructure, has entered into the cement market of Bihar where the demand for the building material is on the rise due to a realty boom. RCC presently has plants with total installed capacity of 5.8 MTPA.

Cement consumption in India is dominated by residential real-estate construction to the tune of 64%. The second largest type of use is infrastructure, which accounts for 17% of all cement used, followed by commercial real-estate construction (13%) and industrial construction (6%).

To conclude the Indian cement industry is large, growing and, with consumption of just 185kg/capita/yr in 2011-13 (compared to global average of about 300kg/capita/yr), the country itself has the capacity to demand significantly more cement as it develops.

However, the industry is at a tricky point in its development. Capacity is way ahead of actual consumption but cement producers are keen to maintain their market share and so expand to secure future demand. Producers in this situation should bear in mind the Indian cement industry of the early 20th Century, when companies expanded, lowered prices and, in many cases, went out of business. Some have cautioned against rapid capacity addition in the coming years. It is foreseeable that the Indian cement industry will see consolidation over the coming years. Producers that can differentiate their cement from others or can make savings on production costs by, for example, using alternative fuels, will be able to take advantage of increasing demand while remaining ahead of their competitors.

Current Scenario of Talent Management in Indian Cement Industry

The Indian Cement Industry has very effectively realised the importance of talent management for sustainability, competitive advantage and cost effectiveness. It is aware of the scarcity of available talent pool, the difficulties in attracting, selecting, recruiting, training and retaining talent. The industry has realised that talent management is going to be the biggest challenge the industries are going to face in the coming years. Thus, the Indian cement companies have formulated talent management strategies and implemented them. AB group has always been leading in such endeavours and has been receiving awards for being the best Indian employer, a number of times. The group has started the talent management activities years ago and the results have shown that the company has been highly successful in its talent management practices.

Table 1: Attrition Rate of AB Group for last 5 years

Year	Attrition Rate
2010-11	9.00%
2011-12	6.78%
2012-13	3.53%
2013-14	3.36%
2014-15 (till 30th June, 14)	0.42%

Table 1 shows the attrition rates in the company for last five years. The attrition rate in the company has sharply declined in the last five years from about 9% in 2010 – 11 to almost 0.4% in the first half of 2014 – 15. Thus, the company has been highly successful in its endeavours and among the top global cement companies in terms of its talent management practices & their efficacy in controlling attrition.

Objectives of The Study

- To study the present scenario of talent management in Indian cement industry.
- To analyse the impact of different parameters on the efficiency of talent management system in the organization.

Research Methodolgy

The study is intended to analyse the top management perception regarding the efficiency of talent management practices in their organizations.

The study will involve a questionnaire survey of HODs and top managers of 5 selected cement plants in Rajasthan, viz., Ambuja Cement Ltd., Rabariawas, Pali; Birla Cement Works, Chanderiya, Chittorgarh; J.K. Cement Works, Nimbahera, Chittorgarh; UltraTech Cement, Shambhupura, Chittorgarh and Wonder Cement, NimbaheraChittorgarh.

For the study, a questionnaire has been prepared. The questionnaireis divided in two parts. First part consists of demographic details, viz. age, experience, designation, organization and no. of years working in present organization. The second part of questionnaires consists of 20 Likert scale based questions relating to talent management practices in the organization. The questions are divided into four categories: Workforce planning & talent acquisition, Capability, development & performance, Leadership & high potential development and Retention Strategy.

A sample of 50 HODs and top managers, 10 from each cement plant have been considered for the study on the basis of convenience sampling. The sample size of 50 has been chosen considering the limitations of resources.

Hypothesis for The Study

H_{01}: There is no significant difference in the impact of different parameters on the efficiency of talent management system in the organization.

H_{a1}: There is a significant difference in the impact of different parameters on the efficiency of talent management system in the organization.

Data Analysis and Interpretation

The questionnaires were sent to 50 HODs and top managers, 10 in each of the selected cement industry, of which 43 filled questionnaires were received. All 43 questionnaires received were found to be complete and the responses for them have been tabulated and analysed. The data collected showed that most of the top managers are satisfied with the talent management system in their organizations.

Testing of Hypothesis

For testing the hypothesis, ANOVA has been used to analyse the impact of different parameters on the efficacy of talent management practices in the organization. ANOVA helps to analyse whether there is significant variation in the given samples (more than two) for the parameters being tested.

For this purpose, the 20 questions have segregated into 4 different groups:

Workforce planning & talent acquisition-X_1

Capability, development & performance-X_2

Leadership & high potential development-X_3

Retention Strategy-X_4

In ANOVA, the variance of the scores of the two components is separately calculated:

- The variance between groupsor the variability among the group means.
- The variance within a group, or how the individual scores within each group vary around the mean of the group.

These variances are measured by calculating SSB, the sum of squares between groups, and SSW, the sum of squares within groups.Each of these sums of square are divided by their respective degrees of freedom, to calculate the mean square between groups, MSB, and the mean square within group, MSW. Finally, F-ratio is calculatedas the ratio of the

mean square between groups and the mean square within groups. The F-score so calculated is compared with the tabulated F-values at their respective degrees of freedom.

Table 2 represents the average score of all the top management respondents for the five questions in each of the four groups. Table 3 represents the total, average and variance of the responses in each of the four groups. Table 4 represents the sum of squares, degrees of freedom and mean square score between and within the groups, the calculated F-score, p-value and the F-critical values.

Table 2: Average & Total Score for each of 5 questions in the four groups

	X_1	X_2	X_3	X_4
1	4.3	4.34	4.39	4.52
2	4.07	4.3	4.32	4.45
3	4.16	4.39	4.32	4.39
4	4.18	4.3	4.52	4.66
5	4.11	4.34	4.48	4.59
Total	**20.82**	**21.67**	**22.03**	**22.61**

Table 3: Total, Average and Variance in the four groups

Groups	Count	Sum	Average	Variance
X_1	5	20.82	4.164	0.037056
X_2	5	21.67	4.334	0.000506
X_3	5	22.03	4.406	0.002450
X_4	5	22.61	4.522	0.027390

Table 4: ANOVA Calculations

Source of Variation	SS	df	MS	F	F critical
Between Groups	0.067403	3	0.022468	3.103269	3.24
Within Groups	0.115840	16	0.00724		

Interpretation

We observe that the calculated F value (3.103269) is less than the F critical value (3.24) at the respective degrees of freedom and 5% level of significance. Thus, the null hypothesis is accepted, i.e., there is no significant difference in the impact of different parameters on the efficiency of talent management system in the organization.

Conclusion

The study clearly shows that the talent management practices have been effectively developed and implemented in the Indian cement industry and has been able to achieve its objectives of retaining good talent as the figures show that the attrition rate has come down from 9% to 0.4% in last five years.

The study also shows that the top managers of the five selected organizations are satisfied with the talent management practices in their organizations and there is no impact of the different factors on the efficiency of the talent management system.

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