KPMG

Management Capability Development Index India 2018 report

Executive summary
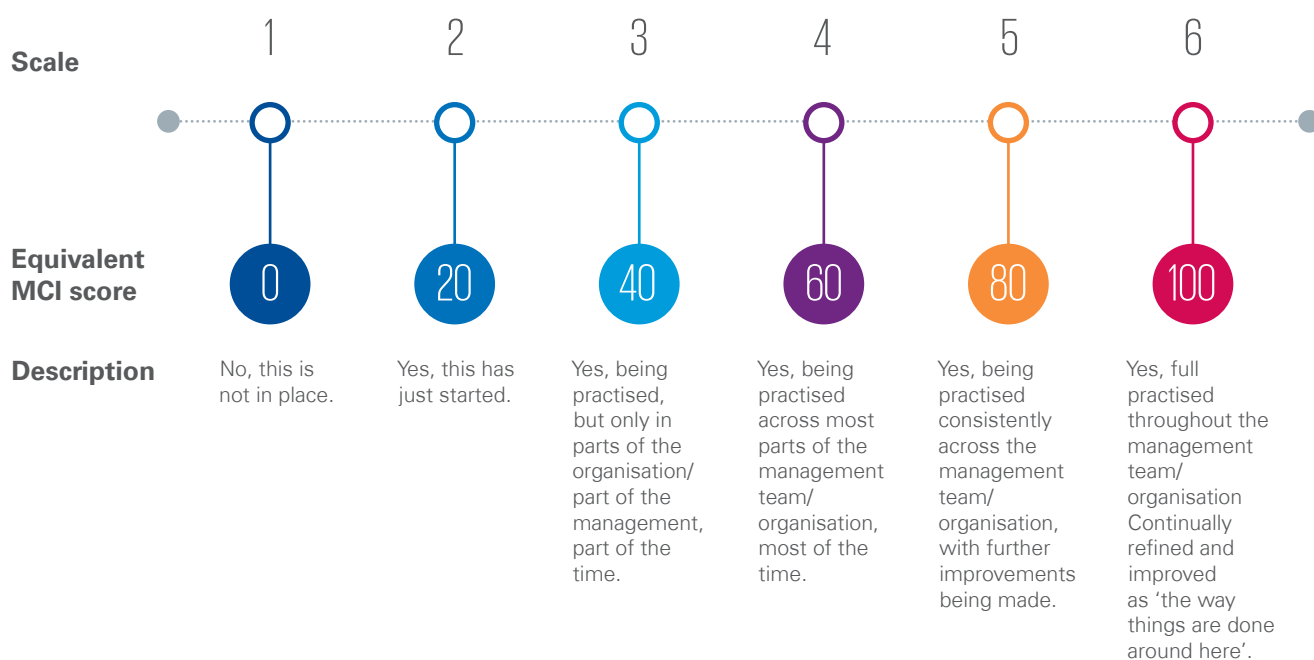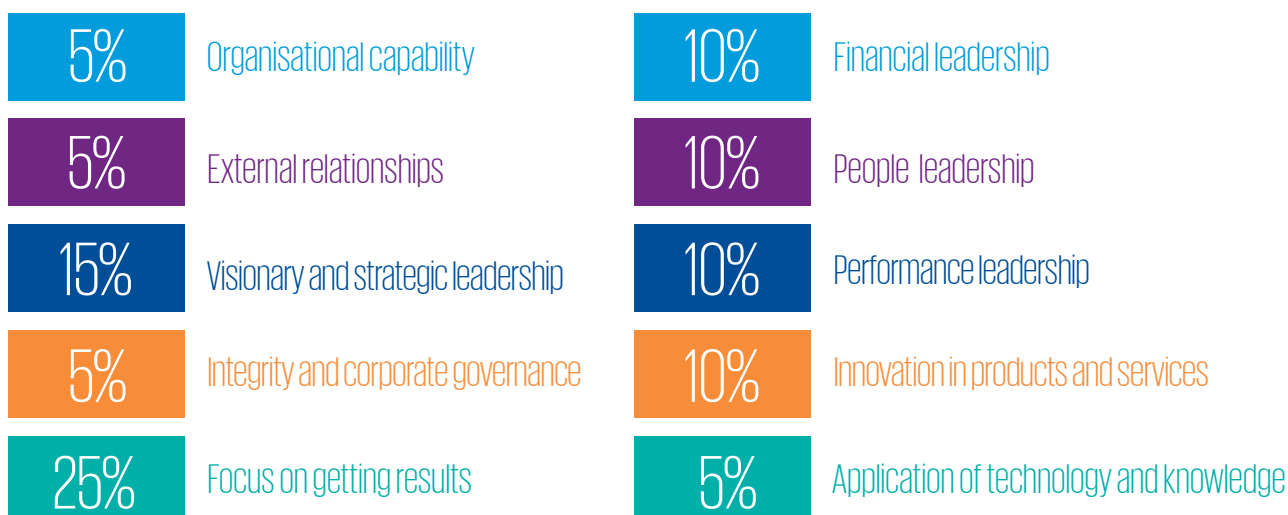
The AIMA-KPMG Management Capability Development Index (MCDI) survey focusses on 10 dimensions of management capability to measure perspectives from CEOs, CXOs and senior leadership. Participants reflect on how advanced their organisations are with respect to the specific dimensions or how much of catching up they need to do. The survey captures both the relative weightage and urgency of these dimensions. In addition, each of these 10 dimensions has sub-elements for participants to reflect on. In the concluding section, the survey also captures participants' comfort with the internal and external training ecosystems available to foster improvement in management capabilities.

The scale to understand participant perspective is captured below:

Scale	1	2	3	4	5	6
Equivalent MCI score	0	20	40	60	80	100
Description	No, this is not in place.	Yes, this has just started.	Yes, being practised, but only in parts of the organisation/ part of the management, part of the time.	Yes, being practised across most parts of the management team/ organisation, most of the time.	Yes, being practised consistently across the management team/ organisation, with further improvements being made.	Yes, full practised throughout the management team/ organisation Continually refined and improved as 'the way things are done around here'.

Each dimension of the MCDI survey has a weightage allotted which was used to calculate the overall MCDI score – which is further analysed basis the demography of the responding organisations and its participants

5%	Organisational capability	**10%**	Financial leadership
5%	External relationships	**10%**	People leadership
15%	Visionary and strategic leadership	**10%**	Performance leadership
5%	Integrity and corporate governance	**10%**	Innovation in products and services
25%	Focus on getting results	**5%**	Application of technology and knowledge

# Definitions of management capability dimensions

Organisational capability

Constructs a culture of innovation and enquiry with an emphasis on consistent learning both for the individual and the organisation. Promotes cross functional synergies with effective application of best management practices to achieve organisation goals and objectives

External relationships

Builds effective relationships with all stakeholders that have mutual benefits and synergies. Proactively collaborates with others and develops formal and informal networks, keeping in mind their interests

Visionary and strategic leadership

Demonstrates a strong and simulating vision for the organisation and team which helps to channel and structure the organisation's vision, mission, objectives and goals, while simultaneously taking into account stakeholder requirements. Exhibits a global mindset and understanding of the market and business needs.

Integrity and corporate governance

Complies to ethical principles on a consistent basis and sets specific guidelines and procedures for an organisation's decision-making. Has an established standard of ethical behaviour for stakeholders based on values. Adheres to legislative regulations and policies while administering the business strategy of the organisation.

Focus on getting results

Consistently measures and monitors business performance as the key performance indicator and scorecard of the organisation. Recognises and makes team aware that performance results are most crucial measures of management capability.

Financial leadership

Performs efficient and effective financial management practices in order to accomplish the objectives of the organisation. Leads and manages the organisation's funds in order to ensure consistent performance improvements and profitable growth.

People leadership and (self) development

Ensures human resource planning, talent management and people development form an important part of the organisation. Encourages transparent communication that promotes growth and empowerment of team members.

Performance leadership

Ensures an achievement oriented environment that consistently challenges its team members to be driven to accomplish high standards of success. Focusses on ensuring goal setting, adaptability to change, risk mitigation while consistently striving for performance excellence and improvement.

Innovation in products and services

Encourages continuous innovation in products and services and creating new value for the organisation. Displays a high orientation towards investing in improvements for different business processes and products.

| **Application of technology and knowledge** | Displays a high orientation towards acquiring knowledge and being adept with latest technology. Brings about a knowledge driven culture that understands and expands information technology and knowledge management to improve the performance of the organisation. |

A key element of this report is to examine how organisations at different stages of growth have fared. Here is a participant split by revenue.
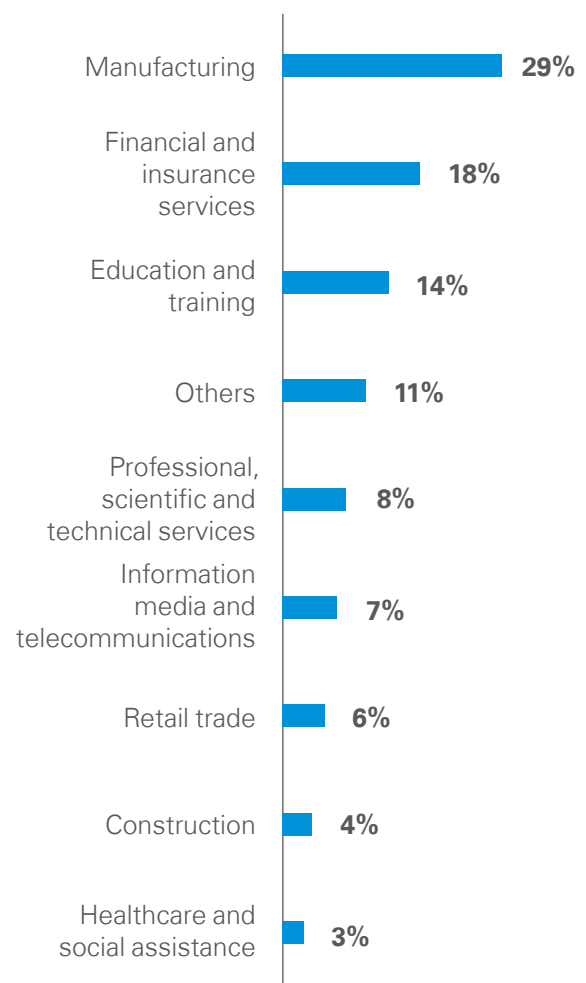
By size of organisation
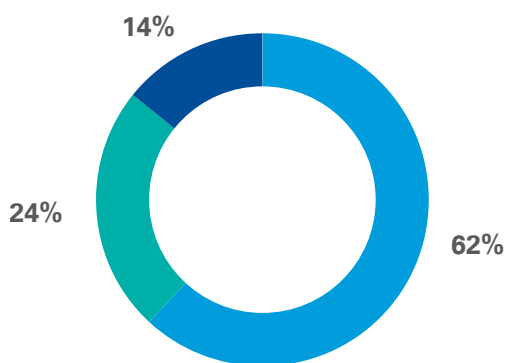
- Budding (INR100 to 4000 crore)
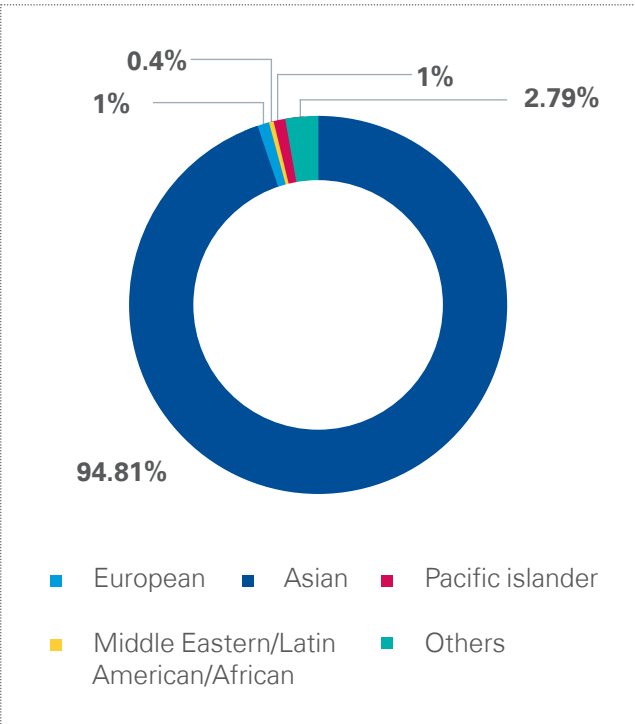- Rising (INR4000 to 14000 crore)
- Leading (INR14000 to 60000 crore)

62%
24%
14%

From across industry segments dominated by manufacturing and financial sectors
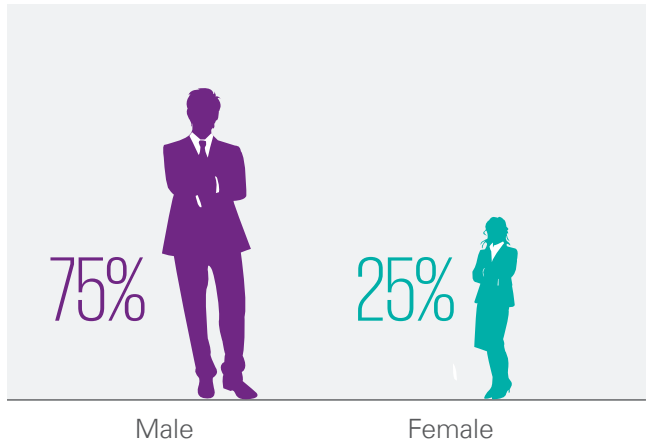
Participation by industry type

Industry	%
Manufacturing	29%
Financial and insurance services	18%
Education and training	14%
Others	11%
Professional, scientific and technical services	8%
Information media and telecommunications	7%
Retail trade	6%
Construction	4%
Healthcare and social assistance	3%

Diversity of participants has made the survey results richer.

Participation by ethnicity

0.4%
1%
1%
2.79%
94.81%

- ■ European
- ■ Asian
- ■ Pacific islander
- ■ Middle Eastern/Latin American/African
- ■ Others

Gender

75%   25%

Male   Female

Organisation type

5%
10%
18%
22%
45%

- ■ Public listed
- ■ Government/ PSU
- ■ Not for profit/ NGO
- ■ Privately held
- ■ Others
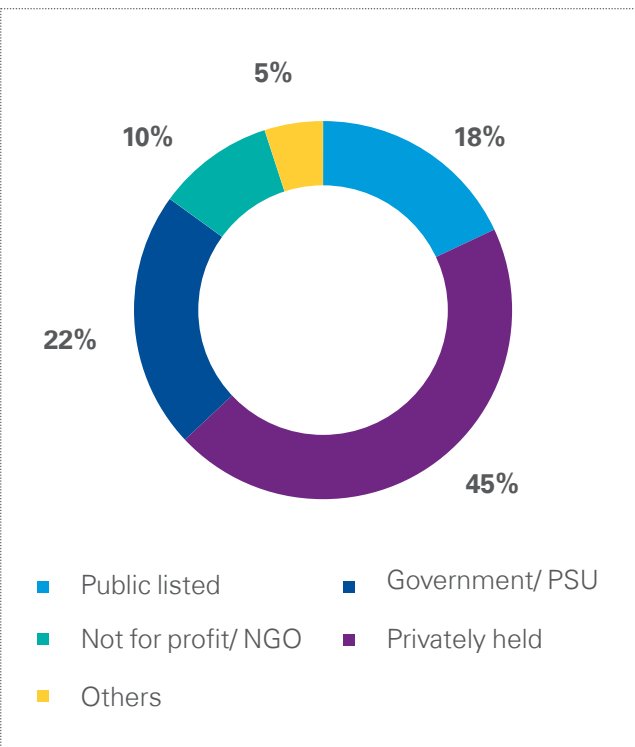
Survey findings – Results vis-à-vis previous years

Overall MCDI perceptions have not been able to exceed 2011 over the last seven years; After a rise in 2016, the 2018 score has reduced indicating urgency felt by organisations to improve certain management capabilities in response to the volatile and swiftly changing paradigm.

Overall MCDI score
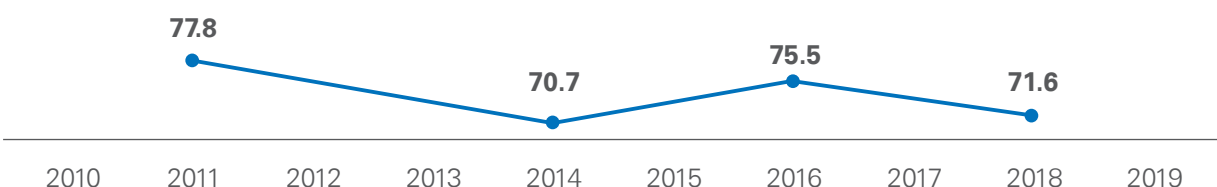
	2011	2014	2016	2018
Highest	Integrity and corporate governance	Integrity and corporate governance	Focus on getting results	Integrity and corporate governance
Lowest	People leadership and (self) development	Focus on getting results	Organisational capability	People leadership and (self) development

Scores for each dimension over the last four editions of the report

Dimensions	2011	2014	2016	2018
Organisational capability	76.2	69.2	67.4	68.6
External relationships	75.7	67.0	72.3	74.1
Visionary and strategic leadership	76.5	76.0	76.0	72.2
Integrity and corporate governance	80.1	80.0	76.4	76.8
Focus on getting results	77.6	66.4	79.3	72.9
Financial leadership	76.7	74.4	78.6	71.2
People leadership and (self) development	74.9	68.0	71.3	67.7
Performance leadership	77.1	73.4	74.9	70.7
Innovation and adaptability	77.6	70.2	74.1	70.3
Application of technology and knowledge	75.9	67.2	71.4	72.1
Overall MCDI score	**77.8**	**70.7**	**75.5**	**71.6**

Survey findings – Dimensions that are strong and dimensions that require urgent attention

- Integrity, trust and corporate governance along with external relationship are dimensions where participants across organisations have established confidence in capabilities

- People leadership and organisational capabilities are dimensions where participants have expressed least confidence and highest urgencies vis-à-vis management capabilities.
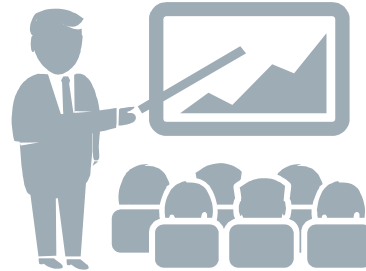
Participant response	Dimensions	%
Dimensions that highest percentage of participants have said are either practiced consistently and throughout their organisations	Integrity trust and corporate governance	67%
	External relationship	63%
Dimensions that highest percentage of participants have said are either practiced in some or most parts of their organisations	Financial leadership	41%
	Innovation and adaptability	40%
Dimensions that highest percentage of participants have said are either not in place or just started in their organisations	People leadership	7%
	Organisational capability	7%

Strongest management traits

- Management and employees adhere to legislation, regulations and guidelines in administering the business of the organisation

- The organisation practices integrity, honesty and ethical behaviour as is necessary for sustained success

- Management and employees understand ethical principles when making decisions with reference to the organisation's affairs

- Management understands the need to actively protect information/data in the organisation

- Management develops networks and spheres of influence with stakeholders.
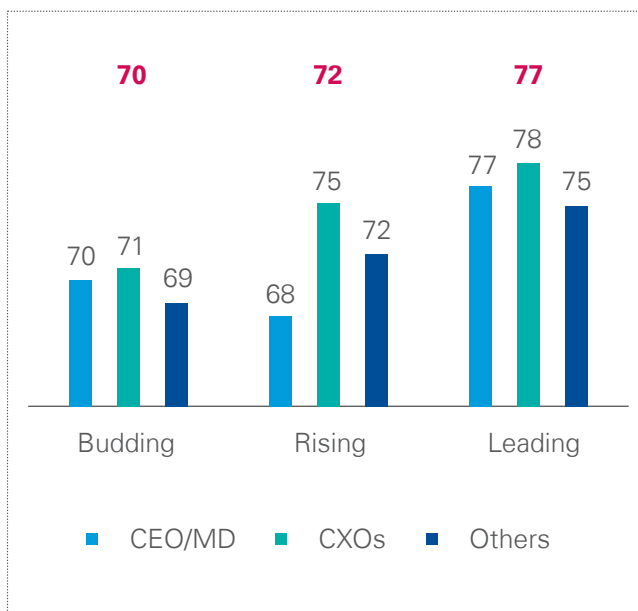
Management traits that need urgent attention

- Management provides effective feedback for development of others

- Human resource planning is an integral part of the annual business planning process

- Management has been able to stabilise or reduce employee turnover rates

- Management efforts generally get employee support. Management involves others when making decisions.
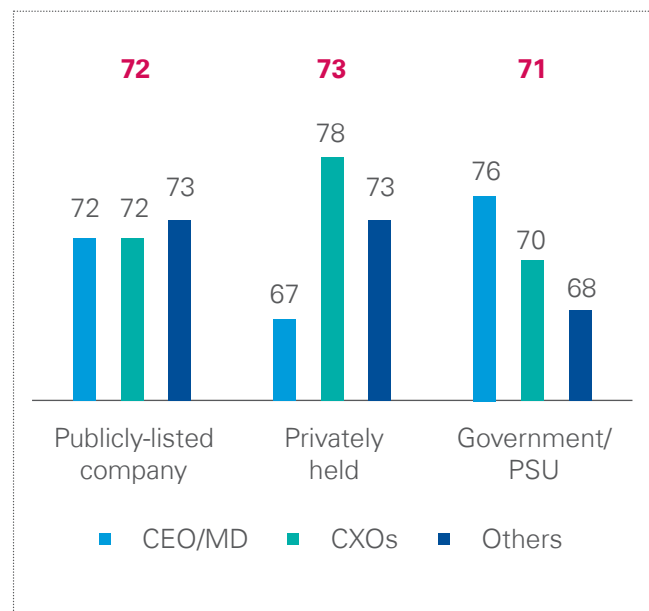
Survey findings – Summary of responses

- Leading organisations (revenue INR14000 crore to INR60000 crore) rated their capabilities highest followed by rising (INR4000 crore to INR14000 crore) and budding (INR100 crore to INR4000 crore).

- In budding and leading organisations – CXOs and CEO/MDs were more confident of management capabilities compared to other senior management members. In rising organisations - CXOs and other senior mangement capabilities have higher experties as opposed to CEO/MDs.

- Public listed organisation respondents were most confident of their management capabilities followed by privately held and government/PSU respondents

- CXOs rated the perceived management capabilities higher in both publicly listed and privately held companies in comparison to government/PSU entities.

MCI scores by organisation revenue and participant management level

	Budding	Rising	Leading
	70	**72**	**77**
CEO/MD	70	68	77
CXOs	71	75	78
Others	69	72	75

MCI scores by ownership type and participant management level

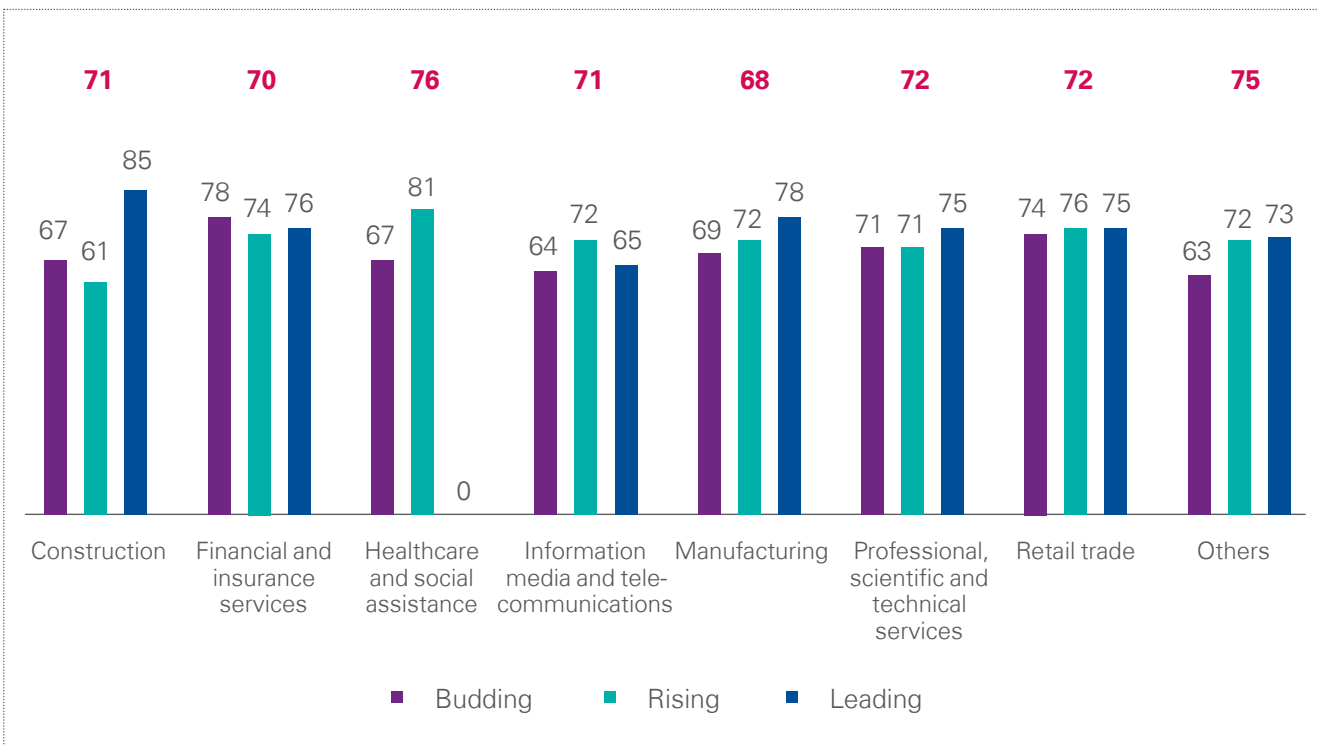|	Publicly-listed company	Privately held	Government/ PSU
	72	**73**	**71**
CEO/MD	72	67	76
CXOs	72	78	70
Others	73	73	68

Key findings – Summary of responses

- Banking and financial services (where budding organisations perceive their capabilities to be higher than rising and leading firms) and retail trade have the highest perception of capabilities

- There is a vast difference of capability perception between budding and leading organisations in construction and professional services (leading organisations being more confident of their capabilities).
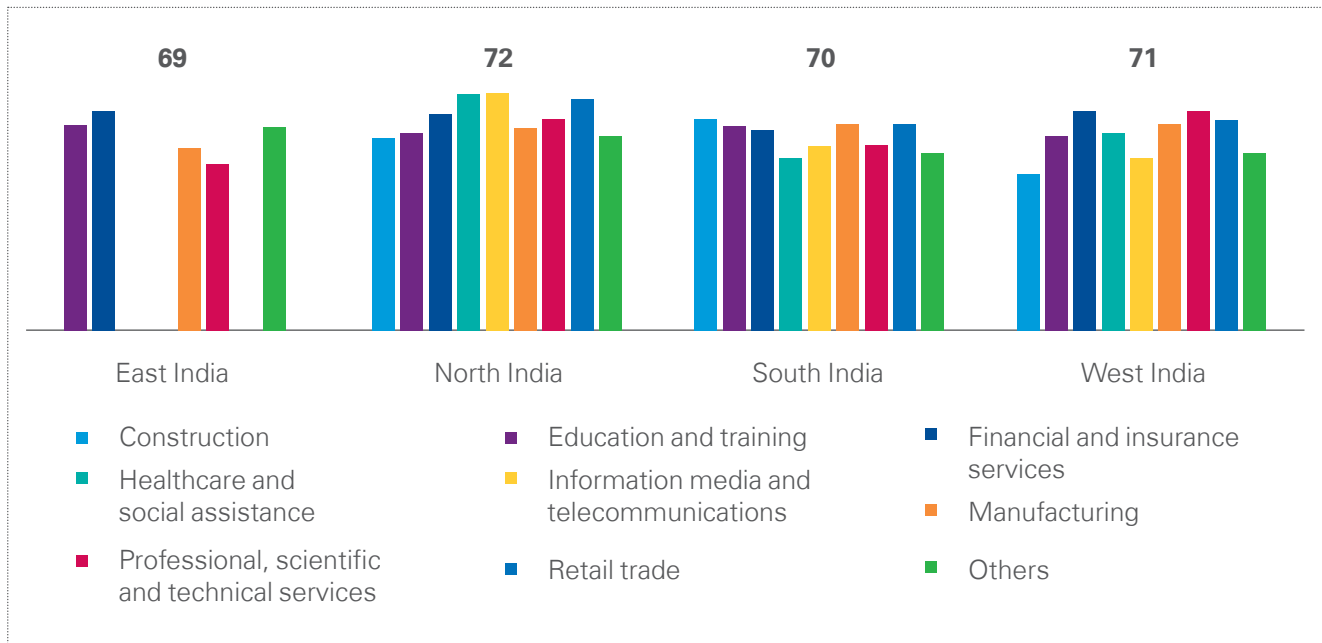
MCDI scores by organisation revenue and industry

	Construction	Financial and insurance services	Healthcare and social assistance	Information media and tele-communications	Manufacturing	Professional, scientific and technical services	Retail trade	Others
MCDI	71	70	76	71	68	72	72	75
Budding	67	78	67	64	69	71	74	63
Rising	61	74	81	72	72	71	76	72
Leading	85	76	0	65	78	75	75	73

■ Budding ■ Rising ■ Leading

- North India based firms (fueled by high ratings from healthcare and technology) and west India based firms (fueled by high ratings from financial and professional services) were more confident of capabilities than south and east India based organisations.

MCDI scores by organisation, region and industry

	East India	North India	South India	West India
	69	72	70	71

Legend:
- Construction
- Healthcare and social assistance
- Professional, scientific and technical services
- Education and training
- Information media and telecommunications
- Retail trade
- Financial and insurance services
- Manufacturing
- Others

What we have learnt and how we must move forward

Recognising the work that organisations have put in in the field of governance (with timely guidance from regulatory authorities for the respective industries), results show integrity, trust and governance as organisations' strongest suit. This is followed by external relationships – showing how organisations have quickly latched on to enhancing symbiotic relationships with stakeholders outside of the organisation – including client, partners, suppliers, distributors, specialists, consultants, freelance workers and open source talent. Radically new technologies and business models have created urgency in participant responses towards improving people leadership, swiftly developing organisational capabilities and fostering adaptability. The survey results reaffirm the need for organisations to strengthen their management capabilities in line with the stage of their growth and new realities of business.

Case studies in the report have highlighted how organisations have worked with some of these dimensions to improve their management capabilities. Creating a positive influence on culture through governance committees that act as role models, building external relationships through intense collaboration with industry bodies, project/network teams to achieve audacious goals and empowering employees through strong global vision and objectives are some of the examples we have come across through this study. The respondents are only partially satisfied with avenues both inside

and outside of the organisation to build management capabilities – reflecting in the training impact related scores captured for each dimension. Different responses from participants of large and small organisations as well from participants of public listed organisations and other organisations also indicate how much training access they have created for themselves (on management capabilities) – This correlates with the urgency shown by participants on organisational capabilities as a whole.

The learning from results of this survey are three fold:

1. Organisations must address the urgent need expressed to improve management capabilities around people leadership and self development as well as organisational capabilities by embedding learning into the day to day lives of coworkers

2. Industries which are evolving from unorganised to organised must focus on fostering strategic and visionary industry leadership while industries further ahead in the evolution curve yet at the cusp of another transformation must learn to stay innovative and adaptable

3. There is a widespread call for management teams to improve performance feedback mechanisms and collaborative decision-making thereby displaying people leadership.

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