OFFICE MEMORANDUM

Subject: Professionalization of below Board level management in Central Public Sector Enterprises (CPSEs)

The undersigned is directed to state that the Department of Public Enterprises (DPE) has issued guidelines regarding professionalization of Boards of CPSEs. It has been seen that generally below Board level incumbents assume Board level positions in CPSEs. Therefore, DPE was assigned the task to examine the issue of Professionalization of below Board level management in CPSEs and issue suitable guideline/advisory to CPSEs.

2. The above matter was considered by DPE through a holistic as well as consultative process. Initially, M/s. Hewitt Associates was engaged to develop a Base Paper on Professionalization of Management of CPSEs, which was followed by collection of baseline data regarding prevailing status of professionalization of below board level management from various CPSEs. Thereafter, DPE constituted a Committee of Directors of select CPSEs under the chairmanship of Shri S.P. Singh, Director (HR), NTPC and Director (HR) of SAIL, NHPC, STC, IFFCO, AAI and ED (HR)-NTPC as members, to examine this matter and make suitable recommendations to DPE. The committee held two meetings on 9th and 12th December, 2011 to lay down a broad framework for the proposed guideline/advisory, which has been accepted by DPE.

3. DPE has already issued a comprehensive guideline on Human Resource Management (HRM) for CPSEs on 29.9.2011 for the purpose of performance evaluation under the system of MOU w.e.f. 2012-13. These guidelines, inter-alia, provide that all CPSEs shall take the following initiatives.

- Developing HR Vision, Mission & Values
- Short term and long term manpower planning aligned to the strategic business plan of the concerned company
- Recruitment and talent sourcing strategy
- Devise development and learning strategy based on the business requirement. Identifying the skill requirement (technical/ behavioral).
- Performance Management System
- Career Management & Employee engagement system
- Compensation & reward strategy

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These guidelines also provide a list of performance indicators in the area of HRM and state that specific HR intervention should be planned by all CPSEs along with action plan and timeframe.

4. The guidelines dated 29.9.2011 are comprehensive in nature and include the features applicable to professionalism of management for below board level executives of CPSEs. The issue was further deliberated keeping in view the fact that it may not be desirable to issue two separate guidelines on same issue to CPSEs since generally the matters (especially those related to HR) of below Board level management in CPSEs are dealt by the Board of Directors of the concerned CPSE. It has, therefore, been decided to issue a general advisory to CPSEs in order to bring the issue of professionalism of their below Board level management in sharper focus and enable the CPSEs to implement this process at the earliest keeping in view their resource availability and HR practices currently being followed. The broad advisory has the following four main components.

(A) Define: The CPSEs should identify the critical roles in their respective companies and the desired profile/competency framework of an incumbent to discharge such role(s) keeping in view the organization’s vision, mission, business strategy and assessment of requirements from future leadership. The competency framework may also be developed where the roles are undergoing a transition viz. lower management level to middle management, middle management to senior management, senior management to board.

(B) Assess: The CPSEs should assess the performance of their below Board level incumbents by any or some of the following methods for assessments.

- Assessment Centre
- Performance Management System
- 360 Degree Feedback
- Psychometric test

It may be mentioned that the above list is only indicative and the CPSEs may utilize any other prevalent system for assessment of performance of their below Board level incumbents.

(C) Groom & Develop: The next step should be to groom and develop a select group of executives who are seen as having high potential by the concerned organization in order to fill leadership positions in the future. The developmental process could take any of the following forms depending upon the specific requirements of the CPSEs.

- Training
- Executive education
- Coaching/mentoring
- Developmental assignments
- Rotational assignments
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- Action learning
- E-learning
- Individual development plan

(D) Developing a leadership pipeline and succession planning: The CPSEs need to develop a comprehensive leadership pipeline which would ensure continuous and timely supply of high performance individuals who will occupy critical leadership roles as identified by the concerned company. The suggested process of succession planning is as under.

i) Identification of critical leadership positions
ii) Determination of leadership criteria
iii) Identification of potential successors for each key role based on PMS, experience, background, 360 degree feedback, assessment centre, psychometric test etc.
iv) The Board of respective CPSEs may finalize the list of potential leaders and also provide inputs such as special assignments, job rotation etc. to enable the high potential individuals to develop greater expertise.

In order to have a focused approach, an empowered Leadership and Management Learning Centre can also be devised keeping in view specific requirements of the concerned CPSE.

5. It is reiterated that the CPSEs have diverse background in terms of their operations, working/business environment, existing HR systems, talent pool availability, available financial resources etc. and therefore each CPSE may devise a system which best caters to their specific requirements. The respective Board of Directors of CPSEs may consider this advisory as an overall broad framework for developing a meaningful and comprehensive system for professionalization of their below board level management.

6. All the administrative Ministries/Departments are requested to take note of the above advisory and bring it to the notice of CPSEs under their respective administrative control under intimation to DPE.

(Arun Kumar Sinha)
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O/C

To Secretaries of all administrative Ministries/Departments

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