

Building corporate leadership IN INDIA



A ROUNDTABLE DISCUSSION WITH BANMALI AGRAWALA, TATA POWER COMPANY · MADHUR BAJAJ, BAJAJ AUTO
R BALASUBRAMANIAM, TATA INTERNATIONAL · TUSHAR JANI, BLUE DART AVIATION · LEENA NAIR, HINDUSTAN
UNILEVER · ARUN NANDA, MAHINDRA & MAHINDRA · DR GANESH NATARAJAN, ZENSAR TECHNOLOGIES ·
ANUJ PURI, JONES LANG LASALLE MEGHRAJ · SITARAM SHAH, VEENA DIECASTERS & ENGINEERS · FIRDOSE
VANDREVALA, HIRCO DEVELOPMENTS · ANUPAM (TINO) PURI

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INDIA ROUNDTABLE SERIES

This publication is part of a series of reports produced by Spencer Stuart India. Our roundtables bring together leading figures of Indian business to discuss critical issues and trends that affect them and the future health of their organisations. The roundtables are hosted by Spencer Stuart and include contributions from senior search consultants from India and other parts of the world. To date, roundtable reports have been produced on the themes of Private Equity, Enhancing Board Effectiveness, Human Resources, and the Consumer sector. Further reports are planned in the near future. To access copies of these reports, visit www.spencerstuart.com/research.

THERE WAS A TIME WHEN CORPORATE LEADERS WERE EASILY IDENTIFIABLE — FROM THE CUT OF THEIR CLOTHES, THE SENIORITY OF THEIR BEARING OR THE DÉCOR OF THEIR OFFICE.

Things are very different today. A successful leader could easily be the man with rolled-up sleeves on a factory workfloor, the 28-year old in a t-shirt in the next cubicle or the lady looking over the latest company budget while preparing dinner at home. Behind these changes lie new businesses and different business models. Today's leaders focus on 'walking the talk'; they need to respond to a younger workforce looking for empowerment and be able to provide clear and consistent communication. The way we do business is rapidly changing and so is the definition of corporate leadership.

In these days of democracy in the workplace, the power that comes with leadership is increasingly becoming diffused, while traditional hierarchies are being undermined. As Joseph Nye, former dean of the Kennedy School of Government at Harvard and one-time chairman of America's National Intelligence Council, explains, the nature of leadership is changing — to a combination of 'hard' and 'soft' power, which he calls 'smart power'. It is no longer enough to be a strategist and visionary; it is equally important to build trust with stakeholders and connect with employees. The competency base has grown as has the need for accountability and responsibility.

Corporate leadership: Beyond the obvious

Successful leaders will be the people who have developed the skills of thinking and acting ‘outside the box’, who can confront and challenge old patterns of behaviour, and spearhead new initiatives — at any level in the organisation. For this, companies will need to get better at discovering the leadership potential in their midst and developing the abilities of future leaders.

Given this background, what is the prevailing view on corporate leadership in India? Is leadership about leading the way or helping others to find their way? Is it about vision or implementation? Does it involve enhancing stakeholder value or social responsibility? Experience has shown that there is no single, right answer; leadership is about wearing the right hat at the right time.

ROUNDTABLE CONTRIBUTORS

This whitepaper contains inputs from a roundtable discussion organised by Spencer Stuart in partnership with CII. The discussion was chaired by Arun Nanda, executive director, Mahindra & Mahindra Limited

ATTENDEES

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- > Tushar Jani, chairman, Blue Dart Aviation Limited
- > Leena Nair, executive director—human resources, Hindustan Unilever Limited
- > Dr Ganesh Natarajan, chief executive officer, Zensar Technologies
- > Anuj Puri, chairman & country head, Jones Lang Lasalle Meghraj
- > Sitaram Shah, managing director, Veena Diecasters & Engineers Private Limited
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The new business environment

India's phenomenal growth has resulted in the creation of a new business environment characterised by the emergence of new consumer segments, increased competition and an uptake in M&As, locally and globally. Furthermore, innovation has now become an integral part of Indian businesses across all sectors. What is critical is for companies to accurately define innovation and their strategy for implementation. "Just talking about innovation doesn't work. Over a defined period of time a business has to meet the growth rate the management sets and an innovation strategy is necessary for this," says Arun Nanda, Mahindra & Mahindra.

In order for a business to succeed at a global level it will need to use the intellect and resources available in every corner of the world. Indian businesses may have much larger global peers — for example, the likes of Toyota, Accenture, Delphi, ABB and Pfizer — but what will work in its favour are its ambitious leaders, low costs, appealing products and services, a growing domestic consumer market, and modern facilities and systems to back its global ambitions. Companies such as Tata, Mahindra, Infosys, ICICI Bank, to name a few, have been able to leverage these resources through appropriate strategy, structure, systems and innovative approaches.

“Just talking about innovation doesn't work. Over a defined period of time a business has to meet the growth rate the management sets and an innovation strategy is necessary for this.”

ARUN NANDA, MAHINDRA & MAHINDRA

M&As have become an important expansion route and increasingly have a foreign element in order to take advantage of global synergies. A successful M&A strategy needs to be carried out by leaders who can understand and deal with the differences in business approach, culture and mindset that rise to the surface when companies merge or acquire each other. As Anuj Puri, Jones Lang LaSalle Meghraj remarked: "The biggest challenge that we faced during our merger and continue to face is about people." It is important to understand that integration in M&As is not a post-acquisition process. The acquiring company needs to have the strategy well thought out before the process is initiated and must communicate both the strategy and integration process to

the target company as well, especially in the case of foreign acquisitions where strong cultural differences may need to be overcome.

As companies raise standards and strive to create a competitive advantage, a higher quality of talent is required. Ganesh Natarajan, Zensar Technologies, says: “The minute you mention innovation the bar for talent is raised, because you are then looking to bring on board people who understand the importance of innovation for the long term.” Attrition is now a wider phenomenon, with sectors such as real-estate facing levels as high as 30-40 per cent. Real estate faces a huge supply challenge, especially since there is hardly any investment in building project managers, in the developers or in building the organisations. The challenges small- and mid-sized companies face are, however, at the other end of the spectrum. “We have less of a value proposition to offer compared with the larger companies, but we require the same leadership capabilities,” says Sitaram Shah, Veena Diecasters & Engineers Private Limited. In these companies, though opportunities are many, the trade-off between compensation and business scale is difficult to achieve and building a proposition to attract suitable individuals is a challenge.

“The minute you mention innovation the bar for talent is raised ...”

GANESH NATARAJAN, ZENSAR TECHNOLOGIES

The talent challenge gets more complicated at the middle and senior levels. With the high pace of growth, and companies foraying into new and diverse industries, it has become very difficult to find leaders with extensive experience or exposure to an entrepreneurial environment, and who can harness the potential for growth.

The wider question that emerges out of all this is whether India is building a sustainable capability for education at all levels in the country. It is estimated that between 2006 and 2010, 71 million young people will enter the working-age population. The paradox is that a large percentage will be unemployable unless urgent steps are taken to develop important skill sets. This has brought into focus the need for vocational education, an updated curriculum and increased clarity on private and public sector partnership.

There have been some positive moves by corporates to tackle the anticipated talent shortages, with companies like Mahindra setting up engineering

colleges. However, the need of the hour is to diversify the whole vocational education and training programme targeting the specialised skilled labour market and different industries including tourism, IT, retailing, electronics, automobiles, film, TV as well as India's traditional agriculture, crafts and cottage industry. Hence, there will need to be a detailed analysis of the talent required and a huge scaling up of education and training in every conceivable area if India is to meet the demands of the future. This will need to be an initiative that the government and industry take up together.

The workforce challenge

While the talent shortage needs a long-term solution, it is equally critical to build a workforce that can function effectively in the new workplace, which is increasingly characterised by young professionals, women and expatriates. According to Arun Nanda: "Earlier, people from the most junior to the most senior made lifetime commitments to companies. But today, with the higher level of attrition, I would say that 35 per cent of senior management time is devoted to people."

"In India we are just not willing to take risks with people, especially if they are slightly younger, or if they don't carry a label in terms of where they came from."

BANMALI AGRAWALA, TATA POWER

Workplaces need to become more relevant to the younger generation, who are confident, creative and highly technology-orientated. They also seek flexibility at times, whether in order to work at their own pace or in different ways, be it in teams, in technology-enabled environments, out of home or simply be mobile. But this is not always taken positively, as Banmali Agrawala, Tata Power explains: "In India we are just not willing to take risks with people, especially if they are slightly younger, or if they don't carry a label in terms of where they came from." Furthermore, with an increasingly younger demographic, the responsibility of running large businesses is being thrust on a younger

leadership base, resulting in a new generation of leaders who function very differently compared with the older generation.

The people challenge has another aspect, according to Tino Puri. An increasing number of companies across sectors are growing rapidly outside India's borders — be it a Tech Mahindra or a Dr Reddy's — where international sales contribute to 85 per cent of revenue. The question foremost in the minds of leaders of such global companies is whether they are ready and able to take on foreign employees and indeed integrate them effectively.

“The question foremost in the minds of leaders of Indian companies rapidly growing globally is whether they are ready and able to take on foreign employees and integrate them effectively.”

TINO PURI, SPENCER STUART ADVISORY BOARD

The proportion of women in the workforce has also been increasing, as a result of their ability to manage home and work like efficiently and men's support for them working outside the home. Leena Nair, HUL, says: “Honestly, I find that women are very committed to work; there is less mobility and attrition in women.”

Consequently, companies really need to push for diversity within their ranks and create a more inclusive environment, whether this means making it a comfortable place for foreigners to work or realising that women can play a large role in making an organisation more inclusive and integrated.

So what do companies need to do to attract and retain quality talent? “What I have learnt is that as long as you are able to build an emotional connection with your people, compensation is not the primary criterion for retention,” says Anuj Puri. Companies need to communicate effectively, right down the organisation. At senior levels, there is a strong desire within executives to play a role in creating economic wealth for the company and for themselves in the process; organisations need to understand and address this. In the end, what really works is providing the entire workforce with a feeling of empowerment and ownership of the business, which goes beyond financial ownership.

Investment in this direction is paying off. At HUL, there is a significant, rigorous process for identifying talent. Leena Nair shares the story: “One

of the most critical factors in the building of the leadership pipeline is the effective identification of talent. Today our pipeline is very strong and, contrary to perception, attrition is below the industry average. We spend an enormous amount of time investing in the first 3-5 years of our employees to understand their strengths and identify who we would want to nurture for the future.”

Generating employment is a key focus area for corporates as well. This needs to expand beyond the cities and Greenfield projects are the major contributors. As Madhur Bajaj remarks: “When we diversified into small towns and cities, we needed to import leadership talent to those areas. What was critical was to make the proposition attractive — provide social infrastructure such as hospitals and schools.” Companies will also need to get involved in CSR and community welfare in order to differentiate themselves and catch the attention of prospective employees. It is through such initiatives that a company can build the appropriate manpower for its businesses.

In the case of M&As or growing international businesses, it is also important to empower local people. Alternatively, companies need the ability to move people where their expertise is required. Says Arun Nanda: “In China, our CEOs are Chinese but we make sure that they sit on our various councils. At the same time, although our largest automobile component operation is in India, the individual who heads it is a German from Stuttgart.”

“Honestly, I find that women are very committed to work; there is less mobility and attrition in women.”

LEENA NAIR, HINDUSTAN UNILEVER

As geographical borders diminish in importance in the world of global business, integration will take on a whole new perspective. Leaders will need to ask themselves how they will get an employee sitting in a corner in India to align himself with the global corporate performance of a company located elsewhere in the world? The reverse will be equally critical — for example, getting the individual in China to align himself with the overall growth that an Indian company would be having in India. Thus, companies need to include their workforce in their global story — through constant communication, empowerment and diversity. Only then will the individual be able to see his role and growth in a broader context.

Building leadership for the future

The future of an organisation is driven by its leadership. Furthermore, to make an enduring impact, leadership effectiveness needs to start at the top and percolate down, becoming part of the organisation's culture, including structures, processes, and systems. Today, one of the biggest challenges corporate leaders face is balancing the need to increase shareholder value while simultaneously providing a work environment that truly engages the passion and commitment of its employees.

This has raised the bar for corporate leadership. "Today's leader," says Anjali Bansal, Spencer Stuart, "whether it's the head of the entire business, or the head of a business unit, has to be innovative, inspiring, an entrepreneur, global, inclusive and think about new strategies while preserving current business. Moreover, he or she has to have significant intellectual capacity to be able to do all of this at once."

So what defines successful leadership in India today?

Without doubt, innovation will be a key success factor for the growth of any company in India and top leadership will need to drive this. At Mahindra, there is a very simple philosophy, which says that in every senior manager's career, 20 per cent of the turnover must come either from new products, services or new channels. This reinforces the thought that over a defined period of time a business must meet the growth rate set by management.

There has also been a lot of discussion on compensation structuring in recent times, driven by a recognition that the corporate sector could lose its best leadership talent to the entrepreneurial sector unless it adapts very significantly.

On the issue of incentives in compensation, Joe Kopsick, Spencer Stuart says: “There is a very interesting phenomenon happening in North America — we are seeing a brain drain from the Fortune 1000 companies to private equity — primarily because that is where the rewards are greater and there is bigger upside potential.” This move is already being seen in India, and to tackle it companies will need to simulate an entrepreneurial environment inside the corporation.

Today’s leaders will also need to manage diversity effectively. Key issues, according to Joe Kopsick, will be driving mobility and diversity as well as creating a culture based on meritocracy. Leaders will also need to communicate the need for humility and objectivity in an organisation, and put in place systems that support the inclusion of people from other industries or other cultures. This will help to expand the vision of what kind of people can succeed in that organisation.

“Today’s leader ... has to be innovative, inspiring, entrepreneurial, global, inclusive and think about new strategies while preserving current business — and have significant intellectual capacity to be able to do all of this at once.”

ANJALI BANSAL, SPENCER STUART

An equal focus needs to be given to succession planning, according to Kevin Connelly, Spencer Stuart, especially in the current environment of function-based organisations. This functional focus has led to a gap in the development of broad-based skills, which are imperative for successful leadership. This is a challenge that companies all over the world are grappling with and will need serious immediate attention. India may have an advantage here, since many companies still believe that one way of testing leadership capability is by placing individuals in a high-risk situation, putting them in over their heads at times, while still giving them a support system. The idea is to tolerate a degree of failure, within boundaries of course, while being able to analyse performance first-hand.

Tino Puri believes that India Inc can be the progenitor of its own best practice for successful leadership. While adopting global best practices is beneficial, it needs to be understood in the context of the unique challenges and business environment in India. The country is going through a stage of innovation in human resource practices; it will serve companies well to understand that leaders are not necessarily people who run businesses, but they can be found in management roles as well as on the shop floor. Stronger mechanisms are needed in order to identify potential leaders early on and to give them opportunities.

“In addition to diversity, an equal focus needs to be given to succession planning, especially in the current environment of function-based organisations.”

KEVIN CONNELLY, SPENCER STUART

This focus is even more critical today, in an environment where quality talent is scarce, compensation can be matched and competition will only increase. R Balasubramaniam, Tata International, says: “I think people don’t leave companies, they leave managers; the challenge of leadership is that people don’t look just at the location or environment of a potential employer, they look for iconic leaders and then decide whether to join.”

“I think people don’t leave companies, they leave managers ...”

R BALASUBRAMANIAM, TATA INTERNATIONAL

With Indian business growing so rapidly and scaling up to such a large degree in such a short period of time, successful corporate leadership is all about entrepreneurship and innovation, empowerment and passion and — last but not the least — about developing the ability to identify the right people and build a system that really contributes to the organisation as a whole. The challenge for leaders is to translate this understanding into an effective strategy that can be realistically implemented.

The Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organisation, playing a proactive role in India's development process. Founded over 113 years ago, it is India's premier business association, with a direct membership of over 7500 organisations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 83,000 companies from around 380 national and regional sectoral associations.

CII catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmes. Partnerships with over 120 NGOs across the country carry forward its initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and water, to name a few.

With 64 offices in India, eight overseas in Australia, Austria, China, France, Japan, Singapore, UK, USA and institutional partnerships with 271 counterpart organisations in 100 countries, CII serves as a reference point for Indian industry and the international business community.

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