



# Management Capability Index India 2016 report

September 2016

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# Foreword by AIMA

Continuing with our vision to contribute towards the growth of the nation, it's talent and it's capability to progress in the years to come, I am pleased to bring to you the 2016 edition of the AIMA KPMG Management Capability Index India Report.

In an extremely competitive business scenario, wherein the Gen-Y sticks on to an organisation, only till a choicer opportunity knocks doors, it is imperative for organisations to take a stock of their abilities to hire, train, retain and 'manage' talent effectively.

In its endeavor to help companies align themselves with the changing times and stay relevant in the current business scenario, AIMA- an apex management forum, joined hands with Asian Association of Management Organisations (AAMO), three years ago, to gauge the management capability of Indian professionals and get an umbrella view of the challenges that lie ahead for businesses on their road to progress.

This year the survey saw participation across sectors ranging from, and not limited to, hospitality, banking, consulting, healthcare, food and beverage, advertising, education, automobile, retail to information technology. While scores in areas of organisational capability and corporate governance dipped year, the overall

Management Capability Index (MCI) has seen an upward trend by almost 5 points with improvement in areas of leadership, financial management, technology application, external relationships, innovation and overall organisation performance.

The 2016 research on Indian management and its progressive capability, revealed that while Indian firms score relatively well in finance management and delivering overall organisation results, there is still a long way to go in areas of talent development and training leaders who have a clear and articulate vision for companies to maintain their competitive edge in the global business scenario. Companies need to ensure that the organisation vision, goals, policies, benefits and successes trickle down right to its bottom line to make themselves an 'employer of choice'. Organisations also need to be mindful of maintaining healthy relationships with their customers and partners as they represent and speak for the brand in the external market. Moreover, companies that continuously innovate and invest in newer technologies, while training their employees to be hands-on with the new systems, will be in a better position to successfully fit into the challenging business scenario.

The report is aimed at helping organisations benchmark their management practices against the overall Indian business scenario as well as against businesses that are similar in nature. Akin to the previous years' reports, we hope the 2016 report gives you an opportunity to take a close look at your current performance, identify the areas of improvement, get potential indicators for growth and gain credible insights for making a positive impact to your business practices.

Let's begin by taking one step at a time and embark on the journey of success!



Firdose Vandrevale

**President**

All India Management Association



# Foreword by KPMG in India

In an effort to evaluate the management capability of organisations across sectors, KPMG in India, in collaboration with the All India Management Association (AIMA), presents the fourth edition of the Management Capability Index Report 2016.

The Management Capability Index (MCI) is a comprehensive measure to help companies gauge the effectiveness and growth of their business performance by benchmarking their management practices against those of their competitors and similar organisations. This year, we have received a overwhelming response of 600 participants across India.

The Indian economy is gearing towards an accelerated growth path and organisations need to be at the forefront of driving this change. Today, India is one of the fastest growing talent markets in the world, where organisations operate in an environment that requires constant adaptation of their leadership and talent strategies. Organisations that are adept at thriving in such a dynamic environment will be better positioned to excel in today's changing world and reduce the gap between growing industry needs and HR capabilities.

Today, management capability assumes an imperative role, where organisations have become more equipped with driving business results and improving capability at different levels. Management capability is growing in all spheres and

professionals are being increasingly recognised for their business acumen and skills for identifying, creating and sustaining competitive advantage. The report examines in detail, the 10 pillars of management capability and attempts to highlight the level of maturity of companies across these key dimensions.

The findings of our survey reveal that there is a lack of structured learning initiatives to help organisations build their capability and invest sufficient amount of time in leadership development and talent development. Organisations need to focus on succession planning and building robust talent retention strategies in order to thrive in such a competitive environment. Sustaining such talent practices is crucial to organisational growth and success.

We would like to thank all the senior leaders and various critical stakeholders that spared their valuable time, shared their inputs and helped us in making this initiative a success.

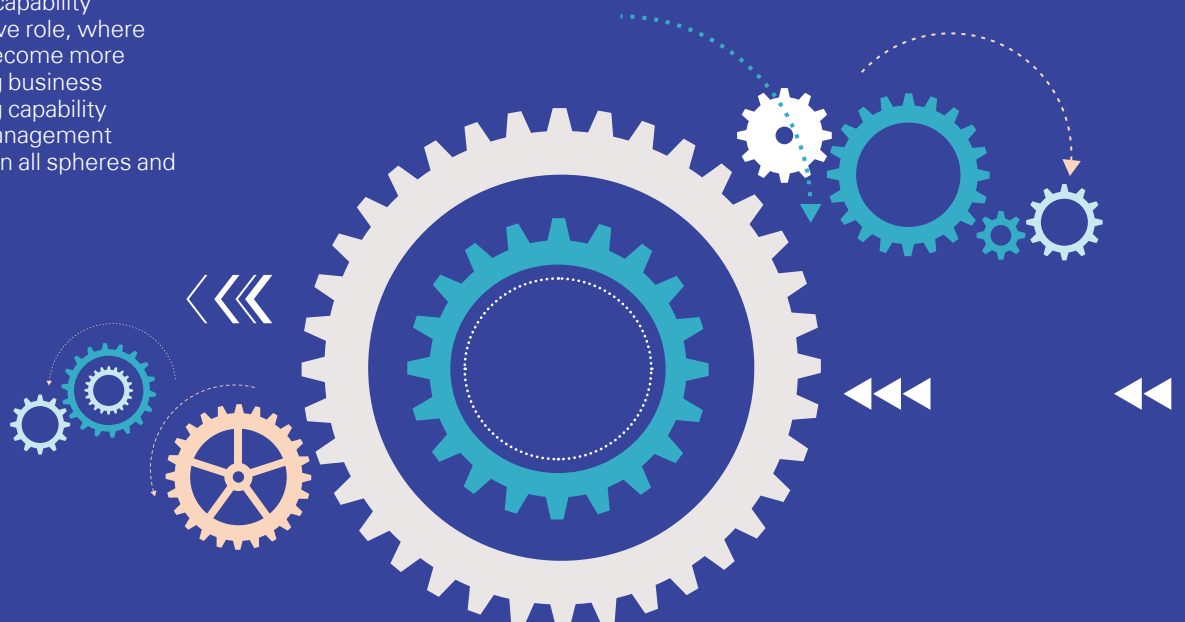
We hope you find the contents of this report insightful and helpful in carving out your organisational capabilities.



Vishalli Dongrie

**Partner**

People and Change  
KPMG in India





# About Management Capability Index Survey



AIMA in collaboration with KPMG presents the fourth edition of Management Capability Index (MCI) initiative (2016) in India. This year's survey received great response from the industry. Out of 600 participants, nearly 506 were from the senior leadership band, from various organisations across the country. The MCI is a comprehensive measure to help companies gauge the effectiveness and growth of their business performance by benchmarking their management practices against those of their competitors and similar organisations. The primary purpose of the MCI is to allow organisations to evaluate their management capabilities and industry requirements and accordingly make them adept at building their business strategy by taking informed decisions.

Business performance, organisational capability and certain leadership competencies are some of the key indicators of Management Capability. This report uses 10 fundamental drivers of management capabilities, identified after research and analysis, to compute the Management Capability Index. The findings of this report not only helps organisations benchmark their management capabilities, but also highlights their potential growth indicators and future developmental opportunities.

Participants rated the questions for all dimensions on a 6-point likert scale, ranging from 0 to 5. The combined average rating given by respondents for each dimension has been converted into a score out of 100.



Thus, evaluation of management capability on each individual dimension is done by averaging the survey responses with the prescribed weightages to each of the dimensions.

# Individual weightage of the 10 dimensions

Each dimension is assigned certain weightage, which is reflective of the relative importance of the 10 fundamental dimensions.



# Definitions of dimensions of MCI

## Visionary and strategic leadership



Demonstrates a strong and stimulating 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.

## Performance leadership



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



## Organisational capability

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



## Financial management

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.

## 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.

## People leadership



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



## Integrity and corporate governance

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



## Innovation in products and services

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

## Organisational results and comparative performance



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

## Application of technology and knowledge

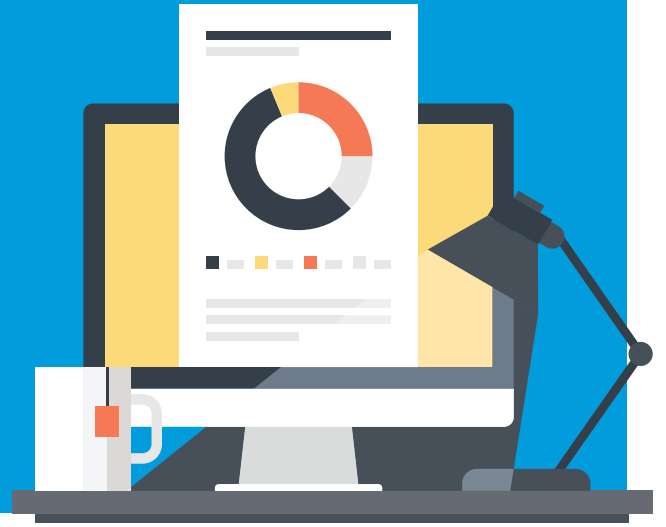


Displays a high orientation towards acquiring knowledge and being adept with latest technology, Brings about a knowledge driven culture that understands and expands information technology and knowledge management to improve the performance of the organisation.

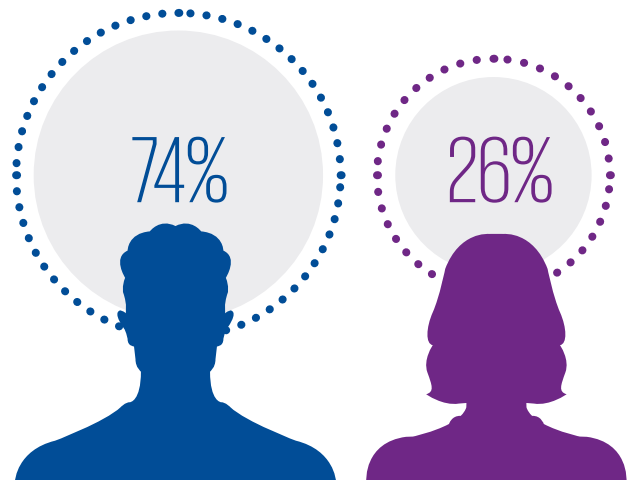




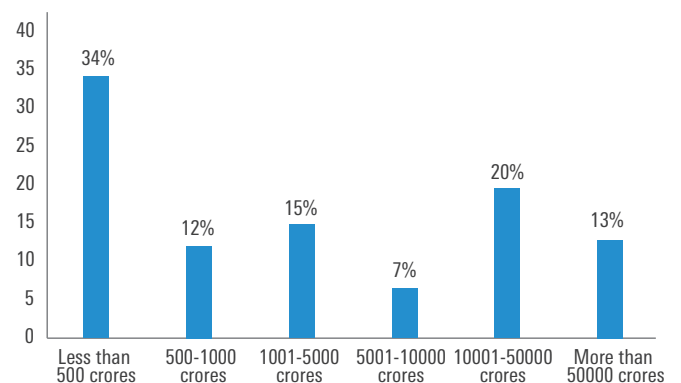
# Demographics of survey respondents



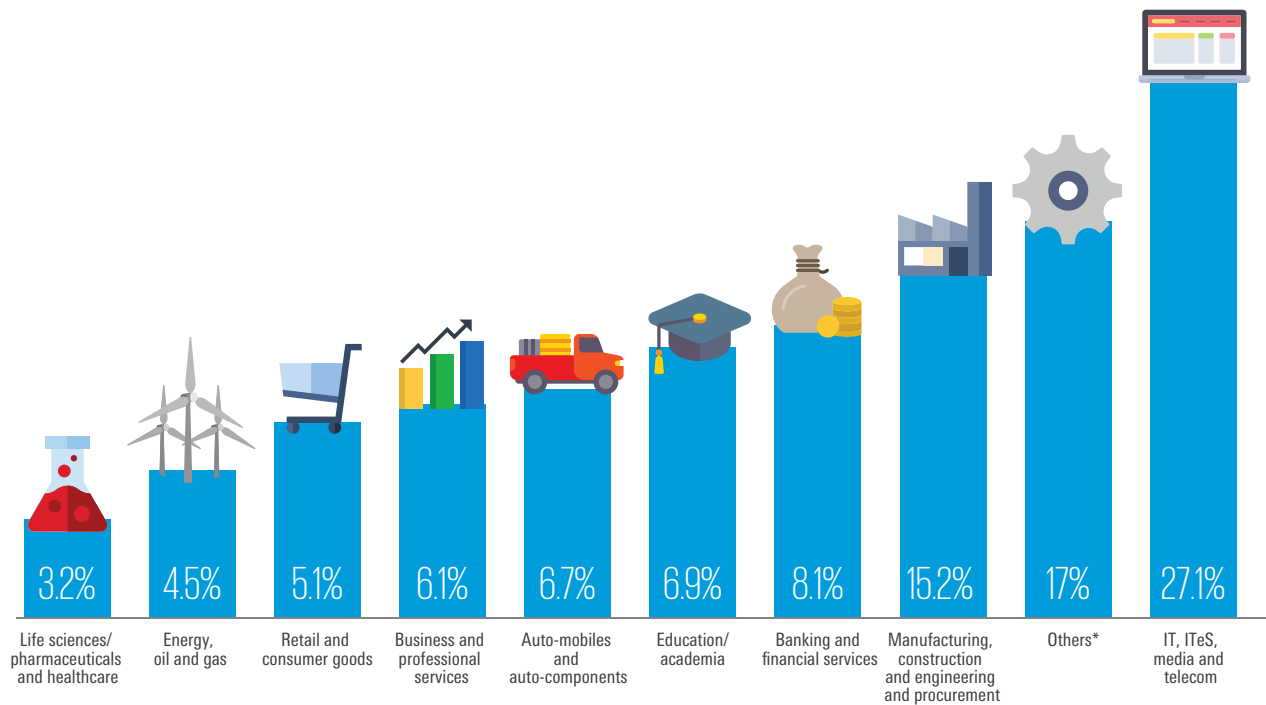
## Gender



## Revenue



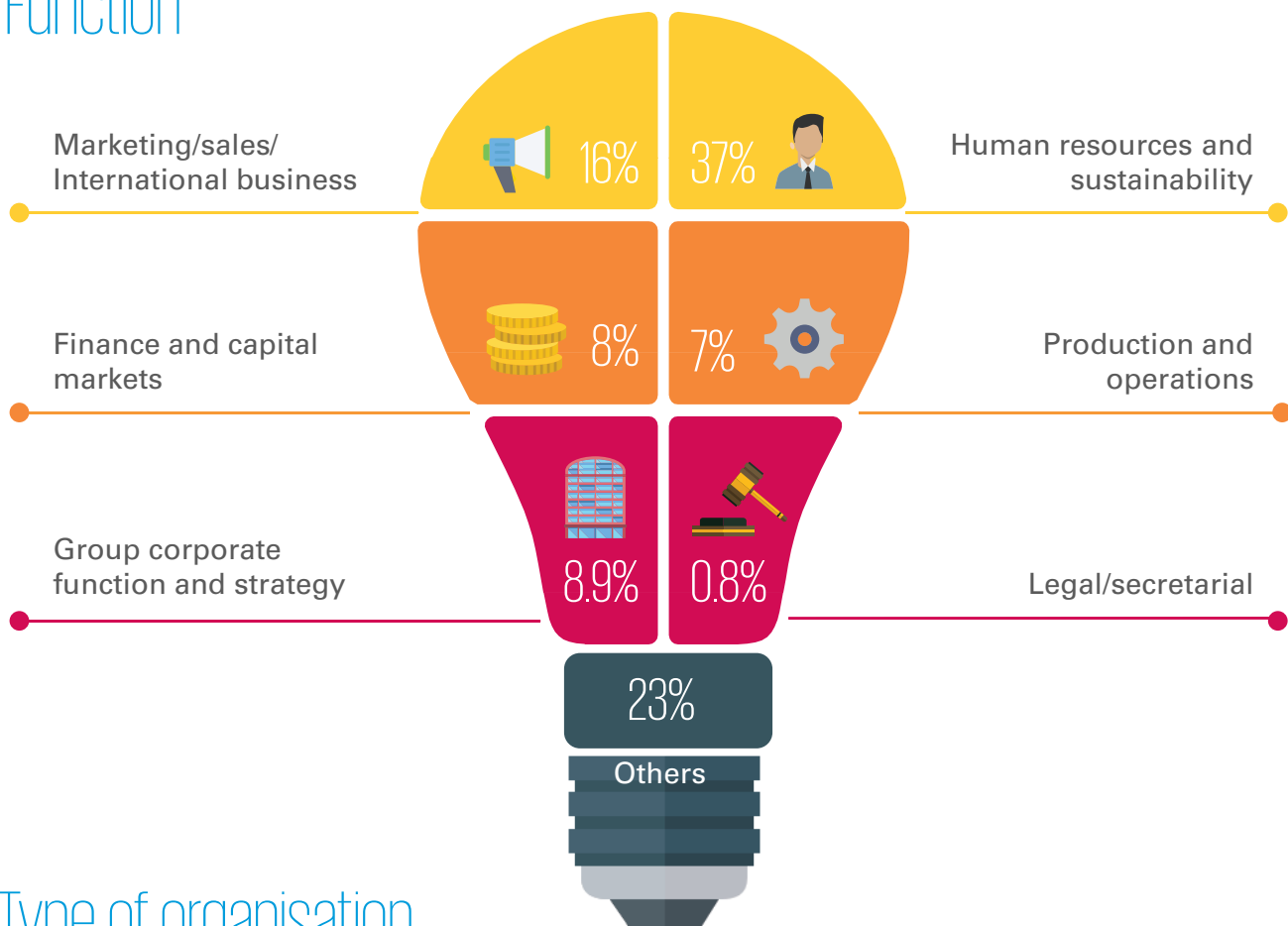
# Type of industry



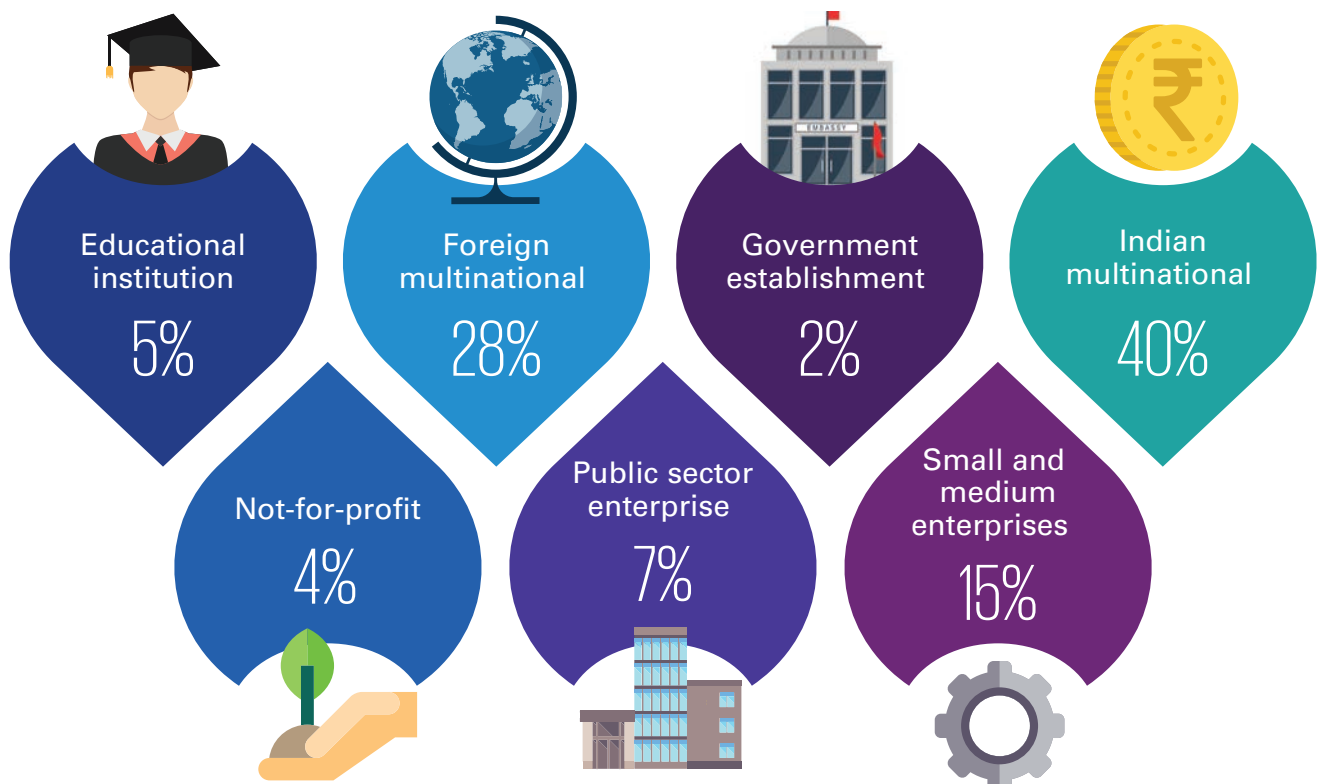
\*Others: Tourist and leisure services, Trading, Hospitality, Transport and Asset management companies



## Function



## Type of organisation







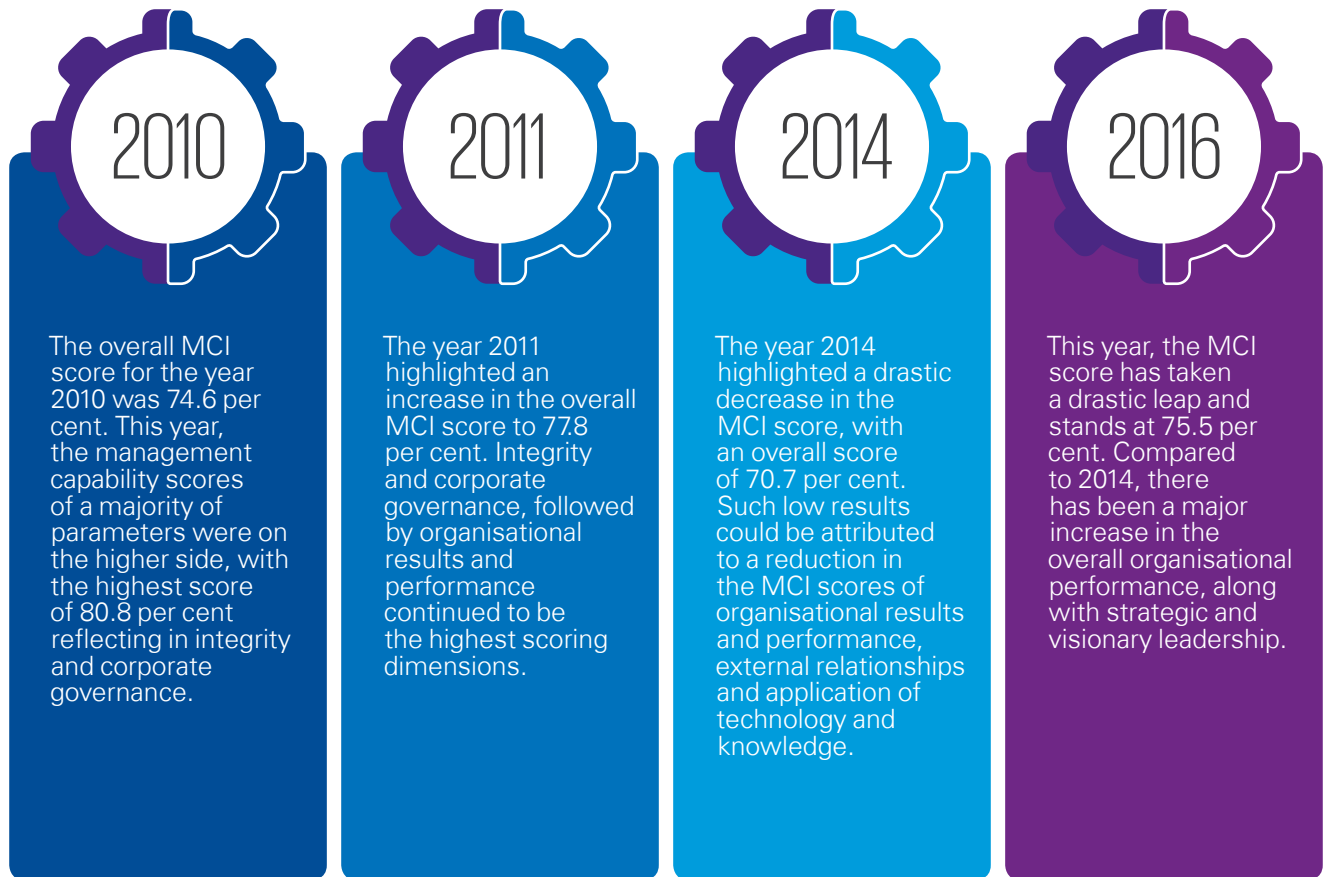


# Reviewing past performance



Dimensions	MCI 2010	MCI 2011	MCI 2014	MCI 2016
Visionary and strategic leadership	71.3	76.5	76.0	76.0
Performance leadership	75.4	77.1	73.4	74.9
People leadership	71.8	74.9	68.0	71.3
Financial management	74.1	76.7	74.4	78.6
Organisational capability	74.5	76.2	69.2	67.4
Application of technology and knowledge	72.0	75.9	67.2	71.4
External relationships	73.5	75.7	67.0	72.3
Innovation in products and services	76.5	77.6	70.2	74.1
Integrity and corporate governance	80.8	80.1	80.0	76.3
Organisational results and overall performance	76.7	77.6	66.4	79.3
<b>Overall MCI</b>	<b>74.6</b>	<b>77.8</b>	<b>70.7</b>	<b>75.5</b>





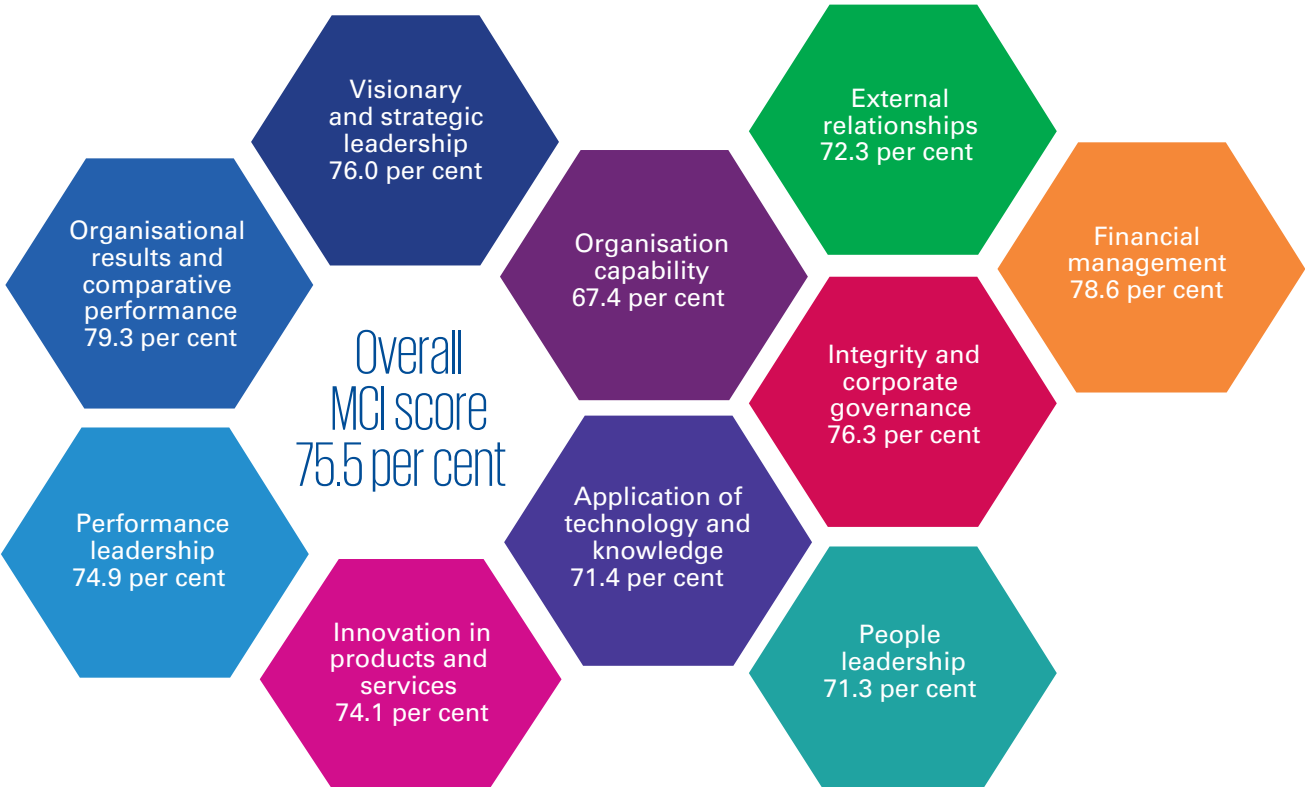
# Executive summary



The survey received an overwhelming response from the industry, out of 600 respondents, nearly 506 belonged to the senior leadership band. This report is based on the survey findings conducted by KPMG in India in 2016.

- |                          |                         |
|--------------------------|-------------------------|
| Chief Executive Officer  | Head-Human Resources    |
| Group President          | Chief Marketing Officer |
| Chief Operations Officer | Managing Director       |
| Founder                  | Senior Vice President   |
| Partner                  | General Manger          |
|                          | Chief Financial Officer |

## Management Capability Index (India) 2016



## Top areas of strength

Organisational results and comparative performance

4.0

Organisations closely monitor their business performance as this is a key indicator to gauge their organisation's success.

Financial management

3.9

Organisations effectively manage key funds in order to help ensure profitable growth and performance.

Visionary and strategic leadership

3.8

Organisations' key goals and objectives focus on business growth, along with aligning vision with stakeholders and latest trends in the global markets.

## Top areas of concern

Organisational capability

3.4

Organisations should focus on increasing learning opportunities, with a focus on talent development for future growth.

People leadership (relative)

3.6

Organisations should look at talent management initiatives such as leadership development and succession planning.



# Key findings of the survey



## Overview by organisation type

Similar to the results of our MCI report 2014, with an overall MCI score of 80.2 per cent this year, foreign multinationals continue to receive the highest score. The reason for global companies performing at such a level can be attributed to the increase in economic structure investments, reduction in technological gap and optimum utilization of resources. Foreign Multinationals surpass MCI India (2016) in all the dimensions.

Indian multinationals are continuously working to adopt leading global practices to improve their MCI score, followed by Not-For-Profit organisations.

Lack of formal mechanism to identify capable leaders and build structured talent processes have resulted in a dip in the overall MCI score for educational institutions (68 per cent) and government establishments (65.9 per cent).

Organisation type	MCI score
Educational institution	68.0
Foreign multinational	80.2
Government establishment	65.9
Indian multinational	76.0
Not-for-profit	75.6
Public sector enterprise	73.6
SME (small and medium enterprise)	68.8

## Overview by industry type

Banking and Financial Services, retail and consumer markets take the lead with an overall MCI score of 82.6 per cent and 81.4 per cent respectively. This can be attributed to its strength in dimensions of innovation of services and products and organisational results and overall performance.

The relatively lower MCI scores observed in the Education/ Academia and Manufacturing industry (70.8 per cent and 70.5 per cent respectively), can be attributed to the need to benchmark their practices with the key competitors in the market.

Industry type	MCI score
Automobiles and auto components	71.7
Banking and financial services	82.6
Business and professional services	74.4
Education/ academia	70.8
Energy, oil and gas	79.1
IT/ ITeS, media and telecommunications	77.7
Life sciences, pharmaceutical and healthcare	77.8
Manufacturing, construction, engineering and procurement	70.5
Retail and consumer goods	81.4
Others*	72.5

\*Others includes: Tourist and Leisure Services, Trading, Hospitality, Transport and Asset Management Companies.



## Overview by employee strength

Organisations comprising a moderate employee strength (1001-10000) recorded a score in the range of 74.6 per cent to 79.1 per cent.

Organisations with a large employee base, i.e. with the employee strength of more than 50000 received a high MCI score of 83.7 per cent. Such high scores can be attributed to the matured and streamlined people practices that are embedded in the systems of the organisation.

Employee Strength	MCI score
0-100	69.4
100-500	73.1
501-1000	67.6
1001-5000	74.6
5001-10000	79.1
10000-50000	77.7
Above 50000	83.7

## Overview by revenue cap

Organisations with the largest revenue cap i.e. more than 50000 crore are performing relatively better as compared to organisations in other revenue cap segments, as is visible from the high MCI score of 83.2 per cent. The relatively higher MCI score of these organisations could be attributed to matured talent strategies, in turn increasing the cash flow per employee. Such high impact talent management practices have found to be beneficial in the long run.

Organisations in the relatively smaller revenue cap (less than 500 crore) showed scope of improvement with respect to evolving and increasing their management capability index.

Revenue	MCI score
Less than 500 crore	70.4
500 - 1000 crore	76.2
1001 - 5000 crore	73.7
5001 - 10000 crore	78.9
10001 - 50000 crore	79.1
More than 50000 crore	83.2



# Visionary and strategic leadership



## Leader speak

**“The very essence of leadership is that you have a vision. It’s got to be a vision you articulate clearly and forcefully on every occasion. You can’t blow an uncertain trumpet.”**

**- Rev. Theodore Hesburgh**

Working and living in an increasingly fast-paced and ever-changing world, brings with it, challenges as many as the opportunities. The business landscape of the 21<sup>st</sup> century is characterized by fluctuating trends and such a scenario demands a leader who prefers to work not with ‘what is’ but ‘what it could be’. That’s the essence of strategic and visionary leadership.

An innate ability to foresee where one chooses to be in the future characterises the very beginning of a vision. The path to vision entails an all-encompassing strategy and scrupulous execution of collective goals which reflect the organisation’s direction and objectives. Leaders infuse and seek authenticity rather than perfection to make the vision and the strategy towards it, their very own.

Effective management of continuous change constitutes a dominant part of successful leadership. It eventually comes to walking the line of balance between the analytical perspective which builds processes and the human perspective which builds motivated and efficient teams. Exceptional leaders not only spearhead such an intricate amalgamation, they become enablers of its success and beacons guiding the transformation.

Another astute characteristic of exceptional leadership is introspection, along with the ability to incorporate learnings into future decision-making swiftly and smoothly. One cannot anticipate future unless one knows and changes what went wrong in the past. It is the process that builds resilience and makes individuals, teams and the organisation dynamic.

Embracing change as an inevitable fact is vital but harnessing change to enable the vision is crucial. Once a vision has been put into place, a strategy to achieve it - including its dimensions, introspection and execution, become milestones. This is the very process that makes change the only constant, innovation a way of life and success foreseeable.



Richard Rekhy

**CEO**  
KPMG in India



Visionary and strategic leadership are distinctly different yet, when reconciled, are powerful. While strategic leadership entails the maintenance of short-term stability of the organisation while working towards viability in the long term through the medium of a vision, visionary leadership is more risk-oriented and primarily future-facing. The balance between risk and security is struck with the synthesis of these divergent styles.

**Visionary and Strategic leadership is a prerequisite for a successful organisation. It provides the following:**

- Streamlines the business decision making process
- Facilitates measurement of key business outcomes
- Enables communication channels - both inside and outside the organisation.

The leaders of today comprehend the need of organisational strategy to be aligned to stakeholder needs as well, hence the organisational strategy includes key stakeholder inputs and thought. Organisational strategies are no more viewed as static – they constantly evolve and grow along with the organisation.

The overall MCI score for this parameter has remained constant, 76 per cent, since our 2014 survey. Thus, in our opinion, organisations should work at formulating their vision and strategy based on market trends, socio-economic and management factors and take inspiration from leading global practices to build the same.

## Key findings

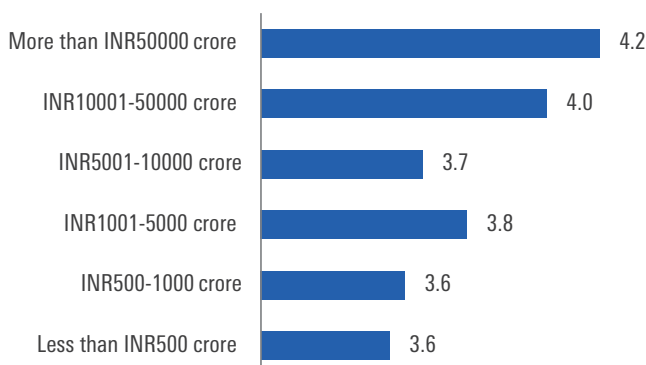
Leaders of the management function are of the firm belief that their vision is articulated with the highest amount of clarity and has the capacity to instill and motivate employees to work towards organisational goals.

Retail and consumer markets, energy, oil and gas and banking and financial services were the high performers in this parameter. This can be attributed to the growth in the Indian consumer market and the growing need to invest and manage their financial resources.

With respect to the organisation type, contrary to popular belief, public sector enterprises and Indian MNCs performed at the same level as Foreign MNCs – all of them being the high performers.

Not-for-profit organisations, educational institutions and government enterprises recorded a lower score, due to certain levels of inefficiency. However, all three have substantial scope for growth.

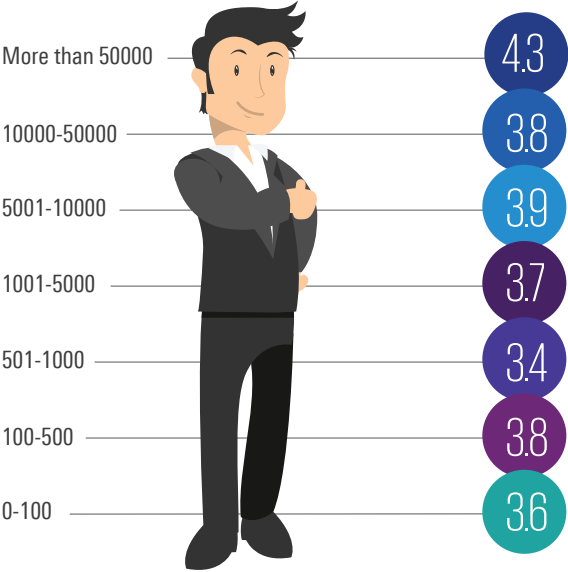
## Results by revenue cap



Commensurate with survey results, a correlation between revenue gained and results obtained (in terms of vision and strategic leadership) are evidently observed. An upward trend is detected

As the revenue cap increases, the average score noticed progressively better. The results are augmented drastically when the revenue cap is greater than 10,000 crore.

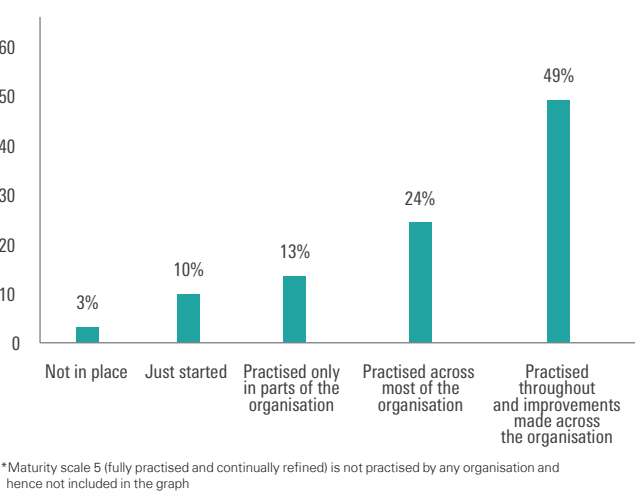
# Results by employee strength



In accordance with survey results, there is no stringent upward trend when examining results by employee strength. It is observed to have minor fluctuations as employee strength increases. However, there is a discernable difference between the results in the low employee strength category and higher ones.

We can conclude that a higher employee strength inspires a stronger management capability as organisations with over 50,000 employees are credited to having exponentially better results than other categories.

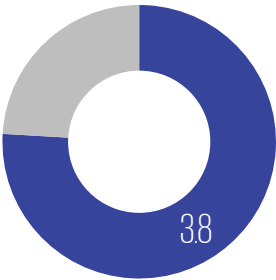
# Results by maturity scale



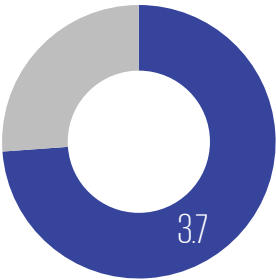
## Overview

Mature organisations achieve far greater results than those on the lower end of the maturity scale. The maturity of organisations is directly correlated with the results obtained, the results getting exponentially better at each stage of the maturity process. About 49 per cent of companies practice strategic leadership interventions throughout the organisation and make improvements when required.

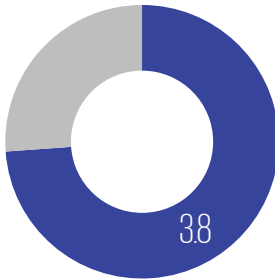
# Results for key aspects analysed



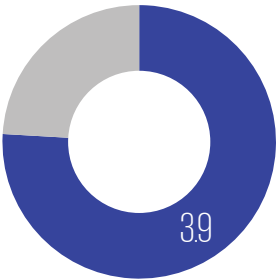
Management articulates a clear and inspiring vision that is well understood



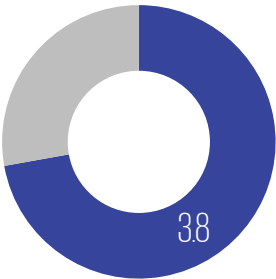
Management actively fosters and encourages ownership of the vision by staff



Organisation strategy is a combined outcome of inputs from all key stakeholders



Organisation strategies, objectives and plans are continually revisited to target growth

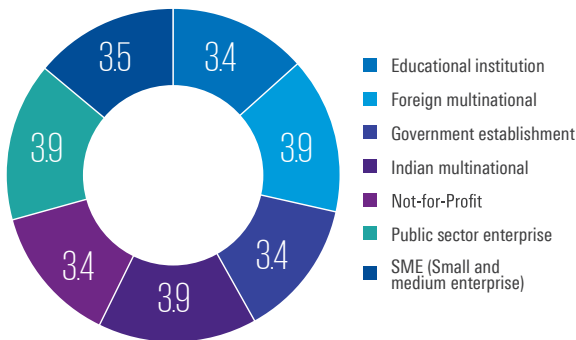


Management factors in global leading practices, market trends and socio-economic factors while formulating vision and strategy



\*Graphs featuring percentages may not total 100 per cent due to rounding

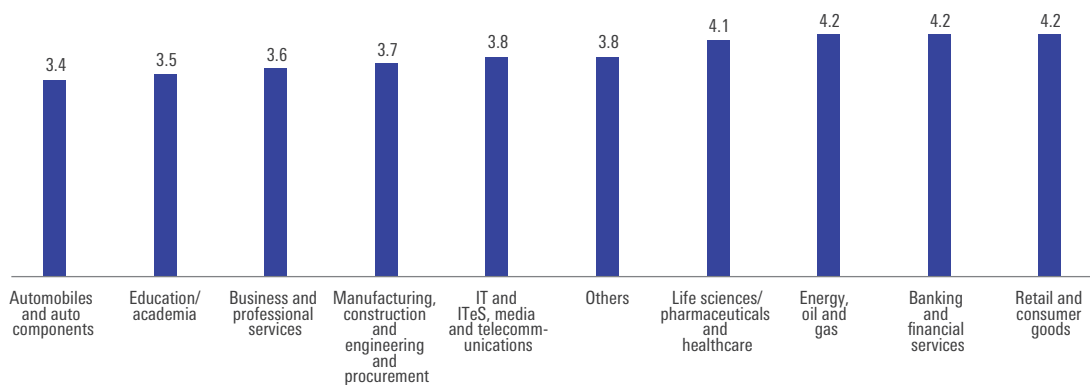
# Results by organisation type



# Overview

Foreign and Indian multinationals placed greater importance on immersing businesses into a culture that incorporates aspects of strategic management and visionary leadership, which helped them record higher scores in comparison to others. The relatively lower scores observed in the automobile and education industries suggest the need for them to focus on this development area and build their vision through transparent communication.

# Results by industry type





# Performance leadership



## Leader speak

**“Leadership is not about titles, positions, or flow charts. It is about one life influencing another.”**

**- John C. Maxwell**

If people are asked list what they'd consider as optimal leadership qualities, most would cite traits such as intelligence, toughness, determination, and vision—and they wouldn't be wrong. After all, these are the abilities conventionally associated with leadership.

However, I would say that these are necessary, but not sufficient conditions. To be genuinely effective, a leader must also possess softer and more personal qualities. Empirical evidence from around the world suggests that leaders blessed with emotional intelligence – or leaders who are much more in touch with their inner selves— are better and more effective performers than those who possess just conventional qualities. This is because EQ-equipped leaders are self-aware and more empathetic; they can therefore nurture and enhance their followers, and enrich the world with a vision.

Conventionally, leaders exercised power through authority. They are focussed on achieving their vision through a series of objectives. These

leaders still dominate the corporate and business landscape. Typically, they tend to be patriarchal; they view themselves as a singular point of authority and believe their power is a derivative of their authority.

They achieve their objectives through a system of rules, regulations, and measurable results. Traditional leadership approaches strictly enforce hierarchies and restrict decision-making to the top, soliciting little or no feedback from team members. Although this model of leadership has been very effective in the past, various internal and external challenges faced by organisations today makes an alternative form of leadership vital.

In today's dynamic business climate, organisations must cope with many new and novel challenges. The forces of technology and globalization have combined to destabilise traditional business models. The shelf life of successful strategies, brands and products is constantly diminishing, and development cycles have become faster and also more iterative and demanding.

The modern workforce demands personal growth, connectivity, and mobility. The increasing pace of change, plus the evolving needs of the workforce has diminished the effectiveness of traditional leadership, which remains rooted in authority and structure.

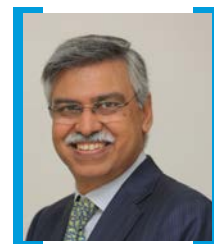
Today's leader must not only ensure that everyone is performing at their best; he or she must also be effective at aligning the organisation's vision with the team members' individual vision. They must ensure that besides

organisational goals, personal goals are also met.

Today's performance leaders constitute a new breed. They combine a drive for results with a people-centered approach. They meld the drive towards objectives and targets with collaboration, communication and engagement, to suit the turbulent and agile needs of the present. They also eschew authority and power wherever possible and share it with others to create a collaborative environment.

Such an atmosphere allows team members to share their knowledge and skills, and also develop a sense of excitement and ownership. Team members are also able to create cross-functional teams which offers greater flexibility to meet the fluctuating business demands.

By creating an ecosystem that integrates emotional intelligence with a systematic and results-oriented approach – performance leaders make it possible for organisations and their employees to smoothly adapt to a constantly shifting business landscape.



**Sunil Kant Munjal**

**Chairman**

Hero Corporate Service Pvt Ltd

In a dynamic, evolving and competitive world, the traditional leadership system with its stringent definitions and one-track vision, hinders organisation's performance. It does so by bordering on obsolescence and by its inability to progress into a more competitive stance. This is where performance leadership can fill the gap. Inclusive of both, the traditional and dynamic leadership styles, the rigid leadership style is emulated to the changing needs of the organisation. It accounts for not just objectives and targets but also focuses on values and behavior, collaboration and engagement, among others. This neo-classical style of leadership embraces and improves the old and infuses modern leadership styles eloquently.

This form of leadership enhances the focus on achievement and goal orientation of the organisation, guiding it to attain the ultimate target. It uses benchmarks and performance indicators, like the traditional style, but reviews it regularly on the basis of its changing needs. The organisation tends to meet targets more consistently and regularly performs better than its counterparts.

In comparison to the MCI score of 2014, there has been a slight increase in this year's index (74.9 per cent). Such results highlight the manner in which performance leadership is gradually becoming an integral management style, with a focus on continuous performance improvement and the balance struck between growth orientation and risk mitigation.

## Key findings

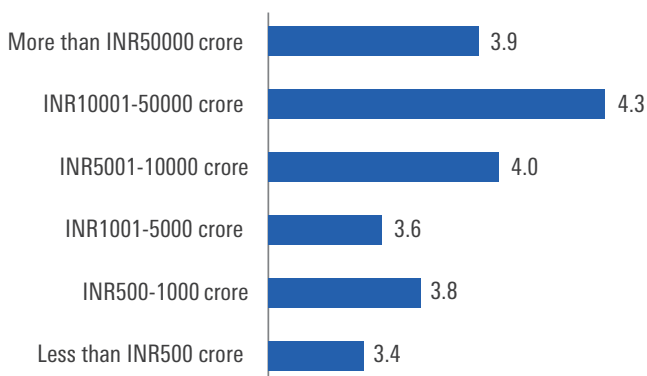
Performance leadership is often linked to high performance that is consistent over time. It is a preferred leadership style due to the regularity in attaining ends. This enables the organisation to function at optimal levels.

On consideration of the various organisation types, the results attained by Indian multinationals are even greater than those of Foreign multinationals, but not by a great margin. With Foreign multinationals and Indian MNCS scoring high on this dimension, SMEs and Educational institutions do not respond well to performance leadership.

The results suggest that organisations are achievement oriented and focus on goal setting. However, management's ability to mitigate risk and balance that with development of its people has emerged as a relative area of development.

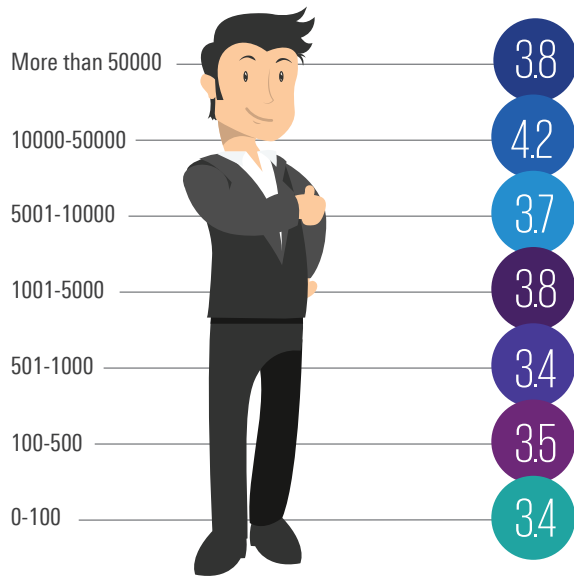
Industry-wise, the IT and ITeS, media and telecommunication industry as well as the banking and financial services benefit greatly from this leadership style while it is incongruous to education as well as the manufacturing and construction industries.

## Results by revenue cap



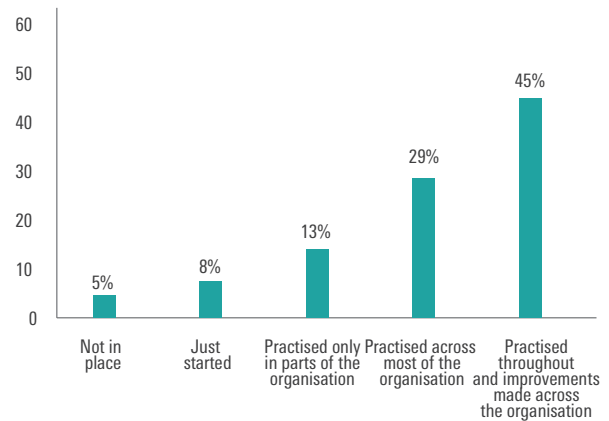
There does not appear to be a strong correlation between revenue cap and observed results. Based on the data, the average score is the greatest when the revenue cap is between 10,001 and 50,000 crore. In conclusion, the optimal average performance leadership score would be between 10,001 and 50,000 crore.

## Results by employee strength



There is no concrete evidence of a direct correlation between employee strength and results obtained. The highest results are observed when the employee strength lies between 10,000 and 50,000 but tapers off as the employees decrease or increase. This could be attributed the marginal utility of the employees where total utility is maximised between the range 10,000 and 50,000.

## Results by maturity scale

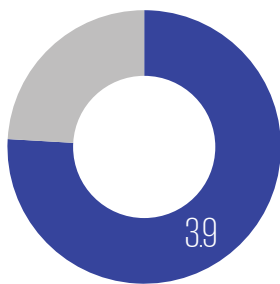


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

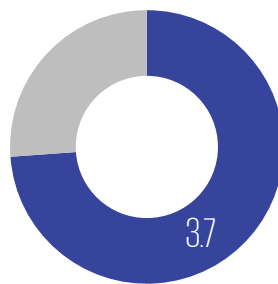
## Key Insights

The highest results are obtained by organisations with more mature talent practices. It must also be noted that the results increase in accordance to the maturity levels of the organisation i.e. there is a direct and strong correlation between them. About 45 per cent of companies incorporate people leadership initiatives throughout the organisation and make improvements when required.

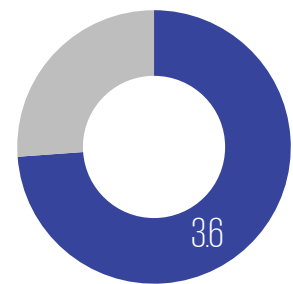
## Results for key aspects analysed



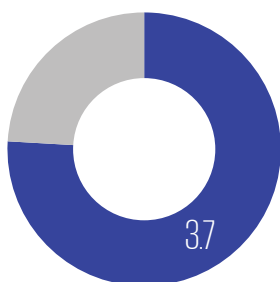
Management ensures the organisation is goal oriented and focussed on achieving higher growth standards



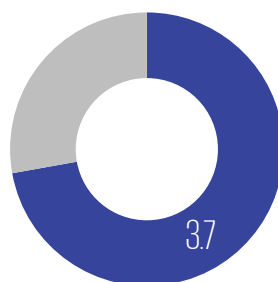
Management continuously upgrades performance benchmarks



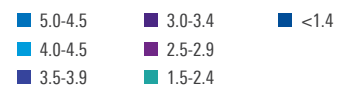
Management balances risk mitigation and growth orientation



Organisation consistently meets its performance goals and works on improving its performance

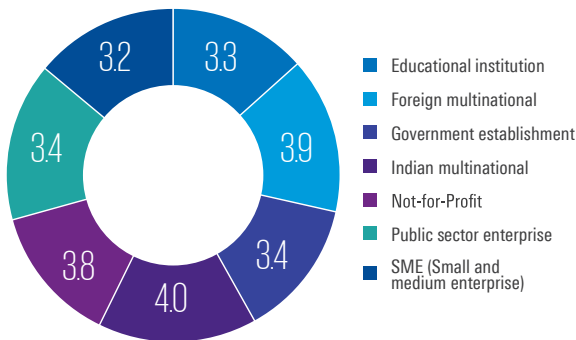


Organisation consistently performs better than its competitors or other comparable organisations



\*Graphs featuring percentages may not total 100 per cent due to rounding

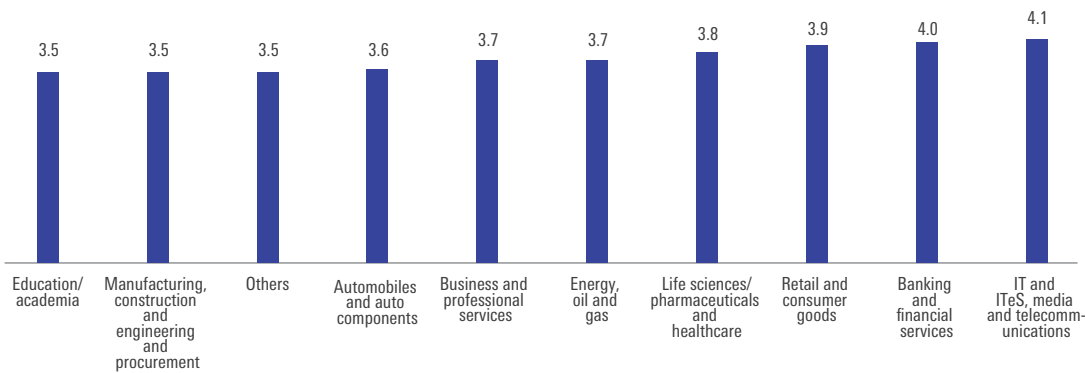
# Results by organisation type



# Overview

Not-for-profits organisations are relatively up-to-par with foreign and indian multinationals. Smes and educational institutions, followed by government establishments and public sector enterprises highlight scope for improvement and a greater need to encourage a performance culture. Industries such as IT and ITES, media and telecommunications and banking and financial services, have produced quality results, highlighting their efforts to sustain high performance.

# Results by industry type





## Leader speak

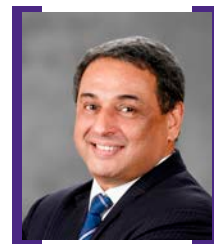
In the past two decades, trends in the leadership sphere have proliferated. This makes us question the difference between 'What do effective leaders do?' and 'What should leaders do?'

The mystery of what leaders can and ought to do in order to spark the best performance from their people relies on their relationship with their employees. Several researches conducted in the area of leadership have found that the most dominant style of leadership springs from different components of emotional intelligence. Most importantly, leaders with the best results not only rely on one leadership style. When leaders work with employees and push them to develop new skills and abilities, they are building higher levels of employee satisfaction and commitment. People leaders are thrilled by the success of others. The ability to reach out to people at an emotional level, showing empathy, treating employees with respect is an absolute must trait of a people leader.

Partner with your people – leaders in today's day and age are moving towards selecting, equipping, training and influencing one or more followers with diverse abilities, skills and thereby, willingly and enthusiastically spread and practice the same. Research such as the Changing Nature of Leadership or Leadership Gap or Leadership Across

Difference show that leaders now need to lead people, collaborate with others, be able to cross organisational and cultural boundaries and need to create shared direction, alignment, and commitment between social groups with very different histories, perspectives, values, and cultures. It stands to reason that empathy would go a long way toward meeting these people-oriented managerial and leadership requirements. Some of the interesting findings from the study revealed that empathetic emotion plays an important role in creating a paternalistic climate of support and protection to promote successful job performance in high power-distance cultures. To improve their performance and effectiveness, leaders may need to develop the capability to demonstrate empathy. Some people naturally exude empathy and have an advantage over their peers who have difficulty expressing empathy. Most leaders fall in the middle and are sometimes or somewhat empathetic. Fortunately, empathy is not a fixed trait. It can be learned. If given enough time and support, leaders can develop and enhance their empathy skills through coaching, training, or developmental opportunities and initiatives. Therefore, it is essential for organisations to encourage a more empathetic workplace and help managers improve their empathy skills.

Leaders who display the traits of people leadership are concerned with leading and inspiring employees to add value to the company and society rather than exercising formal authority. These individuals are concerned about the employees who make things work, who see the problems, face up to issues and try to make their organisations a little better everyday.



TV Narendran  
Managing Director  
Tata Steel



What makes a business successful and its leaders efficient are the kind of people the organisation develops. People leadership refers to the degree of importance leaders give to their people, along with their engagement, towards creating a culture where people are satisfied.

Developing an employee-centric environment plays an imperative role in building the culture of an organisation. Apart from focussing on individual needs of employees, people leadership plays a strategic role in business planning of the organisation and ensures that practices pertaining to human resource management are in place. By addressing

talent requirements in an effective manner, it ensures that the organisation is equipped with a skilled, sustainable and committed workforce.

In comparison to the MCI score of 2014, an increased score in this dimension (71.3 per cent) indicates the investments that organisations are making with respect to people development and capability building.

## Key findings

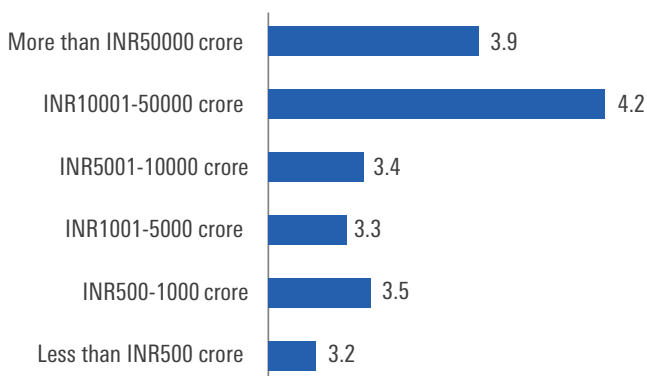
People leadership scores have vastly improved from last years survey emerging as a strong dimension and highlighting the increasing focus on talent practices across the spectrum of organisations.

Leaders have rated their diversity and inclusion practices relatively higher than other aspects of people leadership. Organisations believe that they promote a culture that encourages the incorporation of such practices.

Succession planning and building a future pipeline of leaders continues to be a development area. Organisations should focus on leadership building and grooming young leaders for future roles.

Another relative area of improvement that has emerged is the investment in development of its team members. Organisations should look at people and growth initiatives in order to build capability.

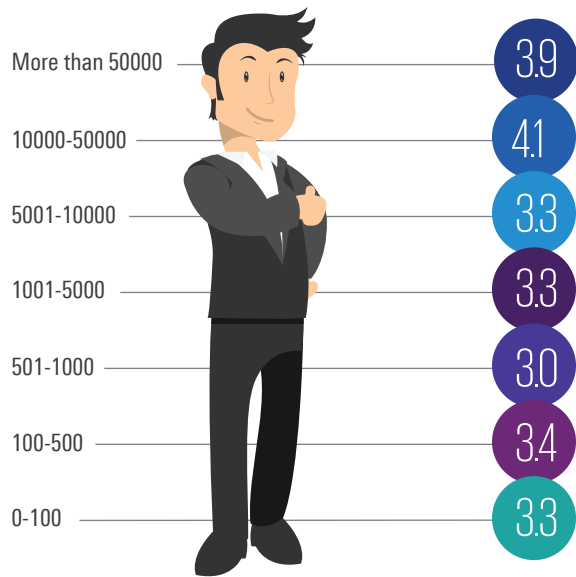
## Results by revenue cap



The survey findings suggest that leaders from organisations in the large revenue cap segment (10001-50000 crore) perceive their organisations to have the highest capabilities on this dimension. A vast difference from last years results, where the same segment showed leaders to have the highest potential for improvement.

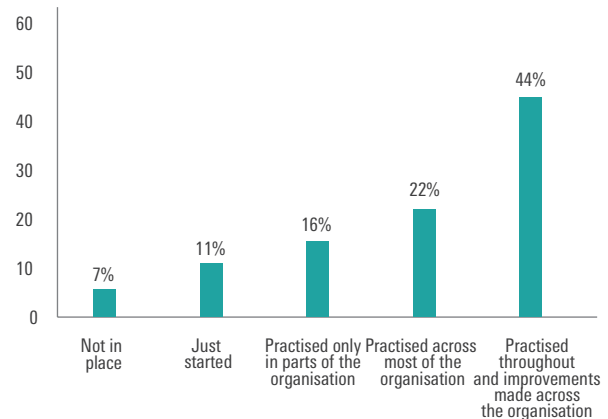
Leaders from organisations in the smallest revenue cap (< 500 crore) Have scope for improving their softer leadership aspects.

## Results by employee strength



Organisations with an employee strength of over 10,000 are dedicated to promoting a people centric culture. They are leading in setting up employee initiatives and developing focused resource policies and practices.

## Results by maturity scale

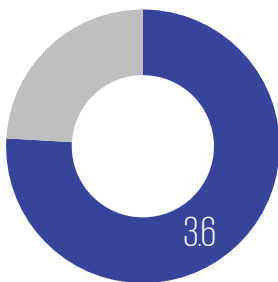


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

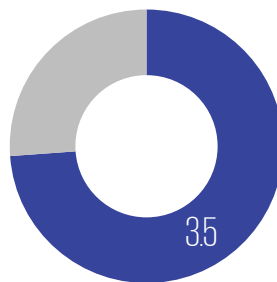
## Overview

Around 44 per cent of organisations have robust people practices and try to further improve on their leadership capabilities. Further, about 34 per cent of the people perceive that their organisation is either laying down the foundation for people leadership or is yet to initiate it.

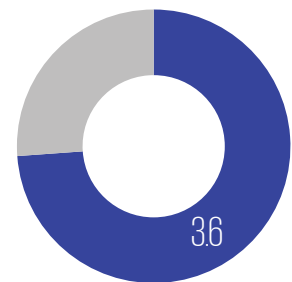
## Results for key aspects analysed



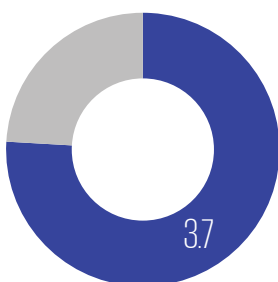
Management attracts, develops, retains and motivates people capable of achieving company objectives



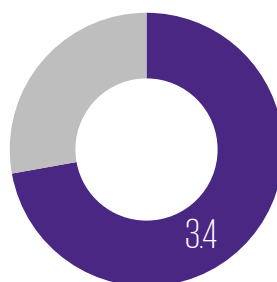
Managers invest time in development of people and teams



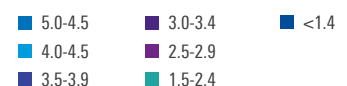
Human Resource Planning is an integral part of the Annual Business Planning process and HR plays a strategic role in the organisation



Management fosters an organisational culture of diversity and inclusivity

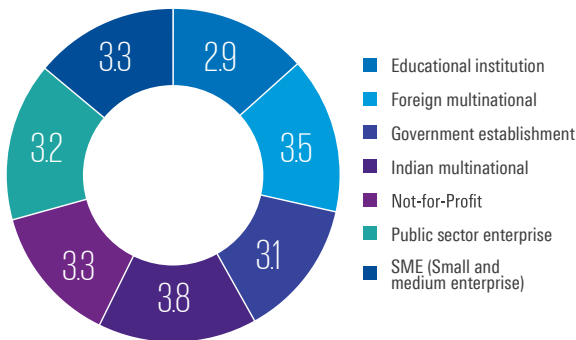


There is a clear focus on leadership development and succession planning



\*Graphs featuring percentages may not total 100 per cent due to rounding

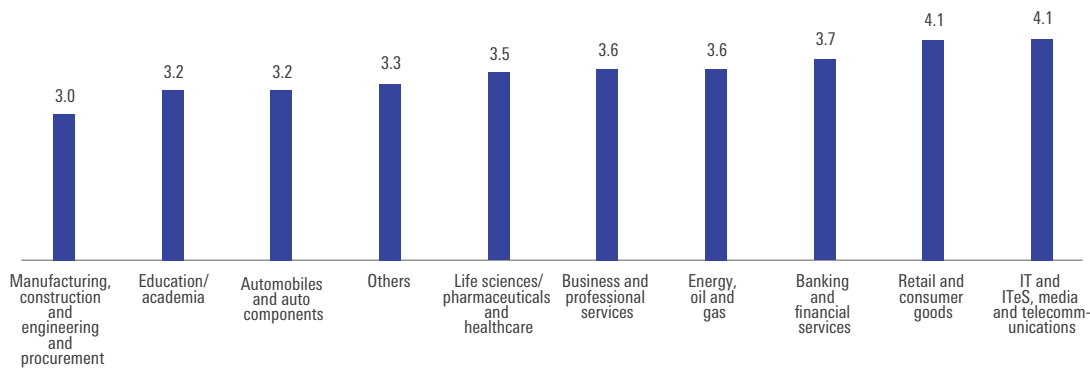
# Results by organisation type



# Overview

Leaders from small and medium enterprises as well as foreign multinationals perceive their organisations to have higher people leadership capabilities than the rest. Another encouraging trend observed is that people leadership seems to playing more important a role in indian organisations as compared to last year. Retail and consumer goods industry as well as the IT and media industry seem to be frontrunners in this dimension, a contrast from last year where retail and consumer perceived themselves to be lagging of people leadership abilities.

# Results by industry type



# Financial management



## Leader speak

**“A good financial plan is a road map that shows us exactly how the choices we make today will affect our future”**

**- Alexa Von Tobel**

The scope of financial management, in the recent past, has undergone a radical shift. The world is transforming: Continued globalisation of business, digital solutions and development of finance technology are the key drivers of this sea change. On the other end of the spectrum, increased shareholder scrutiny and demand have pushed companies to maximize the value-creation potential of their investments.

The velocity of change for business models and companies has changed dramatically. Five year strategic plans do not work anymore, risks to your business from a diverse set of competitors has substantially increased and customer demands will only keep going up. Financial measurements can also be the death knell of innovation since they require predictions of the unknown!

Financial management now needs to provide a balance between these conflicting forces of financial prudence and control Vs encouraging innovation and meeting customer needs for

lesser bureaucracy, red tapisms and paperwork with much faster responses. It is so common for internal requirements for paperwork ( think about Bank account KYC processes despite the RBI easing regulations in this area) to displease customers and reduce responsiveness.

These have to change quickly and dramatically— and therefore financial management becomes this incredibly tricky task of balancing tomorrow’s world with yesterday’s rules.

One of the most disruptive challenges facing enterprises today is the increased financial planning and analysis combined with the shrinkage of the overall finance function budget. Finance and accounting leaders must maintain controls and compliance and keep up with complex accounting rules. Finance and accounting outsourcing is an effective way of delivering the financial planning and analysis activities in a cost-effective manner: Automating financial and accounting processes can formalize and accelerate workflows, add data checks and enforce financial controls, and ensure uniform reports and analyses.

Organisations today grow through innovation, with it the finance function needs to scale up rapidly, without reinventing itself or becoming a drag on the process. Digital and innovation as growth strategies often involve trial and error, and they can frequently be expensive. New projects invariably fail—often multiple times—before

they succeed. From a cost perspective, this can seem like wasted capital, and many organisations seek to cut costs by scaling back on RandD or process improvement or taking an overly simplistic view of the relationship between investment and results.

Leading companies have worked to better link the financial planning process to the strategic plan, but they also recognise that strategic planning is not a financial budgeting exercise. Uncertainty and changing business conditions are contributing to forecasting variances versus actual results. The primary focus should be on the real drivers of the business that significantly impact their financial statements and less time should be spent on managing detailed accounts and products that have little impact on decision making.



Pramod Bhasin

**Founder and Vice Chairman,**  
Genpact  
**Chairman**  
The Skills Academy

Financial management refers to the efficient and effective management of an organisations' funds. Financial farsightedness is imperative to help the organisation accomplish its targets and goals in a timely manner. It further helps in strategic planning of business goals and ensuring operational efficiency.

Rigorous financial management systems enable smooth business growth and effective corporate governance. Organisations that invest in transparent and continuous financial planning have experienced successes in translating business strategies into action.

In comparison to the MCI score of 2014, an increased score in this dimension (78.6 per cent) highlights that organisations are increasingly investing in robust financial systems and that enable effective management of their monetary resources.

## Key findings

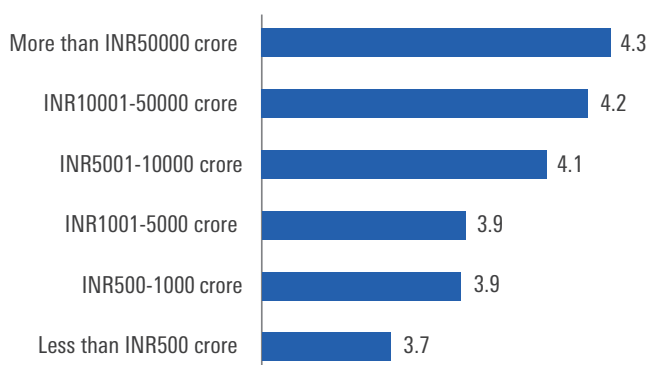
Insights from the survey reveal that organisations have robust control systems through consistent supervision and internal audit checks.

Financial Management has scored consistently high across the value creation, timeliness, fund management, effective systems and risk mitigation. Overall, financial management appears to be a well rounded and successful dimension.

Leaders from organisations in the energy, oil and gas industry, followed by the banking and financial industry, perceive their organisations to have the highest capabilities on this dimension.

Across industries and organisation type, the educational sector is lagging behind in developing financial capabilities in this dimension.

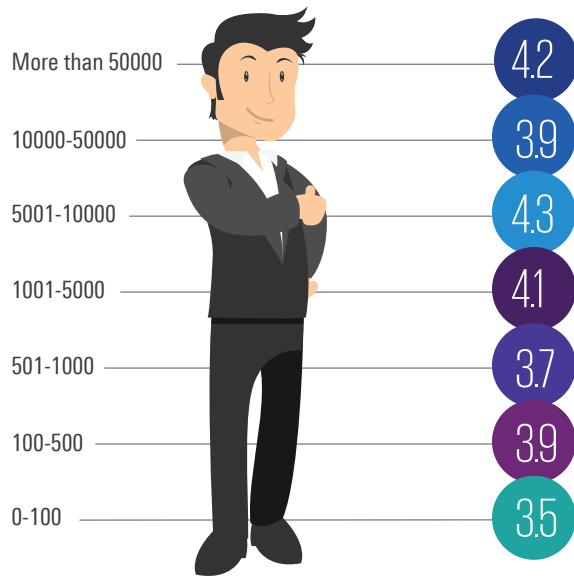
## Results by revenue cap



The slicing of data on revenue cap suggests that leaders from organisations in the largest revenue cap segment (more than 50000 crore) believe that their organisations have the highest capability whereas leaders from organisations with lower revenue cap (500-5000 crore) believe that they have the most scope for improvement on this dimension, this trend seems to remain consistent with results from 2014.

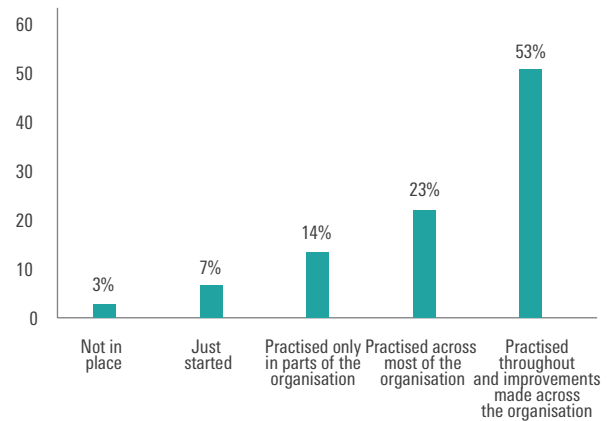


## Results by employee strength



Organisations with the largest employee strength (more than 5000) are leading on financial management capability. However organisations with the smallest employee strength (0-100) have the potential to improve on financial management. Organisations with a large employee base could focus on effective financial management systems and processes due to large scale of employees.

## Results by maturity scale

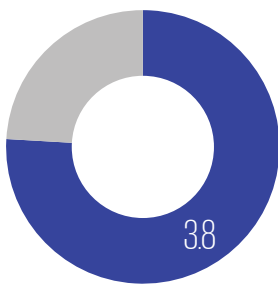


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

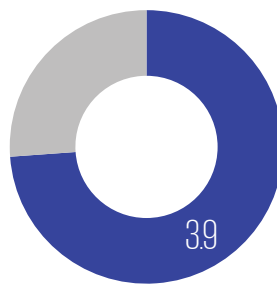
## Overview

About 53 per cent of the leaders stated that their organisation has well defined, robust financial systems and financial management is practised across the organisation. A substantial number of organisations (21 per cent) are still in a nascent phase of financial development and perceive their practices to be in the process of being incorporated throughout the organisation. A small number of organisations (3 per cent) have no streamlined financial management practices in place.

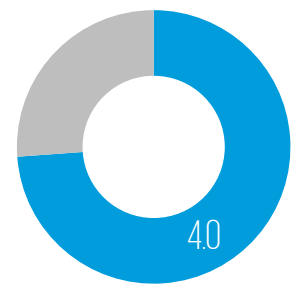
## Results for key aspects analysed



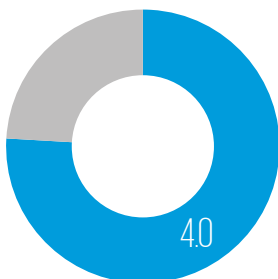
Management organizes finance function for risk mitigation and value creation



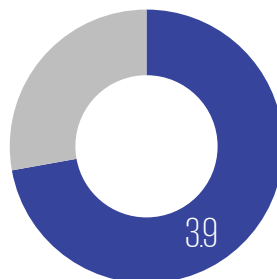
Finance management ensures continuous margin expansion, timely funds availability for growth and effective corporate governance



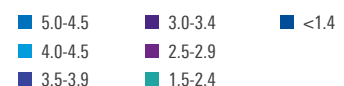
Organisation has effective financial management systems such as financial planning, accounting, cash flow management, investment planning, financial reporting and liaisons with financial institutions



Organisation has sound and effective control systems through supervision, internal audit and hierarchy

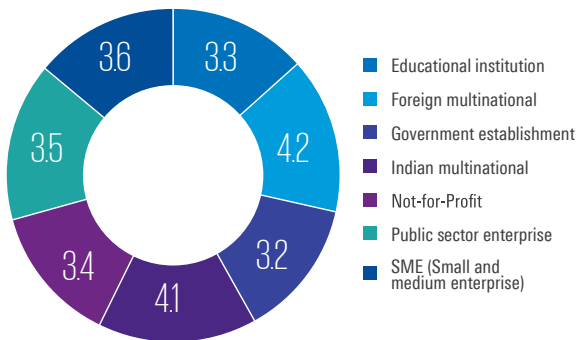


Management actively develops financial plans and goals that support sound growth and continued performance improvement



\*Graphs featuring percentages may not total 100 per cent due to rounding

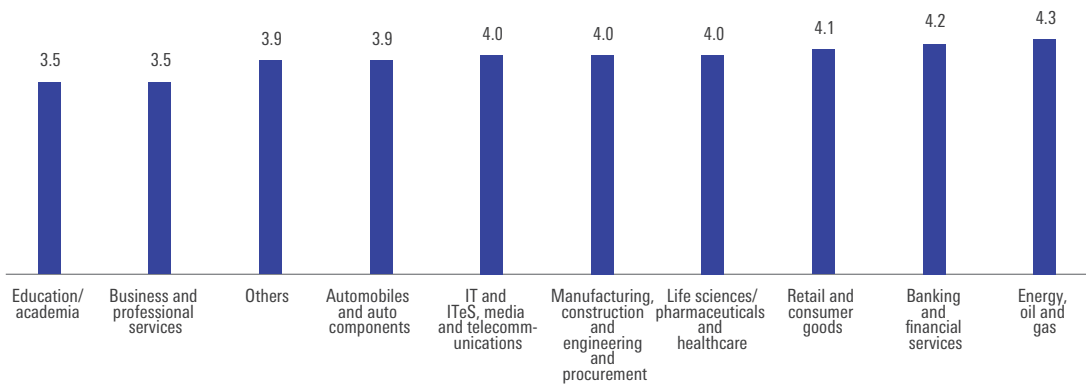
# Results by organisation type



# Overview

Leaders from foreign multinationals and indian multinationals perceive that their organisations have the highest financial management capabilities. Leaders from government establishments and educational institutions believe that they have significant scope for improvement on this dimension. Energy and banking sectors report high scores in this dimension. Results in the latter can be attributed to stricter adherence to financial reporting that is mandated for such an industry type. Scores in the education and business and professional sector highlight a challenge with respect to financial planning.

# Results by industry type



# Organisational capability



## Leader speak

As human beings, we are defined by the causes we serve and the challenges that we persevere to surmount; be it unraveling the human genome or taking healthcare to remotest corner of a country. The commonality amongst all such is that it is always solving an extraordinary problem which creates the potential for an extraordinary accomplishment. And put simply, it is the organisational capability which makes such accomplishments possible.

Organisation capability is the embodied knowledge that distinguishes a firm and enables it to achieve a competitive advantage against its competitors. Going beyond the simple skills of employees, an organisation's superior capability emanates from the way in which people skills are synthesized and amalgamated with an organisation's systems, processes, culture and structure to deliver business outcomes, ideally ones that set new benchmarks and raise the bar.

Organisation capability is the DNA for sustained competitive advantage. The words 'competence' and 'capability' are often used interchangeably. However, while competencies reflect the attainment of measurable mastery of knowledge and skills, capabilities signify a much deeper level of attainment that is dynamic in nature and can be applied in diverse contexts.

An organisation can reap excellent benefits by building strong capabilities, namely flexibility and responsiveness, innovation, collaboration, cost efficiencies, a knowledgeable workforce and improved customer relationships. And it is businesses that identify and understand their core capabilities which are able to cash in on the available skills and knowledge of the workforce to achieve and surpass goals.

In a constantly changing environment, the success and sustainability of an organisation lies in its ability to develop enduring relationships between customers and employees, innovate, design and deliver services that consistently meet or exceed consumer expectations. As organisations build new services, innovate continuously and expand into allied areas, it is imperative that there is an equivalent addition in organisation capability for sustaining the momentum.

Organisation capabilities are inimitable and if one to research the most consistently successful companies of the 21st century, the underlying factor across all would be that it was people management innovation first and foremost that set them to the course to greatness. Thus, it is critical to be cognizant that the power of organisation capability comes by establishing human resources as a strategic partner of the business. Organisation capability is not just

right hiring but involves developing competencies as per demand, and creating a cultural change of capability development.

The HR should have a proactive role in creating this implicit source of competitive advantage rather than a reactive role where it only focuses on performance gaps. HR systems and processes systems should be integrated with the organisation's strategic planning process to continuously strive and build the capabilities and competencies that contribute to the growth. Only a well-defined and strategic approach by HR towards organisation capability would help supplement sustained growth for any business.



Preetha Reddy

**Executive Vice Chairperson**  
Apollo Hospitals Enterprise Ltd

The ability to manage the resources of the organisation in a unique manner in order to prevail despite the competitive environment is testament to the capability of the organisation. Thus, organisational capability determines the functioning of the business and is what sets it apart from the others. It is all-encompassing – from enabling the workforce with the right capabilities and knowledge to increasing the organisation's responses to external stimuli. Such an organisation has the ability to improve relationships with clients and customers which can be ascribed to its distinctive organisational capabilities. The capability of the organisation is measured using diverse indicators such as capital and human resources, among others.

In consonance with the outcome of the survey, organisations believe that they have obtained an optimal balance between various aspects that drive their organisation. For instance, individual distinction is now rewarded as much as team performance. The best and most effective practices are deployed for the optimal functioning of the organisation and the pace of growth is faster than ever.

However, compared to the MCI score of 2014, there has been a reduction in the MCI score (67.4 per cent). To keep up with the ever-changing world, more emphasis should be put on knowledge and capabilities improvement.

## Key findings

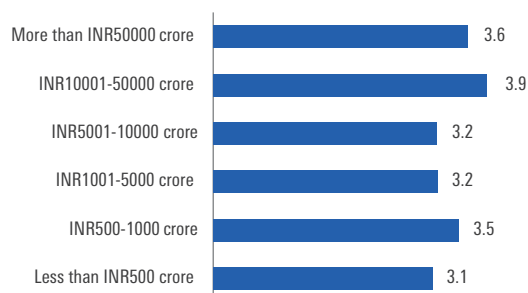
More emphasis on correct talent acquisition and deployment is placed by the management to maintain a competitive edge and push the organisation forward while growing and expanding.

Although foreign multinationals, followed by Indian Multinationals fared relatively well in this area, the education sector has significant ground to cover in this dimension. Focus should be placed on developing learning initiatives and promoting a learning culture.

All industries showed great scope for improvement with respect to capabilities. The results in this scenario were not greatly varied (with the exception of Education/Academia, who scored lesser than the rest). This calls for a focus on developing the capabilities of employees in the education industry.

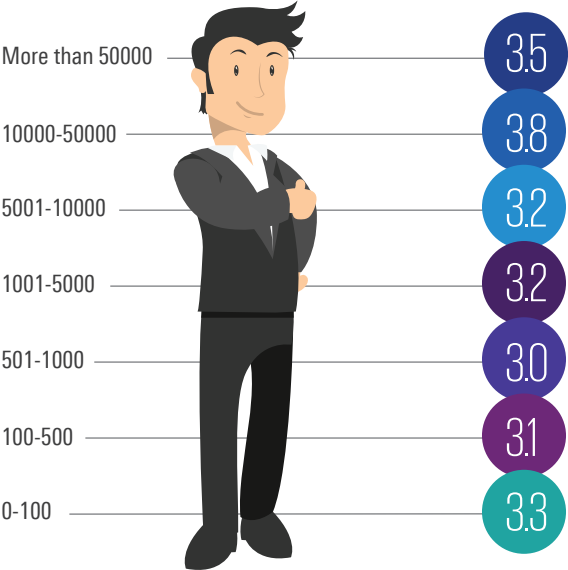
Organisations with a higher revenue and employee strength are found to focus more on talent development strategies in order to achieve organisational growth.

## Results by revenue cap



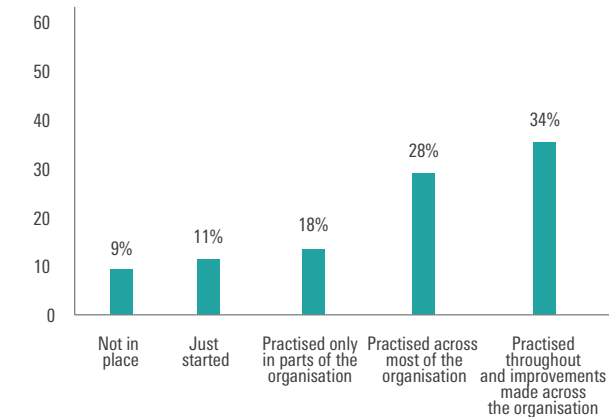
As illustrated by the graph, there is weak upward trend of the results by revenue cap. As the revenue cap increases, the results improve erratically until it peaks at 10,001 – 50,000 crore. After this point, the capabilities begin to fall. Thus, organisations with a revenue cap of 10,000 and more are found to have a higher organisational capability score, implying a greater investment in talent initiatives.

# Results by employee strength



Analogous to the results by revenue cap, here too, a downward trend is observed followed by an upward trend with the results peaking when the employee strength is between 10,000 to 50,000. It could be inferred that the organisational capabilities are optimised when the employee strength lies between 10,000 and 50,000.

# Results by maturity scale

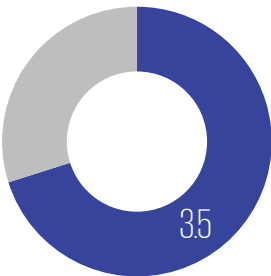


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

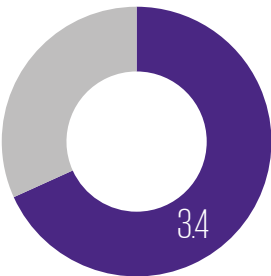
# Overview

There is a strong direct correlation between the stage of maturity of the organisation and better results. The results improve exponentially as the maturity of the organisation increases, with 34 per cent of organisations incorporating initiatives practised throughout. About 28 per cent have capability initiatives only in parts of the organisations, highlighting the need for improvement in developing such mature practices.

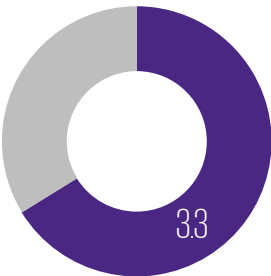
# Results for key aspects analysed



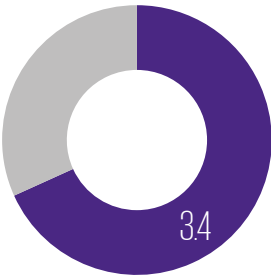
Management acquires and deploys suitable and adequate talent for competitiveness and growth



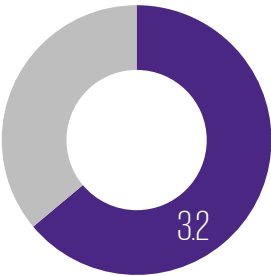
Management ensures an effective balance between individual excellence and team work



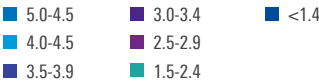
Management constantly demonstrates application of best practices in talent development to achieve organisational growth



Management demonstrates strong commitment to continuous learning for both individuals and the organisation



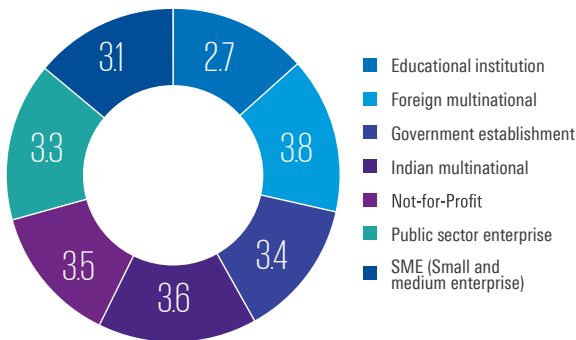
Management assesses the effectiveness of learning initiatives



\*Graphs featuring percentages may not total 100 per cent due to rounding



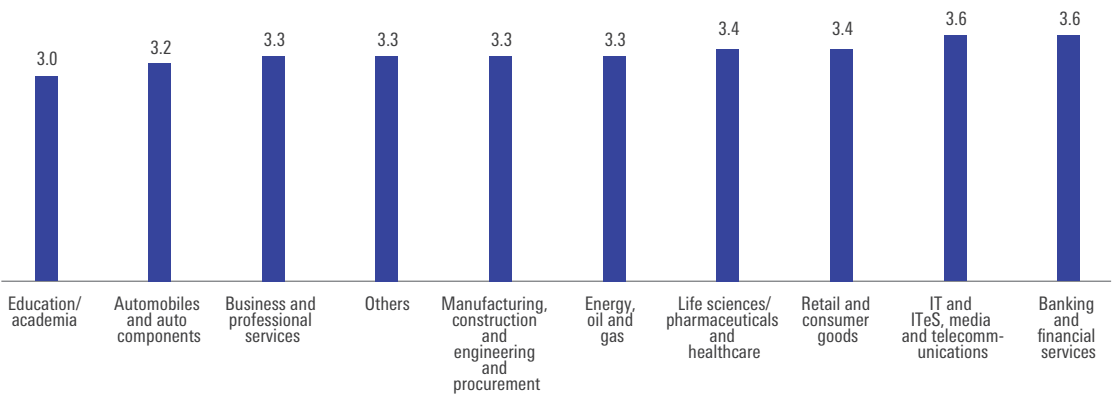
# Results by organisation type



# Overview

With foreign and indian mncls indicating a higher commitment to learning initiatives, education/academia appears to not fare as well far as well emphasising the need for investment in structured talent practices. The ITeS and banking sector demonstrate a relatively higher capability, however, the education and automobile sector indicates the need to build stronger learning and development systems.

# Results by industry type



# Application of technology and knowledge



## Leader speak

We all know that knowledge is king and that constructive use of knowledge is critical to for both organisational and individual success. We also know that organisations who do not effectively channelize their knowledge face serious competitiveness erosion... Yet – yes – yet, there are thousands of companies across the world who unfortunately don't take the discipline of knowledge management seriously. Most of them tuck the function away under either Marketing or HR where a small, often isolated group, struggles against the odds of cultural headwinds and investment inertia to somehow 'manage' or 'fit' the vast knowledge stacks in portals and pdfs!

I earnestly believe that tomorrow's winners will be organisations and leaders who can leverage their knowledge estate in a democratic, swift, transparent and efficient way. Technology of course is the only alchemist which can make this happen. But technology is not a silver bullet to overcome the lack of knowledge-sharing culture in organisations, at best it provides a fertile ground for knowledge elicitation and sharing.

A notoriously difficult endeavour for many organisations is to capitalize on the collective knowledge of the firm. A great deal of knowledge is locked in the minds of the employees. Additionally, ignorance of what knowledge already exists within the organisation, or of where to find it, is

also a serious problem. Therefore, the key factor is to devise a range of strategies to capture valuable knowledge to share with other people who can benefit from it.

So what are the deal-makers or breakers of a good Knowledge Management strategy? I personally believe it has three key features:

It is institutionalised – meaning that KM is a corporate level function governed with strict compliance guidelines and nurtured with global best practices. It also means that it is not reliant on individuals but on systems and process workflows to ensure it transcends individual turnovers and becomes organisational culture.

It has clear business-aligned goals – KM for the sake of KM never works. There is a difference in what firms know and their ability to act on that knowledge. It is only when organisations leverage the corporate knowledge for better decision-making with rapid response time and improved customer service delivery rather than just have curated content/data that they are able to boost efficiency, profitability and become powerful in the business arena. As Etienne Wenger has rightly said, "Knowledge management will never work until corporations realise it's not about how you capture knowledge but how you create and leverage it."

It leverages technology effectively - so that same version of knowledge is available for everyone across the organisation and speed of its flow is in tune with business demands. Technology also ensures that repeatable KM tasks are automated and data/information security is ensured.

In closing, I want to remind you once more that in today's day and age a firm's only source of enduring advantage is its knowledge and its only source of industrialisation/scale is technology. If we marry the two effectively, what we will have at our disposal is an antidote that can insulate our organisations against any/every economic uncertainty.



Vineet Nayar

**Founder**  
Sampark Foundation  
**Former CEO**  
HCL Technologies

In the advent of the era of technology, organisations risk obscurity in the case of resistance to new knowledge and technology. The fast pace of change and growth in the world can only be matched with information technology and new learning. With an increasing number of businesses embracing technology, it is now a necessity more than a luxury. Organisational growth tends to be more geometric than arithmetic with the adoption of new technology.

Organisations are increasingly utilising technology to impact business in a positive manner such as social media and cloud computing. Technology is progressively adopted to

create and capture knowledge of the organisation. Thus, organisational knowledge is codified well and is made readily available. Although in its nascent stages, technology has quickly become the backbone of many strong organisations.

Compared to the MCI score of 2014, there has been a substantial increase in the MCI score this year (71.4 per cent). Thus, organisations are increasingly moving towards an accelerated technological path, characterised by complexity and diversity.

## Key findings

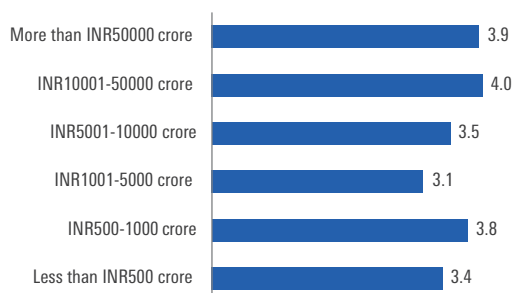
Organisations are recognising the need to keep up with changing technology and not only adopt new technology at a fast pace but also realise the categorical need to train human capital to optimally utilise these technologies.

Following Banking, the high scores in the IT and Media sector suggest the advanced technology infrastructure used by such industries, such as HR analytics, HR digitalisation, automation of performance management practices, etc. Such mature initiatives set them apart from the lower performing industries.

An industry that has performed exceedingly well appears to be Banking and Financial services. This industry stands to gain more with adoption of technology due to its need for constant updates on prices, safe handling of money among others.

Relatively higher scores in organisations with employee strength below 100 and above 50,000 suggest that the former (for instance, start-ups) are increasingly using technology to leverage their market worth in terms of social media, apps and other such technology platforms.

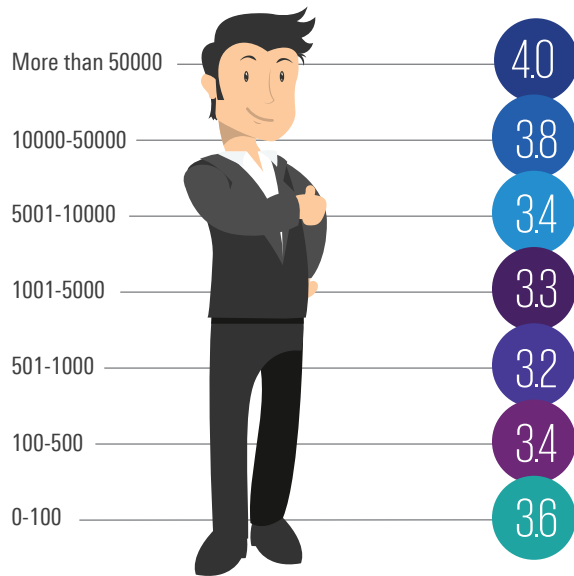
## Results by revenue cap



Results appear to improve as revenue cap increases with the only anomaly being INR 1001 to INR 5000 crore, as depicted in the graph above. Better results are observed among those with high revenue caps but it cannot be dismissed that organisations with revenues below 1000 crore are showing quality results.

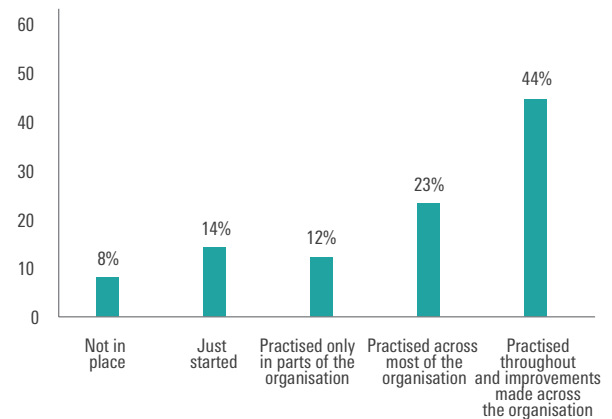
Invariably, companies with a higher revenue cap are investing more in technology infrastructure in order to ensure smooth operations and automation of processes. Developing organisations are also leaning towards investing in technology for at least their back-end functions.

## Results by employee strength



Companies with employee strength exceeding 50,000 exhibit a strong inclination towards technology. Given the nature and size of such companies, they have invested in adoption of new technology in order to ease certain processes. Today, start-ups (employee strength below 100) are also looking at technology as a way to gain prominence in the market place and have begun using different technology platforms to make a mark in the industry. This is visible from the average score of 3.6, which is not far behind from the companies with a greater employee strength, that have received scores in the range of 3.8-4.0.

## Results by maturity scale

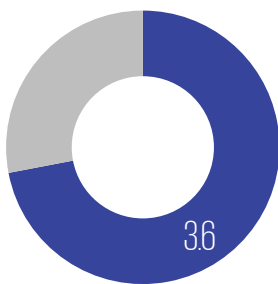


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

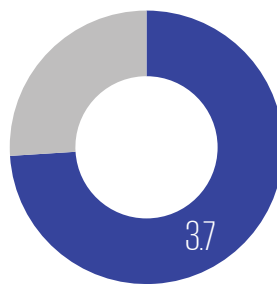
## Overview

Today, 44 per cent of organisations practice certain technology initiatives and make improvements when required, while 23 per cent of organisations practice it in most parts of the organization. Although companies are increasingly looking at application of technology and knowledge in order to enhance their productivity and efficiency, about 26 per cent of organisations are still in an emerging phase of technology development.

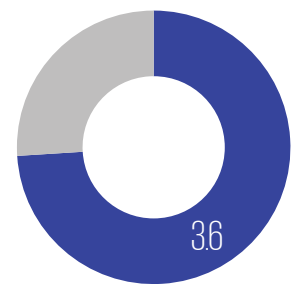
## Results for key aspects analysed



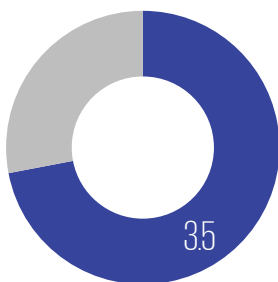
Organisation effectively uses digital and technology (such as social media, cloud/ on premise solutions etc.) to positively impact business



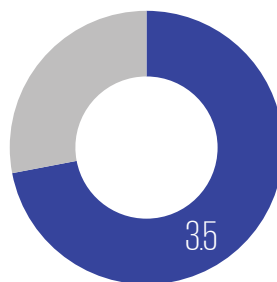
Organisation continuously invests in the upgrade and upkeep of its Information Technology infrastructure



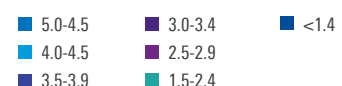
Management provides adequate training to employees to keep up with technology



Management actively creates and captures knowledge in the organisation

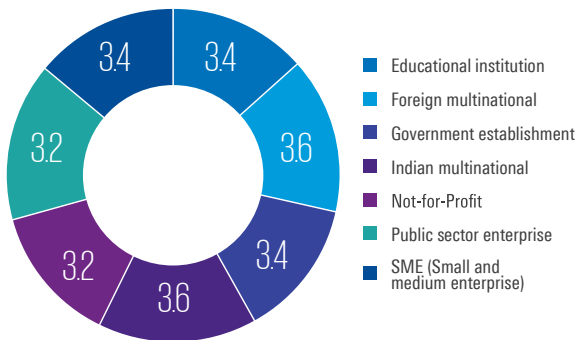


Knowledge within the organisation is well organised and there are strong systems to support its access



\*Graphs featuring percentages may not total 100 per cent due to rounding

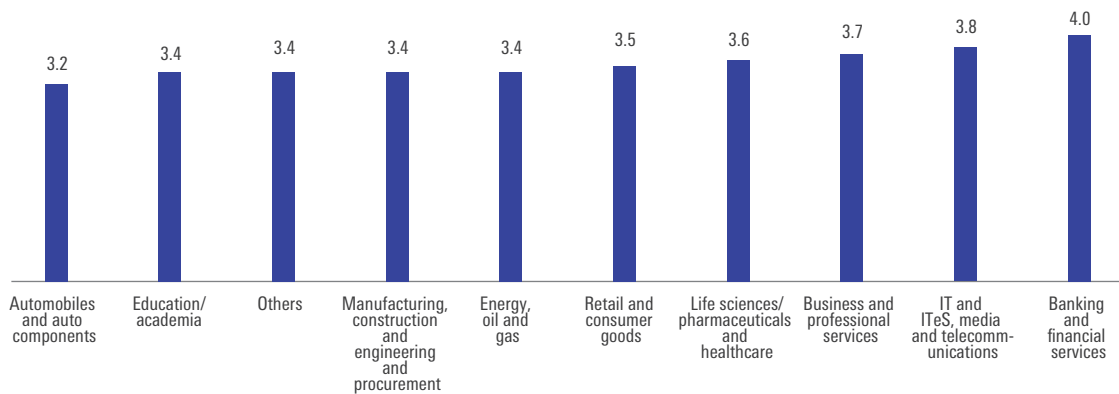
# Results by organisation type



# Overview

The results observed across organisation types do not vary greatly. For an industry-wise comparison, banking and financial services, followed by IT/ites showed significant results, while the opposite occurred for the auto industry. Today, technology is speeding up the growth of the auto sector and increasingly gaining prominence in this area.

# Results by industry type







# External relationships

## Leader speak

In today's dynamic world, where constant change has become inevitable and where media plays the role of an opinion maker, it has become essential for a business to maintain healthy and congenial connect with the external environment. Most organisations are aware that their success may depend on strong relationships with external organisations. Companies need to focus on widening their reach by moving beyond their day-to-day business relationships. There could be two ways, leveraging existing relationships and building new ones. Young companies need more enduring efforts on building relationships while traditional companies need to focus more on maintaining the existing ones, while being proactive in creating new ones.

The world is evolving at a rapid pace and hence relationships need to become multi-dimensional. Dealings with suppliers, customers, investors and banks have always been important but exploring more opportunities with them can result in opening up new avenues for inclusive growth. Companies have started engaging with their suppliers and customers to improve and customize product, process design, service and quality.

Relationship with industry experts, peers and consultants have become relevant in today's context where

information, knowledge and opinions matter. It is an effective way to get insights on competitive landscape and industry scenario and understanding response of peers to the changing business environment. Organisations have started to seek advice from the external experts on financial, technical and investment matters, which in turn helps them to take informed decisions by tapping into the knowledge and experience of these experts. They may as well help us to be more informed regarding the emerging trends in the market. Companies are joining hands together for technological advancement and cost effectiveness which enables them to have a global presence. Competitors are coming together to place their opinions in front of the government, to support the government in addressing interests of all and to ensure that policy decisions are not detrimental to industry and economy as a whole.

Social media has evolved as a window to showcase one self and create a resonating perception at a mass scale. A strong connect with online communities helps in brand building and recognition and is clearly the need of the hour. Such platforms enable brands to search for ways to increase revenues, reduce marketing costs, enhance customer service, gather inputs and reach out to a global audience.

Furthermore, firms are also establishing strategic alliances with universities to understand new trends in the market. Organisations have become socially responsible and are increasingly building relationships with the community and NGOs. This sends across a humane message that organisations share the responsibility of development of the society at large.

External relationships have become an integral part in today's times. While the requirement and extent of external relationships may differ with the nature of business but its significance needs to be understood and given cognisance.



Sanjiv Goenka

**Chairman**  
RP Sanjiv Goenka Group

Management and research communities are increasingly recognising the importance of an extended organisation, which includes relationships and collaboration with other organisations, with customers or suppliers, or with a market or business.

External networks may assist organisations by filling many gaps such as increasing access to resources, driving partnerships, cutting costs, improving credibility and media opinion, improving market awareness and supporting

research and development. If this dimension is planned, monitored and measured with a strategic mindset, it is most likely to leverage the best from the ecosystem and impact growth in a positive way.

Although the MCI score for this dimension, 72.3 per cent, experienced a significant increase from the MCI score of 2014, it is slightly lagging behind from the previous year scores. Organisations can begin to focus on execution and managing external relationships in an effective manner.

## Key findings

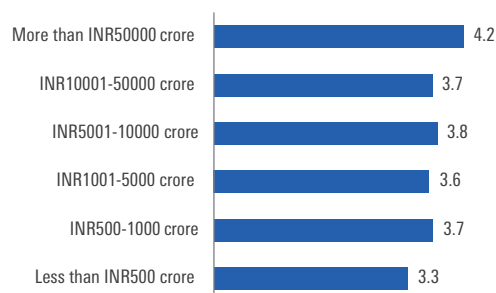
Survey findings indicate that management undertakes efforts to create a positive external image through effective relationships with all stakeholders and undertakes corporate social initiatives to foster community and social obligations. However, organisation capability to conduct environment and social audit to account environmental costs still remains a challenge.

Leaders in Foreign Multinationals and Not-for-Profit organisations rate their networking capability higher than other organisation types. Public Sector and Indian Multinationals are at a close second. The results may be attributed to the processes and structure put in place in such organisations due to the nature of work and experiences they are exposed to.

Organisations with a higher revenue and employee strength, fare relatively higher on managing external relationships than the lower cap organisations. Managing external relations is of critical importance for organisations with a lower revenue range (less than 500 crore), however they are relatively weaker in managing and collaborating with external stakeholders.

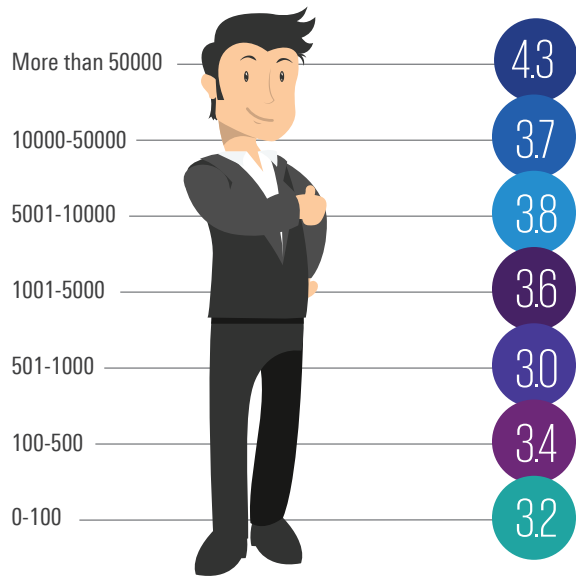
Survey findings indicate that organisations in Business, Professional, Banking and Financial Services fare relatively higher on maintaining a mature sphere of networking than other industries. Whereas, organisations in Manufacturing, Construction, Engineering and Procurement industries fare relatively weaker on this dimension.

## Results by revenue cap



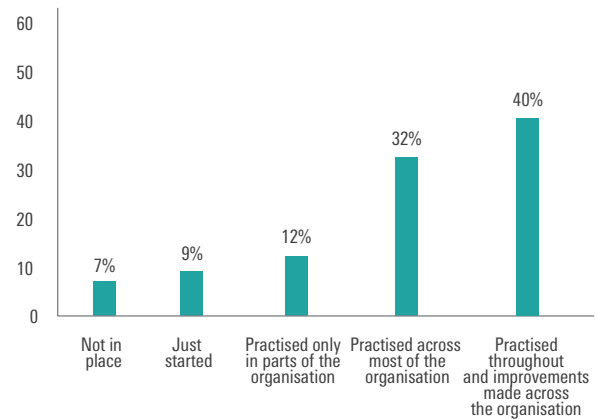
Survey findings reveal that a large number of organisations in the higher revenue cap rate their external relationship capability higher than other organisations. The kind of exposure, followed by the interactions with key stakeholders calls for such organisations to focus on relationship building and effective communication.

## Results by employee strength



Leaders of organisations in a higher employee strength range rate their external Relationship capability significantly higher than other Organisations. This can be attributed to the scale of the organisation that warrants the need for structured communication channels and networks.

## Results by maturity scale

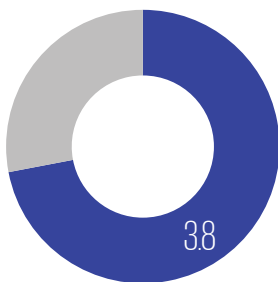


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

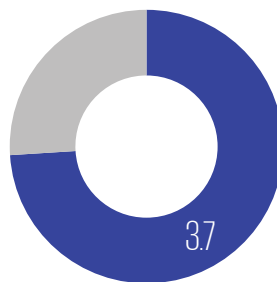
## Overview

Nearly 40 per cent of the surveyed organisations practice the dimensions throughout, whereas almost 28 per cent are still in an under-evolved state which highlights that a large number of organisations are yet to implement effective management of external relationships.

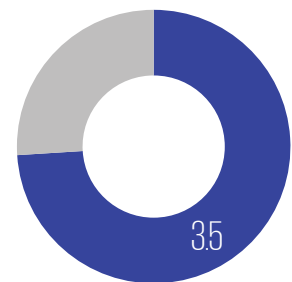
## Results for key aspects analysed



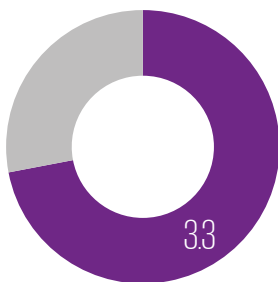
Organisation creates a positive external image through effective relationships with all stakeholders



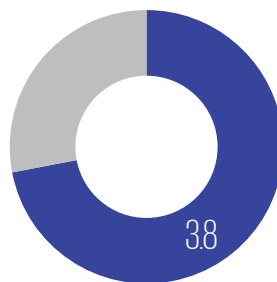
Management develops and maintains networks and effective communication channels with its key external stakeholders



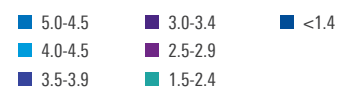
Management has measures in place for crisis management and communication



Organisation conducts environment and social audit. (Accounting of social and environmental costs and impacts of economic success)

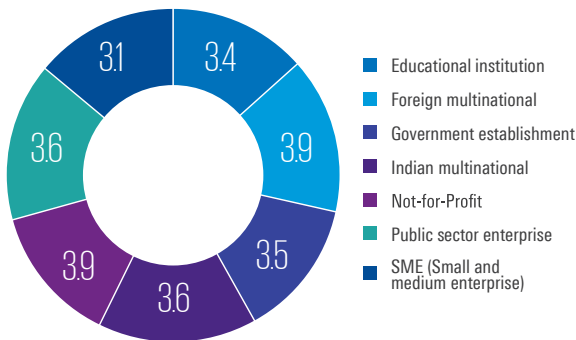


Management ensures fulfillment of community and social obligations through corporate social initiatives



\*Graphs featuring percentages may not total 100 per cent due to rounding

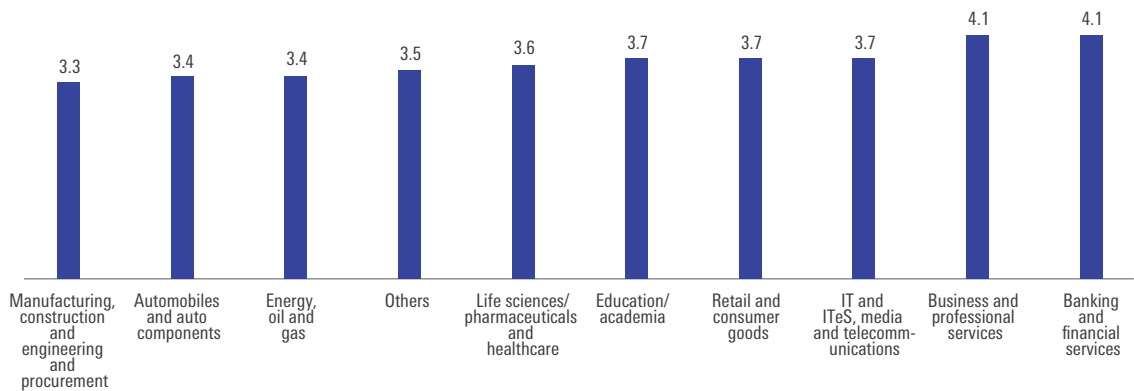
# Results by organisation type



# Overview

Leaders in organisations such as Foreign Multinational and Not-for-Profit rate themselves higher on this dimension as compared to other industry types. Public Sector and Indian Multinationals are a close second. The former can be attributed to the nature of work that requires a certain level of stakeholder interaction and communication management. Customer-centric industries like Banking and Professional services have scored high in this dimension.

# Results by industry type



# Innovation of products and services



## Leader speak

The first big spurt of innovation came through the invention of the steam engine circa 1765. James watt tripled the efficiency of the steam engine and that led to building scale factories, techniques of mass production, and the birth of the railways and the start of mass transportation methods.

We live in a digitally disrupted world. The early signs of this were signalled 33 years ago when Time magazine awarded the personal computer as the Machine of the Year. The growth of the PC business and associated ecosystem gave rise to the information and knowledge age.

We now live in a digitised world where the future factories will be fully digitised with robots replacing human beings in most jobs. Digitisation is transforming every industry and business. Every middleman who doesn't add value is taken out digitally. The music shop, the bank teller, the librarian, the travel agent are all examples of the disruptive force of digitisation.

At a first level, digitisation brings innovation to business models by making the value chain more efficient and the customer experience a joy,

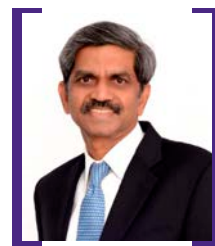
with an expectation trending to delight. With digitisation, time becomes an important component of innovation delivery in services. The 30 minute challenge for home delivered pizza is an example. Time as a differentiating element via digitisation has impacted the airline industry, the banking industry, the food services industry.

With digitisation comes the invasion of technology in daily products. Today, the computing power in a smart phone is more than the computing power we saw in Apollo 11. Cars are getting more digitised than ever before and we will see the first generation of driverless digitised cars in the next five years. Such an innovation was unthinkable a few years ago and has a big impact on what is the core of a car? Is it material, is it the engine, and is it the digital technology?

One cannot be an ordinary employee or an ordinary leader in a digitally disruptive, innovative world. The ability to learn fast and lead the next curve will be crucial for every employee and leader. There is no silver bullet to this; it has to be done with self-discipline and focus.

In a digitally disruptive, innovative world, jobs that are repetitive and jobs that can be automated will move to machines and robots. Jobs that involve human being interaction, jobs that involve creativity and jobs that involve social capital will survive; all other jobs will be prone to digitisation.

Digitisation, disruption and innovation are here to stay. Every employee and leader has to decide how he or she stays ahead of the curve. That itself will be an innovative challenge.



D Shivakumar

**Chairman and CEO**

PepsiCo India Holdings Pvt Ltd



The significance of innovation and creativity cannot be overstated in this era. Especially, over the last decade, innovation has become a critical skill not only for growth but also for survival in developing as well as developed economies. To earn competitive edge in these times, an increasing number of management problems require innovative solutions that are constantly evolving.

Disruptive innovation across products, services and operating models is of paramount importance and is a sure path to success. Not only does this result in multiple revenue streams and competitive edge, but it also

stimulates the productivity of organisations by encouraging 'out of the box thinking' amongst employees.

Although the MCI score for this dimension (74.1 per cent) has increased from MCI score of 2014, there is scope for improvement. While managements state that they are increasingly promoting an innovation-driven culture, organisations could put together formal processes that reinforce and reward this initiative.

## Key findings

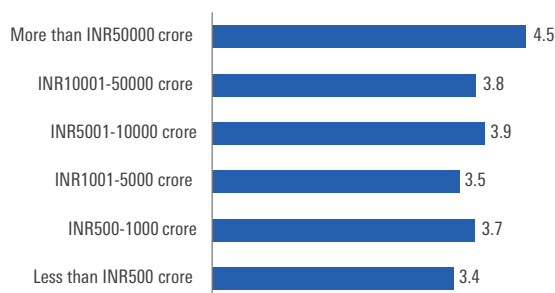
While a large number of organisations rate themselves higher on their efforts in building and encouraging a culture for innovation and making it the centre of their business objectives, they still lack focus and rigour of execution in putting systems in place to reinforce and reward innovation.

Leaders in Foreign Multinationals and Indian Multinationals rate their focus and capability in innovation higher than the other organisation types. However, leaders in Government Establishments, followed by Educational Institutions state the increasing focus required in this dimension.

Organisations in higher revenue and employee strength brackets invest significantly in innovations and research than the lower cap organisations. Organisations in less than INR 500 crore bracket are still facing daunting challenges in promoting innovation in their organisation.

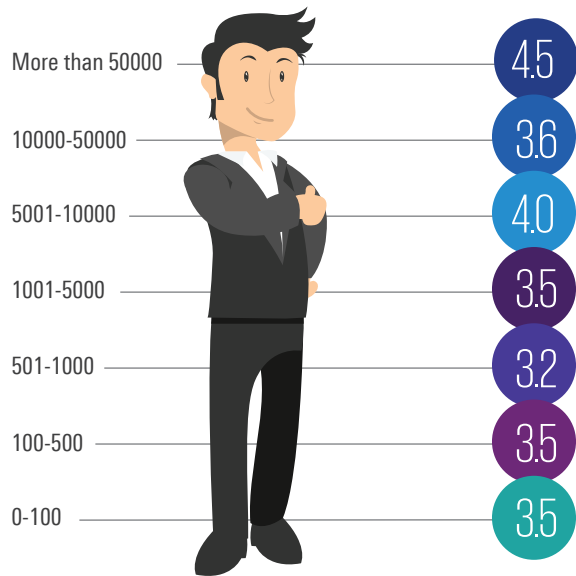
Leaders in the manufacturing and automobile sector are making focussed efforts for promoting innovation and collaboration, followed by banking and professional services that are a close second. However, the retail and education sectors highlight a significant scope for improvement and need to focus on achieving better results.

## Results by revenue cap



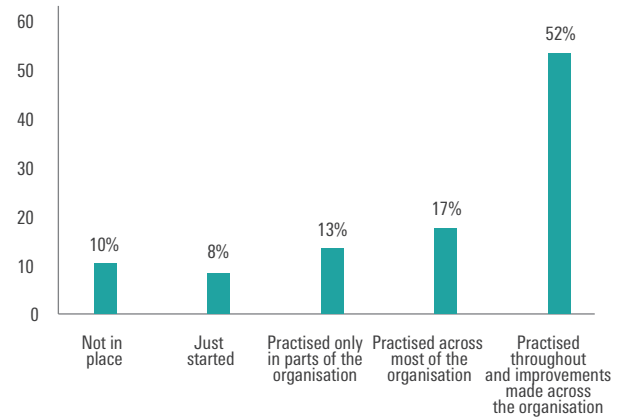
Survey findings reveal that a large number of organisations in the higher revenue cap rate their efforts and capability in innovations higher than the other organisations. Such organisations with a higher revenue bracket invest significantly more than the organisations in the lower revenue brackets.

## Results by employee strength



Leaders of organisations in higher employee strength cap rate their innovation capability significantly higher than other organisations. Organisations with an employee strength of over 50,000 have received a high score of 4.5 suggesting that innovation is an integral part for business success and an effort is made to ensure that such a culture is promoted for the future as well.

## Results by maturity scale

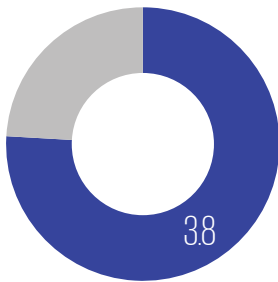


\*Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

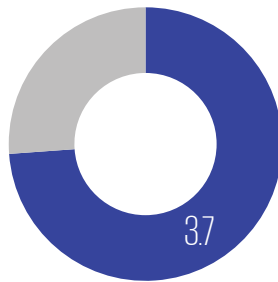
## Overview

Leaders in nearly 52 per cent of the surveyed organisations state that they are incorporating innovation throughout the organisation. Almost 31 per cent of the organisations have either just started attending to the need for innovation or are in a nascent stages of implementing the same, thus highlighting a greater need to focus in this area.

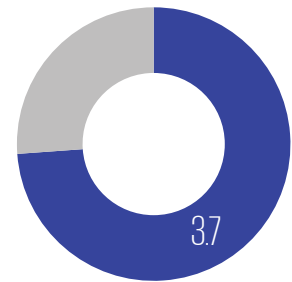
## Results for key aspects analysed



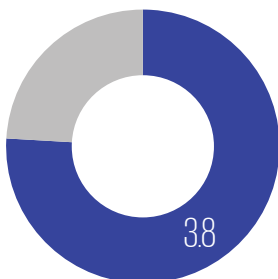
Organisation has a culture/ mindset that encourages innovation in products and services



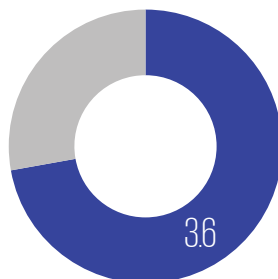
Management is creative in organising departments and hierarchy for greater collaboration and better results



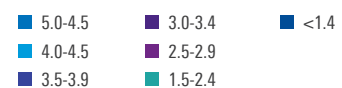
Management makes constant investment in innovation and research



Management treats innovation as central to its business objectives and competitiveness

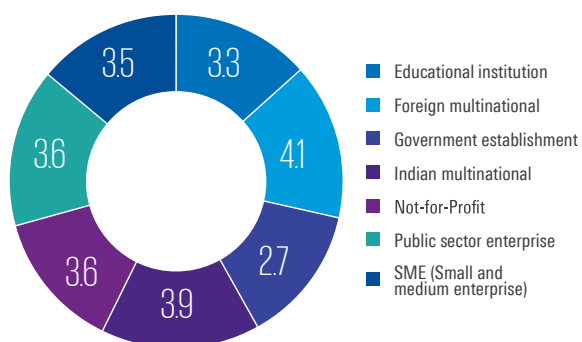


Management has systems in place that reinforce innovation and reward initiative



\*Graphs featuring percentages may not total 100 per cent due to rounding

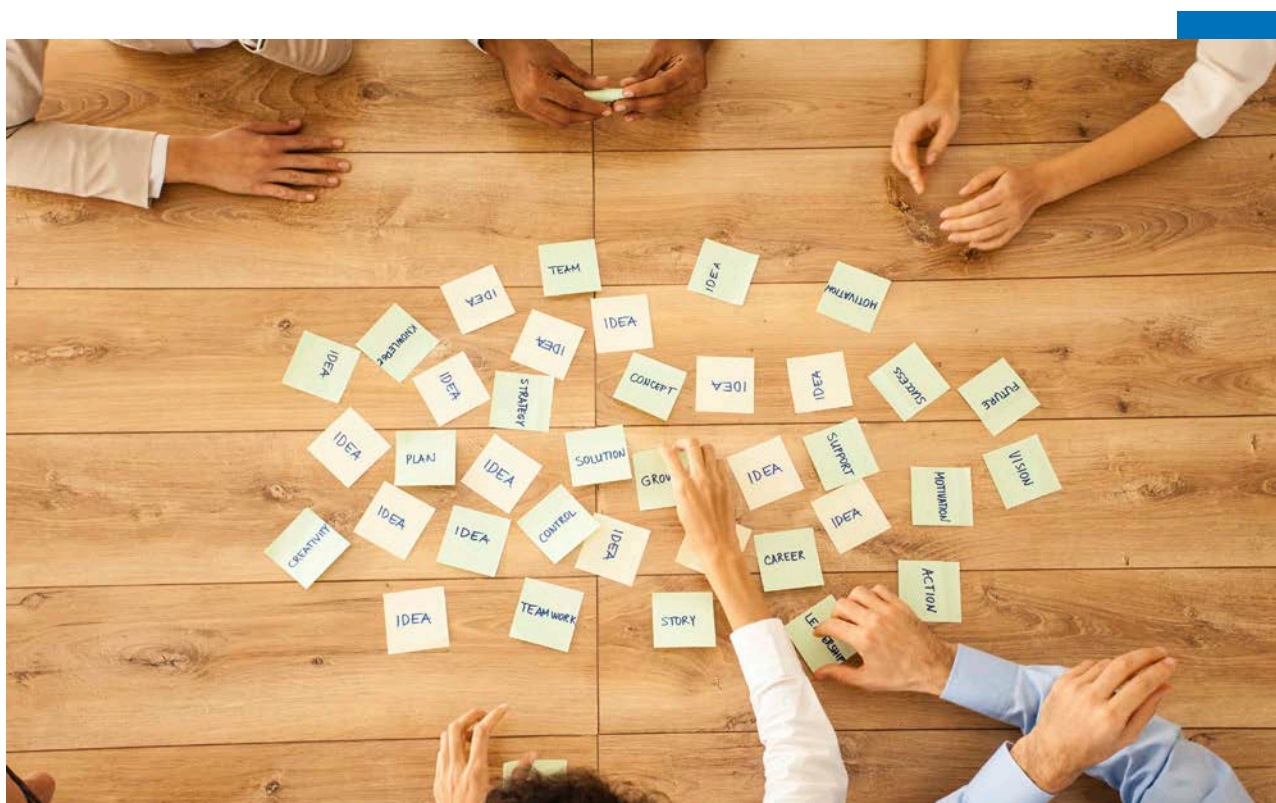
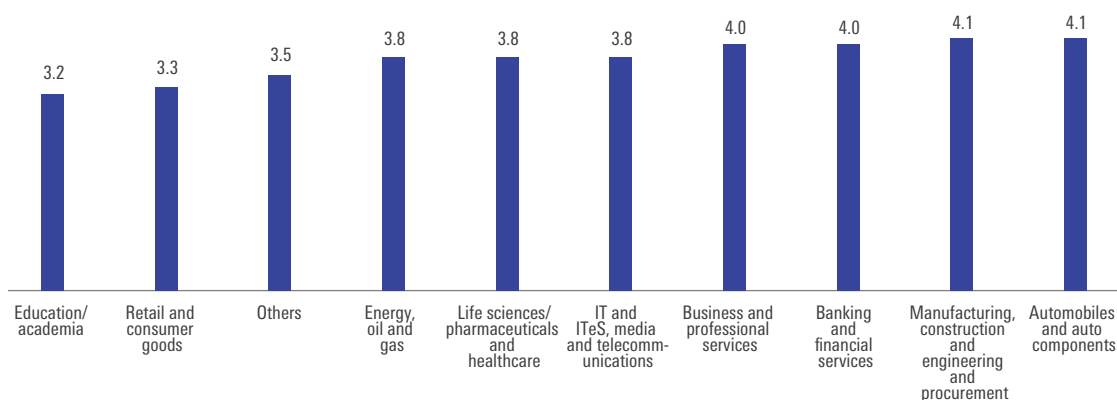
## Results by organisation type



## Overview

Foreign Multinationals, followed by Indian Multinationals recognise the need for innovation and make substantial effort to promote a culture for innovation (as indicated by the high scores). Government Establishments face a tough challenge to match the pace with multinational organisations. High scores in the Manufacturing and Automobile sector can be attributed to the use of disruptive innovation and other such innovative services so as to be at par with their competitors. Client-facing industries such as banking and professional services focus of innovation of new products and services as a means to be up to date with the latest market trends.

## Results by industry type



# Integrity and corporate governance



## Leader speak

Successful businesses are built on a strong ethical foundation. It is like parents instilling value propositions in children, which they carry through their lives and this continues in a cycle. Similarly, employees of ethical companies in a sovereign with strong corporate governance norms are likely to be honest and more productive.

Around the world, there has been an increased consciousness about the importance of corporate governance as an engine for sustainable, transparent and fair economic growth. While awareness among people about ethical business practices has increased and governments have realised the need for stronger regulations, the single largest contributor to the phenomenon has been a larger interdependence among countries and growing cross border business interests. It is no longer acceptable for an economically weaker country to have lenient governance if it wants the biggest foreign investors to spend on its soil.

Across Asia, Europe, the U.S. and other growing countries, there has been a sea change in the approach towards governance with increased focus on issues such as constitution and power of independent directors and women in boards, formation of relevant committees to monitor and evaluate practices, internal financial controls and disclosures, regulation of related party transactions, shareholder democracy and corporate social responsibility.

With people and societies becoming more aware, one of the most important challenges for companies is to build a foundation of trust with the investment community and the public. The margin for error is minimal and as standards for corporate governance increase, so does the responsibilities of the management.

India has made tremendous progress in this area over the past few years, the revisions in corporate governance practices that draws its inspirations from the Sarbanes-Oxley Act prevalent in the US, hold CEOs and CFOs accountable for putting in place robust risk management and internal control systems in their organisations. However, there are still many challenges we face in this area. The list includes country and company specific concerns and cultural considerations.

While the law for compliance exists, its execution is still an area of concern. In this context we are reminded of the market regulator SEBI's order passed in 2013 against 105 companies for not complying with its norm of a minimum public shareholding of 25 per cent.

However, steps are being taken in the right direction. One such initiative was taken when BSE partnered with IFC, a member of the World Bank Group, to develop a governance scorecard. This scorecard will help companies assess their corporate governance performances in comparison with national and international benchmarks.

A similar framework of scorecard-based evaluation has yielded good results in Brazil. The scorecard will hopefully strengthen corporate governance worldwide and result in transparency among companies in India.

In the World Bank's 'Ease of Doing Business' Report, 2016, India's rank has improved by four points. This, in itself, is an indication that India is on the right track. Words such as 'transparency' and 'sustainability' have all new meanings now in corporate parlance. More and more companies now aim to be profitable, while at the same time, striving to provide value to the community.

The bottomline is, Profit in itself, is just a number without Integrity.



Harshavardhan Neotia

**Chairman**

Ambuja Neotia Group

In the wake of multifarious scandals and financial crises, corporate governance is looked up to for the provision of transparency, accountability and an environment of trust in business and to appease the displeased stakeholders. Lacking integrity and corporate governance in this day and age, organisations are unlikely to win the public trust that ensures success. Although often dismissed due to its sociological and ethical nature, it has rapidly grown to be the building block of business functions. Without integrity and corporate governance, the cogwheels that run the machine will never turn. Obtaining investment of both the long term and short term variety, sustaining growth of the organisation and ensuring financial stability are all a distant

dream without the establishment of a corporate governance structure, based on integrity and values.

Commensurate with the survey, a majority of management and employees ensure the practice of ethical principles in the functioning of the organisations. All decisions and affairs are handled with respect to organisation established as well as individual ethics and principles.

However, compared to the MCI score of 2014, there has been a reduction in the MCI score (76.3 per cent). Management and employees need to begin viewing adherence to laws, regulations and guidelines of the organisation as a method of ensuring profitability and long term business.

## Key findings

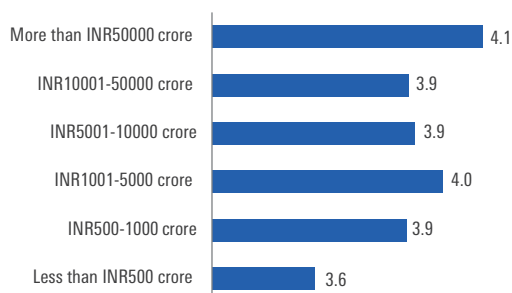
A majority of the management clearly articulates the organisation's values and code of conduct for all persons at every level. Personal interest is taken by employees and management to ensure ethics are followed in the administration of the business.

It is observed that an industry-wide comparison of integrity and corporate governance rendered almost homogenous results with the exception of Education/Academia, whose results were on the lower end of the scale. This highlights the need for this sector to use specific metrics to measure corporate governance.

Interestingly, while 76 per cent of the management and employees claim to follow rules regulations and laws of the organisation in administering business, only 68 per cent of the organisations surveyed actually used tools and metrics to measure various aspects of corporate governance.

Not unlike the previous year's results, this time as well, Foreign Multinational organisations performed better than the other types of organisations. This could be attributed to the adoption of international standards of business functioning.

## Results by revenue cap

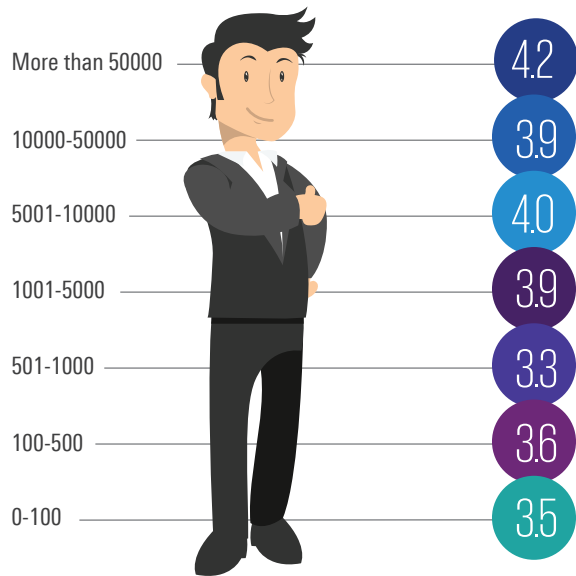


Interestingly, there is no clear correlation between the revenue cap and the results. As per logic, the larger the revenue cap, the better the results but that does not always seem the case here. While the best results are observed with organisations having a revenue cap of over INR 50,000 crore, excellent results are observed by those having a much lower revenue cap than those with larger ones.

Quite naturally, organisations with a revenue cap of over INR 50,000 have more advanced corporate governance structures put into place to maintain their established goodwill or to improve it. Those in the INR 1001-5000 cap appear to prioritise integrity and corporate governance in order to make a breakthrough with the public.



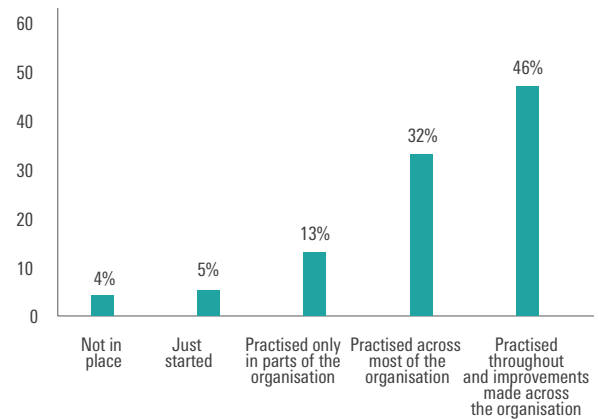
## Results by employee strength



While there is no clear upward trend observed with those organisations having low employee strength, as the employee strength becomes large, an upward trend is observed. Thus, organisations having large employee strength observe better results than those having a small number of employees.

Invariably, organisations with a large employee strength are those who garner the most revenue. The larger the organisation, the harder it strives to maintain its corporate image. Hence, more rules and regulations are implemented more stringently as the organisation size increases.

## Results by maturity scale

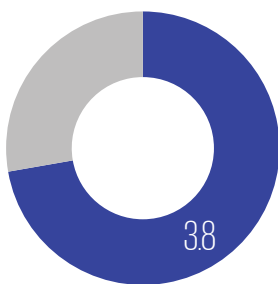


\* Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

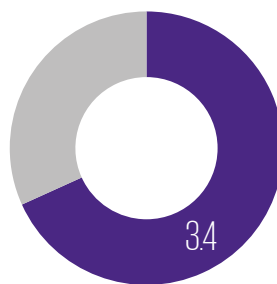
## Overview

The majority of firms are observed to be well practised (32 per cent and 46 per cent). This is because a number of the organisations have comprehended the requirement of integrity and corporate governance as an enabler of daily functions rather than a non-priority supporting function.

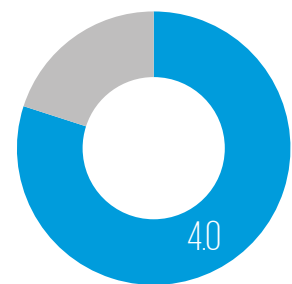
## Results for key aspects analysed



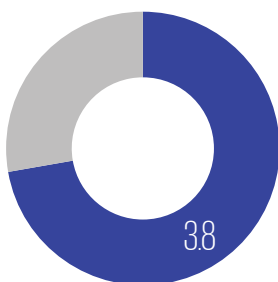
Management and employees ensure that ethical principles are followed in making decisions on organisation's affairs



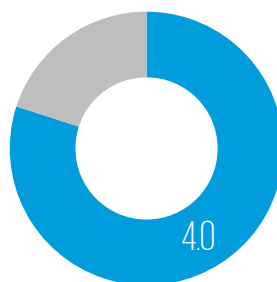
Organisation uses tools and metrics to measure various aspects of corporate governance



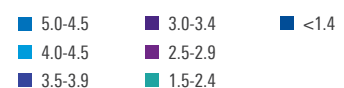
Management and employees adhere to laws, regulations and guidelines in administering the business of the organisation



Management clearly articulates organisation's values and the code of conduct for everyone at every level



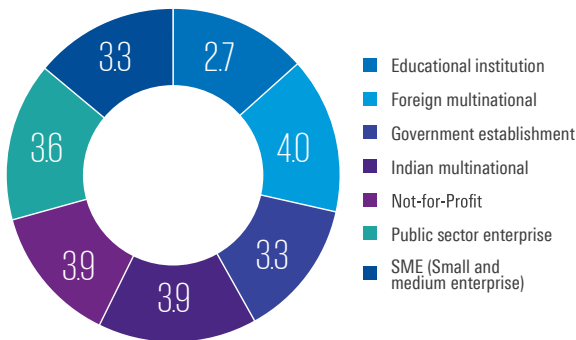
Organisation practices integrity and ethical behaviour as being good for long term business and profitability



\* Graphs featuring percentages may not total 100 per cent due to rounding



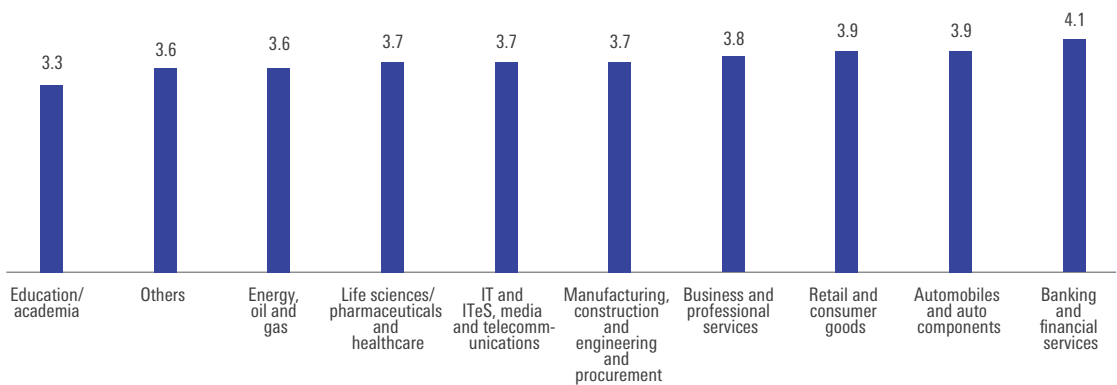
# Results by organisation type



# Overview

Following Foreign Multinationals, Indian Multinationals and Not-for-Profit organisations are a close second. The high scores can be attributed to the nature of work that such companies are associated with that warrants the need to focus on ethical principles concerning organisational affairs. The Banking, Retail and Automobile industry appear to have the best results which stands testament to the recognition of integrity and corporate governance in bettering public image, especially client-facing ones.

# Results by industry type



# Organisational results and comparative performance



## Leader speak

In today's VUCA environment, companies are exploring new ways to measure and manage performance. This demand for new approaches has been propelled, in part, by a growing realisation that traditional accounting and market-based measures may not be reliable indicators of a company's true financial strength. Therefore, recent years have witnessed a renewed focus on value-based measures like EVA that are oriented towards the fundamental objective of maximizing shareholder wealth.

The concept of EVA itself is not new, but it gained broader acceptance as a valid performance metric in the wake of the global financial crisis, when both corporate executives and investors turned their attention to performance measures that are linked to value creation. This opportunity cost is determined by the weighted average cost of debt and equity capital ("WACC") and the amount of capital employed. Therefore EVA is perceived to be indicative of a firm's true profitability since it only recognises earnings that are made in excess of the cost of capital.

But, despite the apparent benefits, the use of EVA and other related value-based metrics is not as widespread as one might think. Companies often face

significant challenges in defining and assessing these measures owing to a host of reasons including complexity of modelling, lack of data and skilled resources and an overload of metrics. However, the analysis of performance metrics is just the first hurdle. The real challenge lies in an organisation's ability to utilise the insights gained from performance measurement to identify the underlying levers that drive profitability and growth.

High performing organisations are adept at creating an integrated and comprehensive performance measurement system that uses the right mix of metrics, frameworks and tools, which are then tailored to serve specific business needs, to drive superior performance.

They do not employ a wide array of metrics, but instead focus on measuring what is really important by using a limited set of qualitative and quantitative performance measures that are closely tied to strategic goals. These strategic goals are then translated into operational goals and further into individual performance objectives using versatile management tools such as the Balanced Scorecard, so that managers and employees can prioritise decisions based on a clear understanding of how their

decisions contribute to desired strategic outcomes. High performance organisations also link performance management to incentives in order to mobilise employees to deliver results and create value.

Performance measurement is therefore fundamental to a company's success, but it is just the means to an end. High performance organisations rely on performance metrics to provide valuable data and to inform long-term decisions, but are not constrained by them, they go beyond benchmarks to rise above their competition and pursue excellence.



TV Mohandas Pai

**Chairperson**

Manipal Global Education Services Pvt Ltd

Organisation results and comparative performance measurement are integral to the functioning of an organisation, in order to assess themselves on business excellence. Essentially, when we speak of organisational performance, we refer to an all-encompassing framework that incorporates all aspects of the business: people, culture, technology, strategy and processes. The senior leaders in the organisation play an integral role in driving organisational effectiveness, sustaining a strong result-oriented culture and successfully achieving the desired business objectives. Ensuring the development of capabilities, along with determined efforts to achieve organisational goals are some of the key focus areas for management today.

In comparison to the MCI score of 2014, there has been a tremendous increase in this year's MCI score (79.3 per cent). Most organisations surveyed reported positive results, with around 4 out of 5 organisations reporting a growth in revenue. A similar number was observed with respect to an increase in profits. Such results indicate that the economic growth is constantly driven by organisational performance and is one of the most powerful instruments in delivering sustainable business outcomes. Another measure highlighting the increase in business performance has been an increase in the market share. These results indicate the growth of not just distinct organisations, but the expansion of the economy as a whole.

## Key findings

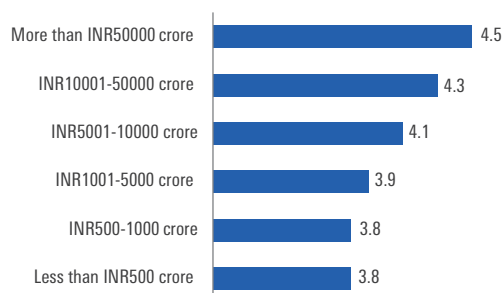
Around 78 per cent of the organisations surveyed reported EVA added performance over the last five years. Again, 78 per cent reported an increase in profits performance and 80 per cent reported a growth in revenue over the last half decade.

While the banking sector is at par with the other industries, the public banks highlight scope for improvement in comparison to the private sector banks. The low scores in the energy, oil and gas sector can be attributed to the reduction in oil prices, leading to companies reducing their forecasts and capital expenditure.

With respect to industry types, consumer durables, manufacturing and construction (specifically the cement industry) and automobiles displayed the best results. The consumer industry is back on a steady growth path due to the reduction in interest rates, a decline in inflation and stable influx of funds from the banks.

Foreign multinational organisations have fared far better than the other organisation types, possibly due to their utilization of international methods of functioning. The results of government establishments pose a challenge with respect to organisational performance.

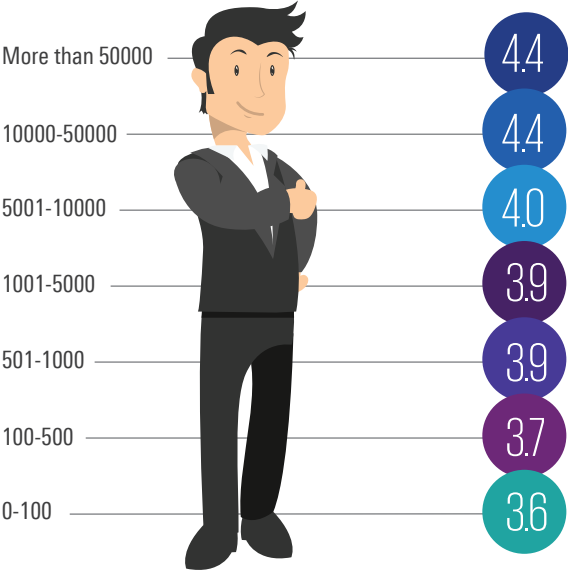
## Results by revenue cap



As indicated by the graph, there is a direct correlation between the revenue cap and the organisation's results. Organisations with high revenue caps fared extremely well with respect to performance and results.

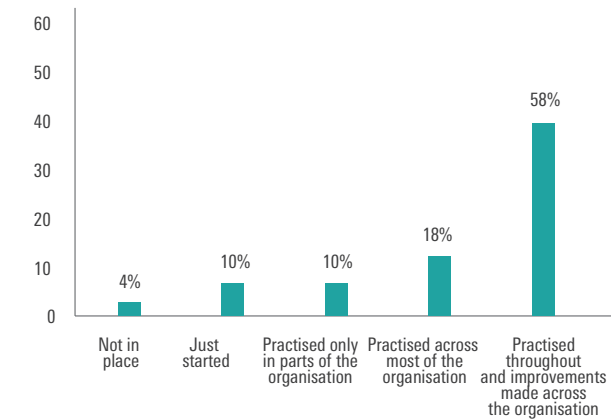
An increase in revenue, coupled with improved management capability scores can be attributed to an increase in the spending capacity, along with capital investments and market shares, in turn leading to heightened organisational performance compared to its competitors.

# Results by employee strength



Similar to the results of revenue cap, as the employee strength increases, the average score also increases. This direct correlation between employee strength and organisational performance can be attributed to an increase in investment in a larger and more qualified employee base, in turn leading to an overall growth in organisational performance and productivity.

# Results by maturity scale

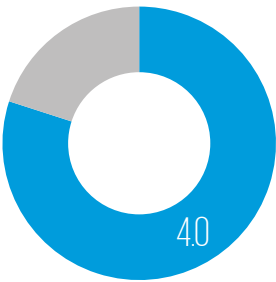


\* Maturity scale 5 (fully practised and continually refined) is not practised by any organisation and hence not included in the graph

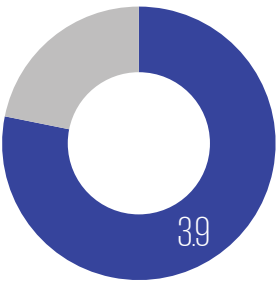
# Overview

Around 58 per cent of the firms produce good organisational results which are at par with their competitors. This indicates the usage of good metrics, prompt addressing of gaps in functioning and a keen interest in the overall well being of the firm. Around 24 per cent of the firms are in their nascent stages and are beginning to further develop their business functions.

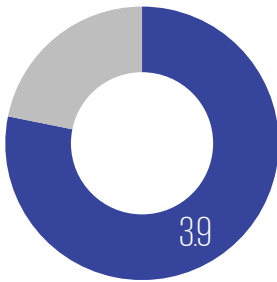
# Results for key aspects analysed



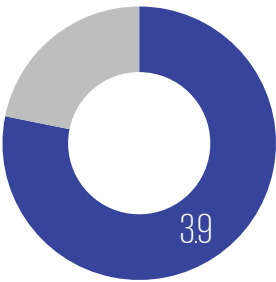
Growth in revenue over the past 5 years



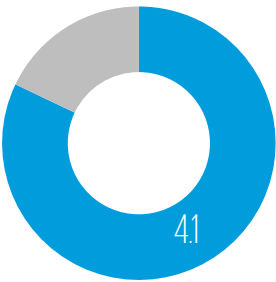
Profit performance over the past 5 years



Economic Value Added(EVA) performance over the past 5 years



Increase in market share over the last 5 years

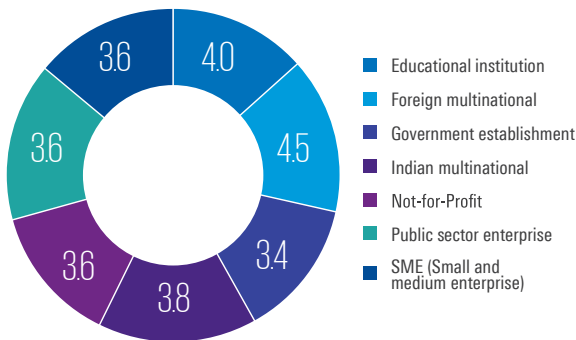


Organisation performance compared to competition

5.0-4.5 4.0-4.5 3.5-3.9 3.0-3.4 2.5-2.9 1.5-2.4 <1.4

\*Graphs featuring percentages may not total 100 per cent due to rounding

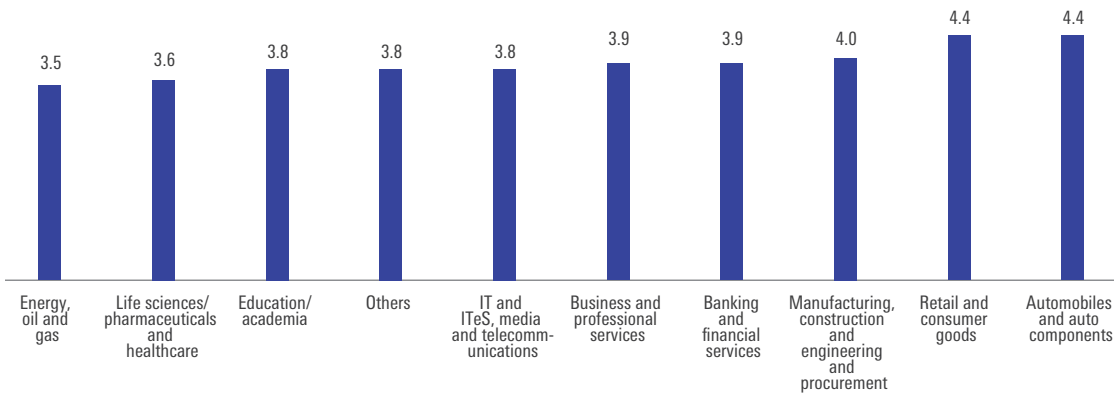
# Results by organisation type



# Overview

As observed amongst the high scorers, the Auto sector (specifically the two wheeler segment) shows improvement with respect to market share price and revenue growth. The relatively low scores in the Pharma sector highlight that it is currently in an improvement phase and on a steady growth path. The Education sector (across industry and organisation types), along with Public sector enterprises seem to be evolving in a stable manner with respect to organisational results.

# Results by industry type



# Management Capability Index India survey 2016



The AIMA KPMG Management Capability Index India survey (2016) included a set of 50 statements spread across 10 dimensions. The respondents were asked to rate these statements on a six point Likert scale. We received more than 600 responses out of which 506 responses formed the basis of findings in this report. The scores for each statement were calculated on the scale of 0 to 5 and consolidated for each dimension and finally converted to the 100 per cent index. Following table summarizes the scores for all 50 statements across all 10 dimensions

Scale		
0	No, this is not in place	
1	Yes, this has just started	
2	Yes, being practised, but only in parts of the organization/part of the management, part of the time	
3	Yes, being practised across most parts of the management team/organisation most of the time	
4	Yes, being practised consistently across the management team/organisation with further improvements being made	
5	Yes, fully practised throughout the management team/organisation. Continually refined and improved as 'The way things are done around here'	
<b>A</b>	<b>Visionary and strategic leadership</b>	<b>3.8 (76 per cent)</b>
1	Management articulates a clear and inspiring vision that is well understood	3.8
2	Management actively fosters and encourages ownership of the vision by staff	3.7
3	Organisation strategy is a combined outcome of inputs from all key stakeholders	3.8

4	Organisation strategies, objectives and plans are continually revisited to target growth	3.9
5	Management factors in global leading practices, market trends and socio-economic factors while formulating vision and strategy	3.8
<b>B</b>	<b>Performance leadership</b>	<b>3.7 (74.9 per cent)</b>
1	Management ensures that the organisation is achievement-focussed and goal-oriented	3.9
2	Management continuously upgrades performance benchmarks	3.7
3	Management articulates a clear and inspiring vision that is well understood	3.6
4	Management articulates a clear and inspiring vision that is well understood	3.7
5	Management articulates a clear and inspiring vision that is well understood	3.7
<b>C</b>	<b>People leadership</b>	<b>3.6 (71.3 per cent)</b>
1	Management attracts, develops, retains and motivates people capable of achieving company objectives	3.6
2	Human Resource Planning is an integral part of the Annual Business Planning process and HR plays a strategic role in the organisation	3.6
3	Managers invest time in the development of people and teams	3.5
4	Management fosters an organisational culture of diversity and inclusivity	3.7
5	There is a clear focus on leadership development and succession planning	3.4



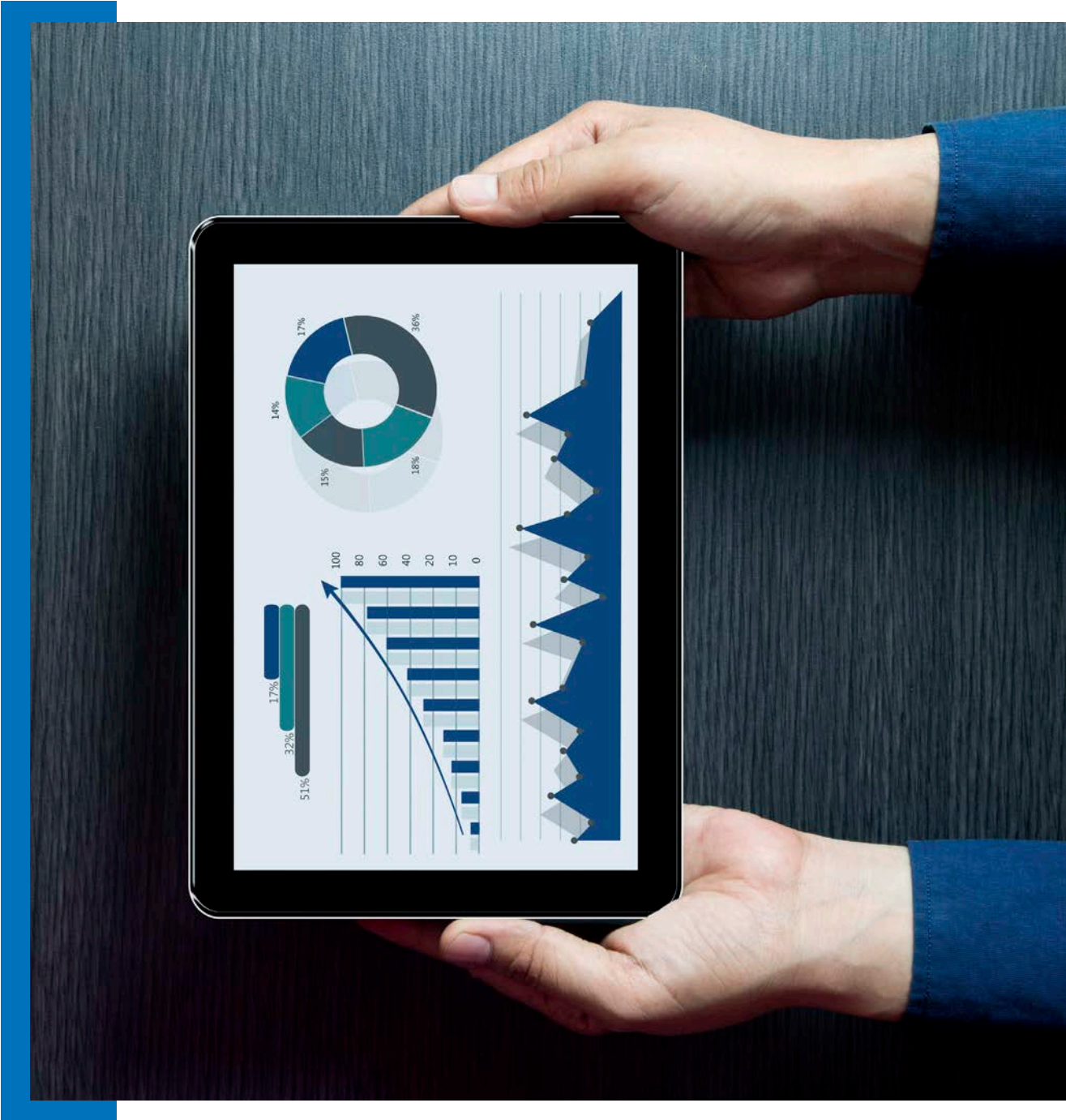
<b>D</b>	<b>Financial management</b>	<b>3.9</b> <b>(78.6 per cent)</b>
1	Management organises finance function for risk mitigation and value creation	3.8
2	Finance management ensures continuous margin expansion, timely funds availability for growth and effective corporate governance	3.9
3	Organisation has effective financial management systems such as financial planning, accounting, cash flow management, investment planning, financial reporting and liaisons with financial institutions	4.0
4	Organisation has sound and effective control systems through supervision, internal audit and hierarchy	4.0
5	Management actively develops financial plans and goals that support sound growth and continued performance improvement	3.9
<b>E</b>	<b>Innovation in products and services</b>	<b>3.7</b> <b>(74.1 per cent)</b>
1	Organisation has a culture/mindset that encourages innovation in products and services	3.8
2	Management treats innovation as central to its business objectives and competitiveness	3.8
3	Management makes constant investment in innovation and research	3.7
4	Management is creative in organising departments and hierarchy for greater collaboration and better results	3.7
5	Management has systems in place that reinforce innovation and reward initiative	3.6
<b>F</b>	<b>Organisational capability</b>	<b>3.4</b> <b>(67.4 per cent)</b>
1	Management acquires and deploys suitable and adequate talent for competitiveness and growth	3.5
2	Management ensures an effective balance between individual excellence and team work	3.4
3	Management constantly demonstrates application of best practices in talent development to achieve organisational growth	3.3
4	Management demonstrates strong commitment to continuous learning for both individuals and the organisation	3.4
5	Management assesses the effectiveness of learning initiatives	3.2
<b>G</b>	<b>Application of technology and knowledge</b>	<b>3.6</b> <b>(71.4 per cent)</b>
1	Organisation effectively uses digital and technology (such as social media, cloud/ on premise solutions etc.) to positively impact business	3.6
2	Organisation continuously invests in the upgrade and upkeep of its Information Technology infrastructure	3.7
3	Management provides adequate training to employees to keep up with technology	3.6
4	Management actively creates and captures knowledge in the organisation	3.5
5	Knowledge within the organisation is well-organised and there are strong systems to support its access	3.5

<b>G</b>	<b>Application of technology and knowledge</b>	<b>3.6</b> <b>(71.4 per cent)</b>
1	Organisation effectively uses digital and technology (such as social media, cloud/ on premise solutions etc.) to positively impact business	3.6
2	Organisation continuously invests in the upgrade and upkeep of its Information Technology infrastructure	3.7
3	Management provides adequate training to employees to keep up with technology	3.6
4	Management actively creates and captures knowledge in the organisation	3.5
5	Knowledge within the organisation is well-organised and there are strong systems to support its access	3.5
<b>H</b>	<b>External relationships</b>	<b>3.6</b> <b>(72.3 per cent)</b>
1	Management develops and maintains networks and effective communication channels with its key external stakeholders	3.7
2	Organisation creates a positive external image through effective relationships with all stakeholders	3.8
3	Management ensures fulfillment of community and social obligations through corporate social initiatives	3.8
4	Organisation conducts environment and social audit. (Accounting of social and environmental costs and impacts of economic success)	3.3
5	Management has measures in place for crisis management and communication	3.5
<b>I</b>	<b>Integrity and corporate governance</b>	<b>3.6</b> <b>(72.9 per cent)</b>
1	Management and employees ensure that ethical principles are followed in making decisions on the organisation's affairs	3.6
2	Organisation uses tools and metrics to measure various aspects of corporate governance	3.2
3	Management and employees adhere to laws, regulations and guidelines in administering the business of the organisation	3.9
4	Management clearly articulates organisation's values and the code of conduct for everyone at every level	3.7
5	Organisation practices integrity and ethical behaviour as being good for long term business and profitability	3.8

**Scale:** Please note that the scale for category J is different

Scale	
0	No results/poor results
1	Early stages of developing trends, many results not reported
2	Consistent trends, able to meet the set targets, weak performance vis-à-vis comparators
3	Improving trends, able to exceed targets, comparable to competitors
4	Good improvement in trends, able to exceed targets, comparable to competitors
5	Excellent improvements, able to exceed targets, strong evidence of industry leadership

J	Organisation results and comparative performance	4.0 (79.3 per cent)
1	Growth in revenue over the past 5 years	4.0
2	Profit performance over the past 5 years	3.9
3	Increase in market share over the last 5 years	3.9
4	EVA* performance over the past 5 years (* EVA - Economic Value Added is a measure of an organisation's financial performance based on residual wealth calculated by deducting cost of capital from its operating profit)	3.9
5	Organisation performance compared to competition	4.1



# Way forward

1

Create a people-centric culture, with a strong focus on talent acquisition and talent development



2

Transparent communication of the organisation's vision and clear articulation of the company's values and code of conduct



3

Streamline corporate governance models



4

Continuously evaluate the effectiveness of different learning and development initiatives and innovate and adapt them to your current business needs



5

Robust financial management processes to ensure compliance to audit, along with control systems for risk mitigation



6

Invest in the growth of high-potential employees by providing them with access to different learning initiatives



7

Organisations to focus on achieving standards for Integrity and ethical practices and embed the same in the culture of the organisation



8

Investment in information and human resource technology such as HR analytics for increasing productivity and reducing costs



9

Invest in assigning mentors and developing coaching programs for your critical workforce



10

Focus on building a robust talent pipeline in order to develop internal people and ensure leadership positions are filled at the right time.





# About AIMA and KPMG

## All India Management Association (AIMA)

All India Management Association (AIMA) is the national apex body of the management profession in India. Over the last five decades, AIMA has contributed immensely to the enhancement of management capability in the country.

AIMA has a broad base of 64 Local Management Associations including two cooperating LMAs abroad, with a membership crossing 30,000 in number. AIMA is a non-lobbying organisation, working closely with Industry, Government, Academia and students to further the cause of the management profession in India. AIMA is represented on the Boards of India's premier Business Institutions like Indian Institute of Management – IIMs. AIMA is also represented on Boards of Government bodies including the All India Council for Technical Education, National Board of Accreditation, National Productivity Council to name a few.

AIMA makes a salutary contribution to management learning and practice in the country by offering various services in the areas of testing, distance education, skill development and training, events and conferences, research, publications and management development programmes.

AIMA also brings to the Indian managers, the best management practices and techniques through numerous foreign collaborations with professional bodies and institutions. AIMA is a member of the Asian Association of Management Organisations (AAMO) and works closely with several international institutions like University of California - Berkeley, Samuel Curtis Johnson Graduate School of Management - Cornell University, The World Bank, St Gallen Foundation etc. in organising international conferences and management development programmes.

## Asian Association of Management Organisations (AAMO)

The Asian Association of Management Organisations (AAMO) is a partnership of National Management Organisations (NMO) in the Asian Region whose purpose is to share and actively leverage resources to enhance the achievement of their respective missions. AAMO is an independent, non-political

and not-for-profit Association of NMOs, which promotes, facilitates and supports the development of professional management in the Asia Pacific Region. The current 10 members of AAMO include Australia, Hong Kong, India, Macau, Malaysia, Nepal, New Zealand, Pakistan, Philippines and Sri Lanka.

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## KPMG in India

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## KPMG International

KPMG International is a global network of professional firms providing Audit, Tax and Advisory services. KPMG member firms operate in 155 countries and have more than 174,000 outstanding professionals working in member firms around the world.

The KPMG Audit practice endeavours to provide robust and risk-based audit services that address member firms' clients' strategic priorities and business processes.

KPMG's Tax services are designed to reflect the unique needs and objectives of each client, whether firms are dealing with the tax aspects of a cross-border acquisition or developing and helping to implement

a global transfer pricing strategy. In practical terms that means, KPMG firms work with their clients to assist them in achieving effective tax compliance and managing tax risks, while helping to control costs.

KPMG Advisory professionals provide advice and assistance to help enable companies, intermediaries and public sector bodies to mitigate risk, improve performance, and create value. KPMG firms provide a wide range of Risk Consulting, Management Consulting and Deal Advisory services that can help their clients respond to immediate needs as well as put in place the strategies for the longer term.



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