Talent acquisition techniques and innovations
– A case study on Pune based SME Auto Ancillary sector

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Abstract
Globally, the effective acquisition and management of human resources (referred to as talent, based on skill sets available) has proven crucial in ensuring a firm’s viability. The SME Auto Ancillary sector in Pune realizes this and is working hard on different initiatives to attract and acquire good talent, as this talent will drive their business growth going forward.

Over the past two decades (post liberalisation), the SME Auto Ancillary sector in Pune has overwhelmingly begun to wake up to the fact that talent is scarce and it moves globally. In the Indian context, even though we have a large pool of educated graduates, SME’s realize that not all those who are educated graduates are employable. This puts a premium on the employabletalented ones. Companies generally believe the old maxim that people are their most valuable asset and sometimes forget the fact that the ‘right’ people are valuable assets.

This paper has evolved from a case study conducted across five companies (a cluster convenience sampling method was adopted) from the SME Auto Ancillary sector in Pune. The paper tries to understand the best practices followed to acquire good talent. The author’s conclude with two recommendations, namely, SME’s need to focus on creating an employer brand to attract talent, and two, good talent is looking for a value proposition for them to join a particular SME, this value proposition needs to spelled out unambiguously. The paper throws light on some unique branding strategies being carried out by SME’s to become ‘preferred places to work at’ and increase the SME’s appeal. The paper describes various talent-sourcing methods used with varying degrees of success in which talent acquisition is carried out by the SME Auto Ancillary sector in Pune.

Key words – talent acquisition, SME’s, employer branding, value proposition

Introduction:
Globally, the effective acquisition and management of human resources (referred to as talent, based on skill sets required for a particular job) has proven crucial in ensuring a firm’s viability. Talent acquisition involves all the sub-processes around finding, attracting and engaging highly talented individuals into an organization (the sub-processes are also classified into sourcing, selecting and on-boarding). Talent acquisition is part of a broader outward facing strategic approach in the quest to gain and sustain a competitive advantage by hiring and nurturing the best talent available. Talent acquisition aims to get
away from “fill in the box” thinking to one that is more proactive and therefore, closer to building the
skillsets required to drive future business and achieve long term sustainable success.
The management of flow of talent through an organization once it is acquired is also important. Its
purpose is to assure supply of talent to align the right people with the right jobs at the right time, based
Resource Management cannot be conceptualized as a stand-alone corporate issue. Strategically speaking
it must flow from and be dependent upon the organization’s (market oriented) corporate strategy.’
*Talent acquisition when coupled with HRM* takes a long term view of not only filling current open
positions, but also works to identify upcoming talent requirements for future endeavours. These future
positions are identified by thinking about succession and/or analysing the attrition rates and/or building
out business plans. In highly advanced talent acquisition processes, large organizations recruit today for
positions that do not even exist today; but are expected to become available in the future. This must be
the end goal for SME Auto Ancillary companies in Pune.

**About the SME Auto Ancillary sector in Pune**

As per the Government of India’s Automotive Mission Plan (2006 – 2016), *“By 2016, the automotive
sector is expected to contribute 10% of the country’s GDP”*. A majority of automobile OEM’s
and ancillaries are located in Pune, also known as ‘Detroit of the East’. Over the years, the small
and medium enterprise (SME) auto ancillary sector developed the capability to manufacture complex
components required in vehicles, which is evident from the high levels of indigenization achieved in
the vehicle industry. The auto ancillary sector is one of the fastest growing segments within the auto
industry with a CAGR of 20% over the last five years. Low labour costs, availability of skilled labour
and high quality consciousness among Indian vendors have spurred this growth.

In addition to locally growing demand, Indian companies also export over $5 billion worth of auto
components every year. Such a high growth in the auto ancillary sector is expected to lead to an
**additional 750,000 direct jobs in this sector along with indirect employment of 1.8 million people.**
In addition to creating incremental employment of about **2.5 million people** in direct and indirect jobs,
it is also expected to result in incremental revenue of USD 3.8 billion to the exchequer. Investments in
this sector would also grow by USD 15 billion from the current level of USD 3.1 billion.

Given the above figures it is obvious that the success of the auto ancillary manufacturing sector is key
to India providing employment opportunities to the millions of youngsters part of the ‘**demographic
dividend**’. For the SME auto ancillary sector in Pune to be able to meet this demand led growth, they
need to **acquire talent of the best quality at the right time.**

**Talent paradigm**

Celebrated author Jim Collins* writes, ‘People are not your most valuable asset, The RIGHT people
are’.

In today’s highly competitive market, to attract the right talent, SME auto ancillary sector needs to define
a value proposition for the employee. Simply put, the company must be able to answer the question,
*‘Why should you work with us (this company)?’* The unfortunate reality of India, with its 1.21 Billion
population, is that not all those who are educated are talented. Talent is getting scarce. In short, demand

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1. Miller 1987 and Boxall 1992
2. Government of India’s Automotive Mission Plan (2006 - 2016)
3. Sharmistha Mukherjee in Business Standard – Friday, April 29, 2011
for talent is increasing day-by-day but the supply of talent coming out from universities and colleges is not industry ready. The recent scenario in the organizations is that they are almost begging the talented people to join their organization and are ready to pay them a heavy salary.

**Research Methodology**

After considerable fact finding, the authors shortlisted five SME’s operating in the Auto Ancillary sector in Pune using convenience and cluster sampling. These SME’s were carefully selected on account of the innovative techniques displayed by them in acquiring talent. A combination of primary research and secondary research was conducted. Relevant literature review was also undertaken. During primary research, interviews were conducted with decision makers at the five SME’s mentioned below. The results were collated and any further questions were resolved via telephonic discussions. Industry data and sector data was looked at during secondary research. All applicable literature is cited as required.

**Sample description**

* Due to strategic and competitive reasons, the 5 SME Auto Ancillary sector companies from Pune have requested the authors to withhold and not disclose their true identities in this research paper. Below, we provide some representation of each company based on the broad manufacturing activity it carries out.

- **Company A**, is into manufacturing of sheet metal and tubular automobile components and assemblies. It is a Tier 1 vendor, located in Pune, supplying metal products to many OEM’s across India.
- **Company B**, is into manufacturing of automobile seating systems and supplies to Tier 1 vendors across Western India.
- **Company C**, manufactures exhaust systems for SUV’s with supplies to local as well as European companies for their European operations.
- **Company D**, manufactures equipment for the farming and construction related automobile sector.
- **Company E**, is into manufacturing of precision turned components supplied to leading Tier 1 vendors across Maharashtra.

**Talent acquisition: Challenges encountered vs. Innovations adopted by the SME auto ancillary sector in Pune**

**Challenge I - Educated Employable vs. Educated Unemployable**

There are two types of people available in the market today. Some are educated and employable while a majority are educated but unemployable. The difference lies in the ability to apply the knowledge that has been assimilated to solve real life problems. The SME auto ancillary sector in Pune requires employable talent.

**Case study 1** – It is worthy to site that leading OEM’s and auto ancillary companies have tied up with ITI’s (Industrial Training Institutes) around India to ensure that latest skills are imbibed into students while completing their ITI certificate courses (eligibility is after grade X). For e.g. **Tata Motors Ltd.** has signed a MOU to create a Centre of Excellence at the Aundh ITI in Pune. **Cummins Ltd., Kirloskar Group, Hundai Motors, and Toyota Motors, etc.** have adopted multiple ITI’s around India. This is a unique initiative that bridges the gap between theoretical education and practical knowledge while increasing the employability quotient of these students. The above case study goes to prove how public private partnerships can help in bridging the supply gap.
demand gap and become a best practice for other companies to follow.

**Challenge II - Talent is getting scarce**

Given the myriad opportunities available for talented individuals in the market today, the SME auto ancillary sector in Pune faces an acute shortage of talent that may be willing to work with them. In today’s global marketplace, good talent can decide to work in any country across the world and the respective governments are ready to welcome them. This international market for top talent increases the brain-drain from our country and reduces the available talent pool. In addition, the brick-and-mortar type industry is clearly not a favourite when it comes to making career choices for today’s young talented. This means that the SME sector has to increase its value proposition and deliver on three drivers that have the largest impact on engagement of talent:

a) **Career Opportunities**: Defined as an employees’ perception of a favourable set of circumstances for their future in the organization, including growth and advancement.

b) **Career Aspirations**: Defined as the ability to accomplish something that is either personally rewarding (e.g., training new associates, achieving work/life balance) or acknowledged by others as a major achievement (new product or process introduction).

c) **Pay**: Employees perception of the appropriateness of their pay, relative to their performance and contributions; pay can be defined to refer to both fixed and variable pay

**Case study 2** – To alleviate the above problem of scarce talent, Company B from our sample has established a novel program. Since they realize that talent is getting scarce, especially around Pune, they have selected a few colleges in Karnataka state (talent availability is better than in Pune) where they conduct campus recruitment drives every year. Company B nominates previous batch pass-outs who are current employees to go their alma mater and discuss career opportunities with the graduating students. These students are more inclined to trust their alumni and when they hear the opportunities available from the same alumni who have displayed growth and advancement it makes it easier for Company B to acquire the scarce talent.

In recent years, Company B has also begun to visit the same colleges regularly during the term to give lectures on ‘Becoming industry ready’ and ‘Knowledge building vs. skill building’. This provides Company B with great exposure to students and they can begin talking to top talent throughout the year if necessary. The college benefits because it gets students to understand what is required from the industry all throughout the year so that students can prepare themselves accordingly. It’s important to note that these colleges are situated in semi-rural settings and generally do not have access to such opportunities.

**Challenge III - Demand exceeds supply**

The high growth rate experienced by the auto ancillary sector recently has meant that demand far exceeds supply. It is important to note that only supply of fresh graduates is not important here. The supply of employable graduates is necessary. Some SME’s now hire graduates in their final year of graduation and allow the students to attend daily work in their last semester of studies. This ensures that the student completely understands the processes, systems even before he / she graduates. This is a win-win-win solution for the student, college and the company.

**Case study 3** – Company A from our sample requires five fresh engineering degree candidates every year. The strategy they follow to beat the on-campus recruitment rush as well as to assure good quality candidates is as follows. Company A visits the engineering college when students are in their third

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6 Hewitt’s Best Employer Asia Study, 2009
year of engineering. The company holds introductory lectures with details of products manufactured, company life and career growth options with T.E. students. The company then conducts interviews and hires 15 summer interns for a period of 3 months while providing interns a good salary. Naturally students are very enthused since normally engineering summer internships do not pay too much. Over the summer, students are made to work on couple of different projects and evaluations are conducted. Company A offers full time positions to 7 of the summer interns with a unique clause. The clause is that if students accept the full time position offer, they will need to work with the company for upto 25 hours per week during their final year of graduation. This is a great manoeuvre, because it allows the company to keep the future employee current with latest developments at the company and since students are attending long hours at work while simultaneously completing mandatory college work, the student does not have any inclination to sit for other on-campus opportunities. Thus, the company is able to select good candidates while it does not face the problem of its offers going unattended.

**Challenge IV - Beg the talent to join, paying painful salary**

Compensation levels are through the roof. SME Auto Ancillary companies in Pune particularly face this problem. Large corporations attract talent at lower compensation because the talent is more interested and influenced by the brand he / she will get to work with and corresponding impact on his / her resume. SME’s in the Auto Ancillary sector in Pune have realized the importance of offering talent the satisfaction of reaching the fourth level of Maslow’s hierarchy of needs, Esteem. SME’s are trying to create employer branding at local level and regional level to achieve brand recognition and to provide talent with something more than just a large pay packet.

**Case study 4** – Company D has realized that there is no upper limit to paying more and more salary to attract good talent. It has adopted a radically different approach. Company D realized that good talent often joins large companies at lesser pay because they place relatively large value on the employer’s brand equity. Company D decided that it would be a better investment to go in for raising its brand equity rather than to shell out higher payments year in and year out. Given the average Indian’s interests in cricket and the success of IPL (Indian Premiership League), Company D bid for and bought a Pune District Premier League team (PDPL). Overnight, Company D became a household name in the Taluka and Pune District and large numbers of local college students attended and cheered for them in every home game. This venture created a strong bond between the company and the local population. This strategy to buy a PDPL cricket team immediately increased the measurable employer brand value of Company D, at a relatively low cost and in a very short time period. During interviews, HR officials from Company D were excited to note that good talent is now willing to join them for far lower starting salaries than the company had ever budgeted.

**Case study 5** – Company E adopted a combination of a semi-rurally relevant and religiously significant strategy to improve its employer brand appeal. Religion sells well in India and people love to get involved in religious celebrations. One popular religious celebration has teams of young men getting together to construct a human pyramid by climbing on top of each other to reach dizzying heights in order to claim pots filled with goodies that are hung high overhead. Company E sponsors a mega prize to the winning team and begins advertising this two months before the festival begins. This generates a lot of local interest and its brand begins to get established. A month before the event, Company E goes a step forward and announces that a local starlet would grace the occasion and perform during the prize distribution ceremony. This ups the interest levels and sure enough the program is a huge hit. Company E follows this routine every year. In fact, last year it even managed to rope in co-sponsors for the prize distribution ceremony. Company E now finds it relatively easy to hire top talent at reasonable rates.

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based on its brand recall value and has created a niche branding strategy that is carried out every year.

**Challenge V - Loyalty is portable**

Employment for life is out of fashion. Today’s generation now wants to earn big salaries as soon as possible even if that means hopping jobs every 9 – 12 months. SME’s face this challenge too. Given that SME Auto Ancillary companies need to develop specific knowledge in their teams and many times individual talent wears multiple hats, this constant attrition hurts them and affects growth prospects. Though this appears as a problem on talent management, it is really about acquiring talent by providing good talent with case studies on how their career can blossom at the said SME. Companies would like to keep good talent with them for life if possible.

**Case study 6 – Company C** has found a terrific solution to allow employees to work with them for life if possible. Their hiring motto at Company C is ‘Hire for attitude and train for skill’. The HR team at Company C carried out a survey to understand the top 3 reasons behind attrition of good talent. They found that the best talent left because it wanted to pursue an independent venture as a Tier II supplier of auto components. Company C evolved a policy for its employees. The policy encouraged high performing and entrepreneurially inclined employees to setup their own auto ancillary manufacturing units and supply components to Company C. The policy put in place financial loans and equity participation that Company C commits to if employees so desire. The only catch is that employees need to continue to lead current assignments at Company C if desired by Company C, albeit at a lower pay. In the SME auto ancillary sector, managing one’s supply chain is very crucial. Sub-vendors manufacture many small items that are bought out by SME’s to assemble together. In behaving like an angel investor, Company C struck three targets at once.

a) Company C was able to hold on to good talent for as long as it needed them, that too at a lower pay

b) Company C was assured of good quality widgets in its production that was supplied by its own trusted employees at market defined rates

c) Company C created entrepreneurs and helped the nation and society at large

**Steps in talent acquisition**

Three steps make up the talent acquisition process in the SME Auto Ancillary sector in Pune:

1. **Sourcing**
2. **Selection**
3. **On boarding**

   Sourcing talent is the process to generate a pool of qualified candidates for a particular job. The organization must announce the job requirements, skill sets required and position availability to the market and attract qualified candidates to apply. The organization may seek applicants from inside the organization, outside the organization, and / or both.

Selection is the process to make a “hire” or “no hire” decision about each applicant for a particular job. The process usually involves determining the characteristics required for effective job performance, interviewing the applicant, and then measuring each applicant on those characteristics against the company’s expectations relative to other candidates. It is often said, “Good coaching, training, and mentoring is not likely to make up for bad selection.” Another rule of management states “Hire hard… Manage easy!”

On-boarding involves getting the selected talent to join the company with a positive mindset. It is a
process that begins from when the offer is made out to after the talent has joined the organisation. On-boarding takes care of introducing the company’s policies, processes, products and the like to the new talent.

Type of Talent required vs. Company lifecycle
The actual talent requirements depend on short-term and long-term objectives of the company. The talent requirements vary based on where the SME Auto Ancillary company lies in its life cycle. The following four stages describe a SME Auto Ancillary company’s life cycle –

1. Early growth stage
2. Steep growth stage
3. Plateauing growth stage
4. Declining growth stage

1. Early growth – Not much outside talent is hired. The promoter generally wears multiple hats and handles multiple responsibilities until the company becomes sustainable.
2. Steep growth – High requirement for talent exists in this stage. This is a delicate time for the company when any lack of hiring good talent can risk growth of the company.
3. Plateauing growth – By this stage the HR practices are set. Talent is required on a continuous basis though at a steady rate.
4. Declining growth – During this stage, high value talent deserts the company and only the bottom level talent remains. This is a very detrimental phenomenon for the company and it often accentuates the decline even faster.

It is very interesting to note that the competencies required to exist in the talent differ from stage to stage. High potential young employees will like to work at companies that are undergoing steep growth while middle aged employees may prefer to join companies that are growing steadily or even plateauing in growth for that matter.

Talent sourcing methods adopted by Auto Ancillary SME’s in Pune
SME’s in the auto ancillary sector in Pune generally follow the below mentioned methods to acquire talent with varying degrees of success –

a) Newspaper advertisements – The most popular method practiced in Pune. SME’s find this cost effective. Though, our studies show that today’s talent does not follow the newspaper advertisements closely. This fact, therefore defeats the whole purpose of placing newspaper advertisements.

b) News bulletins – These are local area publications that carry news about weekly job openings in the private sector and public sector enterprises. Banks and other institutions advertise entrance exam schedules through this medium too. These bulletins act as a tremendous source of information on new job openings and at which companies particularly at the Taluka level. SME’s opening new plants at the Taluka level utilize this medium very effectively.

c) Online forums – SME’s realize the growing popularity of forums like LinkedIn™ and Facebook™. These and other similar online forums serve as excellent brand building tools and also help in attracting candidates to apply directly to the company.

d) Placement agencies or Talent executive search firms – This is by far the most commonly used medium to hire within SME Auto Ancillaries in Pune. Such is the demand for their services that there are thousands of similar firms in Pune, with not much differentiation in the basic business plan. These companies charge anything from 5% – 15% of the annual CTC from the SME auto ancillary client. These search firms recruit fresher graduates from colleges and filter resumes from online
databases like Naukri.com, Jobs.com, etc.

e) **Employee referrals** – This is a low cost but highly effective medium of acquiring talent. Employees are requested to furnish details of friends and relatives having specified skillsets and employees are incentivised to get that person on board. SME’s generally give 5% of the new joinees’ annual CTC as a bonus to the referee after the new employee joins the company.

f) **Job portals** – The advent of the internet has opened up this solution. This medium being easily accessible allows candidates from across India (including small towns with a Net Cafe) to upload their details online. Opportunities to interview and the said company’s details are sent to the applicant’s email id and / or sms services are also available. Auto ancillary SME’s can buy the entire database for a few days or subscribe to put up job descriptions online. Large advertisements of SME’s on this website with interviews of their promoters serve as a brand building exercise on the job portal.

g) **Company websites** – These are a great medium to display real time information regarding the company and if done correctly this medium can also attract talent to post their resumes through the website itself. SME’s also publish their current job openings on the websites.

h) **Poaching talent from competition** – Auto ancillary SME’s sometimes laterally hire top talent from competition by providing huge incentives to the talent. This enables the SME to evaluate best practices adopted by competitors via the talent moving to them. This practice does not smell of good ethical business practice and is generally avoided as far as possible.

i) **Buying out competition** – Recently a large Auto ancillary SME bought out a Tier I vendor because of the talent pool available with the vendor. This talent is then shifted onto bigger but more focused assignments thereby contributing to the larger goal.

j) **Campus placements** – Colleges invite leading Auto ancillary SME’s to come to the college and deliver pre-placement talks. Interested students then appear for written tests, GD’s and in-person interviews. SME’s provide offers to the selected students.

k) **Internship placements** - SME’s provide internship opportunities to final year students (over the summer or winter breaks) over 3 month periods and then may give out permanent offers to the best performers.

l) **Scholarship / Loans** – Auto ancillary SME’s provide soft loans and / or scholarships to needy students. After the student completes his / her studies he / she is requested to join the SME for a fixed period of time. The student naturally obliges on account of the goodwill that the SME has generated in his / her mind.

### Conclusion and Recommendations

Based on case studies conducted across five SME auto ancillary companies in Pune and also our understanding of the HR bestpractices in India & abroad, through various papers, we recommend that SME’s from the auto ancillary sector of Pune should act on two strategies to negate the challenges faced by them in acquiring talent. While recommending these strategies, we are mindful of the unique difficulties faced by SME’s in the auto ancillary sector and are confident that the recommendations spelled out will not burden them with unnecessary cost or stale processes. SME’s may prioritize application of these strategies as they deem necessary.

1. **Focus on employer branding** – Auto ancillary SME’s need to create their Brand Identity. This branding should describe the ethos of the company and be locally relevant. The above case studies describe how some SME’s have successfully created a brand that appeals to the local population, as an employer of choice.
Define and articulate employee value proposition—Auto ancillary SME’s should be able to answer the questions, ‘Why should you work with us?’ in simple and lucid terms. This clear indication will provide the talent with career objectives and answer their need to fulfil their career aspirations while enjoying what they do.

It should be noted, however, that this study contains deficiencies. Future studies may have to concentrate more on a larger scope of population, including more small and medium enterprises, covering more cities and towns, and attempting to test more measurements toward the creation of firm’s value. This would enable a model to be applied across the board. Also, additional variables should be incorporated into the study, such as; salary, education level, length of experience, the number of years the organization has been in business, estimated brand appeal, and others. Those suggested variables may eventually enrich the future study on the level of value creation.

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