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# 2010 Management Capability Index – India



Consulting. Outsourcing. Investments.



# Contents

Foreword by AIMA – Gautam Thapar	2
Message from Mercer – Nishchae Suri	3
Executive summary	4
Introduction to Management Capability Index – India	7
Benchmarking for success	8
Management capability landscape – India	11
1. Organization results and comparative performance	13
2. Visionary and strategic leadership	19
3. Performance leadership	27
4. People leadership	35
5. Financial management	43
6. Innovation of products and services	51
7. Organization capability	57
8. Application of technology and knowledge	63
9. External relationships	69
10. Integrity and corporate governance	75
MCI – India: A tool to catalyze growth	81
Conclusions and the way forward	83
Appendix	87
About AIMA, MERCER, AAMO	88

# Foreword

Gautam Thapar, President, All India Management Association

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“However good our future’s research may be, we shall never be able to escape from the ultimate dilemma that all our knowledge is about the past, and all our decisions are about the future.”

– Ian Wilson, American strategy consultant



The future is every CEO’s worry and potential delight. Response to change is a key determinant of business success. The inaugural AIMA-Mercer Management Capability Index (MCI) is an effort to map management’s capability and readiness for change and the challenges of tomorrow. Relationships with stakeholders and knowledge-driven growth emerge as binding themes from conversations with over 200 companies that the AIMA-Mercer survey reached out to.

The survey took inputs from industry leaders, management gurus and managers, and I am happy to share some key threads with you. The findings suggest that investing in relationships, establishing clear goals and creating roadmaps are the foremost areas of priority that business leaders need to continuously focus on. The real competitive advantage for companies comes from application of practical insights learned over time in a trust-based environment. The ability to agree with disagreement is a winning quality of good business leaders. While large Indian companies have been relatively better at improving their game, much work needs to be done to make government agencies and the small and medium scale enterprises more globally competitive.

The inaugural AIMA-Mercer Management Capability Index survey is a step in recognizing the fact that business leadership in India needs to fearlessly question existing mindsets and accept challenges in order to create a better future in an increasingly globalized world.

**Best wishes,**

**Gautam Thapar**

President, All India Management Association  
& Chairman, Avantha Group

## Nishchae Suri, Managing Director, Mercer India

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What we think about and thank about is what we bring about. 2009 was a watershed year for the global economy in more ways than we can fathom. Fundamentals of management and business changed forever. Paradigm shifts in the way we see and understand the changing reality are happening around us every day. While the world speaks of shifting the balance of power from the West to the East and much is being written about the growing prowess of India, we may need to rethink what really makes us tick and what will propel Indian enterprises into a position of leadership tomorrow.

We are delighted to be partnering with the AIMA in this monumental attempt at creating an index of the management and leadership capability in the country, with the inaugural Management Capability Index for India. While at its core is a critical self-evaluation by more than 200 business leaders from a cross-section of industries, this study endeavors to establish a credible benchmark of comparing management capability and the resulting opportunities in India with the rest of Asia and the world. With AAMO having introduced this study already in countries like New Zealand and Malaysia, we can look forward to MCI – India reports over the coming years being substantiated with an even more meaningful analysis, comparing our results with those in other countries, thereby establishing a rich repository of management best practices. These best practices can not only be emulated by business leaders but also, with AIMA's wide outreach, be leveraged by students and practitioners of management throughout the country. This index will help track the progress of the government and the small-scale sector from their current position behind the large Indian and multinational companies in time to come.

We hope you find enough food for thought in this inaugural Management Capability Index – India report.

**Best wishes,**

**Nishchae Suri**

*Managing Director, Mercer India*

# Executive summary

Management capability is critical to sustainable business performance and growth in an economy, particularly so in the emerging economies that began by emulating western models of management but are now beginning to manifest their own unique identities.

During recessionary times and in tough business environments, managerial and leadership capabilities are further tested. Sustaining growth during good times also requires management vision, capabilities and know-how. It is important to continuously measure and develop management and leadership capabilities and skills.

The measurement of management capability is linked to the application of management skills and techniques. This means that management practices and competencies are linked to the results achieved, and therefore must reflect business performance. How effectively management deals with external and internal influences is also a reflection of the collective management capability of a nation.

This is the first-ever MCI – India survey and report. With no precedence, it provides a valuable insight into the current maturity of management capability in corporate India. The results of and responses by business leaders to the MCI – India survey will enable even more meaningful surveys in the coming years. Conducting this annually will enable us to track growth and evaluate change as we measure responses across time, countries and shifting environments. More importantly, it will allow Indian Inc. to identify and target areas that may need development and also interventions from policy makers, academics and business leaders.

The MCI converts the evaluation of management performance into an index. The index is a useful measurement tool and indicator of how capably, or inadequately, one CEO, organization, group, sector or country is performing against the criteria. Thus the MCI enables useful comparison or benchmarking between organizations based on their size, nature of ownership and industry and even a comparison between countries at an aggregate level.

The MCI – India is based on the following ten major drivers of management capability. The weighting of the ten categories in the final index is as follows:

No.	Category	Weighting
1	Organization results and comparative performance	25%
2	Visionary and strategic leadership	15%
3	Performance leadership	10%
4	People leadership	10%
5	Financial management	10%
6	Innovation of products and services	10%
7	Organization capability	5%
8	Application of technology and knowledge	5%
9	External relationships	5%
10	Integrity and corporate governance	5%
	Total	100%

For each of the ten categories that make up the MCI, CEOs/managing directors/general managers have assessed what they consider to be their organization's current performance level using a six-point scale.

### Overall scores

The overall MCI – India for 2010 is 74.6%. This suggests that Indian management is performing at just under three-quarters of its potential 100% capability and has considerable opportunity for improvement in specific areas.

Aggregate MCI rating of different types of organizations on the parameters defining MCI are:

Category	2010 Overall MCI %	Local Large Organizations (LLOs) %	Multinational Corporations (MNCs) %	Small & Medium Enterprises (SMEs) %	Government Agencies %	Others %
Organization results and comparative performance	76.7	78.8	79.3	74.3	72.9	74.8
Visionary and strategic leadership	71.3	70.6	76.6	70.7	55.7	70.3
Performance leadership	75.4	76.7	76.6	75.7	65.7	74.8
People leadership	71.8	71.4	71.7	76.1	57.1	71.6
Financial management	74.1	75.1	78.3	72.1	67.1	71.6
Innovation of products and services	74.5	76.3	79.3	73.2	64.3	69.7
Organization capability	72.0	71.0	73.8	73.6	68.6	69.0
Application of technology and knowledge	73.5	72.7	75.5	75.4	70.0	69.0
External relationships	76.5	79.2	78.6	75.0	67.1	75.5
Integrity and corporate governance	80.8	81.2	83.4	80.4	72.9	79.4
MCI	74.6	75.3	77.3	74.6	66.1	72.6

The Indian corporate sector is strongest in integrity and corporate governance where the results are as high as 81% (80.8%).

It is also seen to rank well in the more tangible, performance-oriented parameters like:

- Organization results and comparative performance
- Performance leadership

In comparison, the Indian corporate sector underperforms on the softer and more intangible aspects of management and leadership like:

- Visionary and strategic leadership
- People leadership
- Organizational capability

There are significant differences by types of organizations in terms of their performance on the different parameters.

### **Multinationals**

The multinationals are performing at 77.3% of their potential, which suggests that these businesses have managed to evolve more effectively when compared with the other types of organizations in India.

Multinationals surpass the MCI – India in a comparison of all categories except for people leadership (variance of -0.1). It has strongest performance in visionary and strategic leadership (variance of 5.3) and innovation of products and services (variance of 4.8).

### **Local Large Organizations (LLOs)**

The LLOs are performing at 75.3% of their potential 100% capability, which suggests a relatively larger scope for improvement.

LLOs are strongest (when compared across different organizations) on performance leadership and maintaining external relationships. LLOs are relatively weak on organizational capability.

### **Small and Medium Enterprises (SMEs)**

SMEs are performing at below 75% of their potential.

This group has a strong performance in people leadership (variance of 4.3) and is relatively weaker on organization results and comparative performance (variance of -2.4).

### **Government agencies**

The government agencies group recorded lower overall assessment in the comparison of all the categories, with wide disparities in all categories (variance of -3.4 to -15.6).

Other than type of ownership of the various organizations, some of the other differences that emerged are:

- Larger organizations tend to perform better on MCI scores due to superior performance on performance leadership, financial management and maintaining external relationships.
- On the other hand, newer organizations tend to display a better hold on application of technology and knowledge management.

In all, the Indian corporate sector has displayed a fair degree of maturity on the 2010 MCI – India scores in a first-time broad-based assessment. There is, however, a significant opportunity for improvement in several dimensions and a potential for organizations to move toward more than 80% MCI aggregate scores. In the immediate term, Indian organizations need to strengthen their performance on the tacit and intangible aspects of management like visionary and strategic leadership, people leadership, and developing organization capability, areas in which the multinationals have fared well.

Indian organizations appear to be more performance focused, and score highly on integrity and corporate governance, which doesn't come as a surprise given the importance our cultural value system lends to this dimension of management. There will remain a continuous need to maintain focus on these areas of relative strength in order to sustain high MCI rankings.





# Introduction to MCI – India

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The MCI – India report maps the aggregated collective potential of business teams to determine sustainable performance and growth. The report results indicate the leadership competency of organizations, demonstrated through variables like financial performance, talent, governance, innovation and social value. It is an assessment of how business leaders respond to and evolve with the rapidly changing business environment in the global economy.

In order to enhance and maximize management capability, it is essential to create and track metrics, which measure that capability or inherent potential. The MCI has been established to measure the capability of management, to identify where improvements in performance need to be made and to track cumulative performance. It converts the evaluation of management performance into an index – a measurement of how effectively a CEO, an organization, a group, a sector or a country is performing. The MCI enables useful comparison or benchmarking between organizations, sectors and countries.

AIMA and Mercer carried out the survey jointly. A total of 203 organizations participated in the survey and each questionnaire included information about the organization, financial data and a set of questions about 10 different survey parameters, to be rated on a scale of 1 to 5, with 5 being the best score. The survey parameters included the following values, with organization results and comparative performance carrying the highest weighting:

1. Organization results and comparative performance
2. Visionary and strategic leadership
3. Performance leadership
4. People leadership
5. Financial management
6. Innovation of products and services
7. Organization capability
8. Application of technology and knowledge
9. External relationships
10. Integrity and corporate governance

Companies and institutions from industries such as education, manufacturing, energy, IT and telecoms, automobiles, consumer, banking and finance, business and professional services, tourism and leisure services, trading, and construction are represented in the survey.

All organizations were segregated into categories, which included multinationals, Local Large Organizations (LLOs), Small and Medium Enterprises (SMEs), government agencies, and others.

The questionnaire asked about the ownership structure of the organizations taking the survey. The ownership categories included the following: equal ownership (50% local & 50% foreign); fully foreign (100% foreign ownership); fully local (0% foreign ownership), majority foreign (51–99% foreign), majority local (1–49% foreign ownership) and others. The majority of the participants were in the fully local bracket.

Most participating organizations were established between 1853 and 2009 and there was no visible impact based on the year of establishment in the results.



# Benchmarking for success

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“If you cannot measure it, you cannot improve it”

– Lord Kelvin, physicist

Measurement of organizational performance and capability is not a new concept. However, when it is carried out as an institutional process at a macro level, the results are likely to throw up overarching themes and findings. These are strategic pointers for business leaders to focus on as they chart their growth roadmaps.

Quantification and measurement are significant growth processes that organizations rely on to execute their growth and foresight. At a micro level, almost all organizations have a framework in place to map goals to results and internal business performance. However, it is important to contextualize performance, keeping in mind a cohesive growth outcome. This linkage still remains weaker than desired for most organizations.

The AIMA-Mercer MCI survey aims to help meet the challenge of finding a growth fit in the macro environment. It also highlights key strategic focus areas for management teams to take into account. An indexed account of management capability and corresponding parameters as a regular exercise will create a tradition of performance benchmarking and constructive improvement.

Conducting an annual MCI study and report will help track growth and change. More importantly, it will allow the Indian corporate sector to identify and target areas for development while comparing their collective potential with that of businesses in other countries on a similar growth trajectory.

## **Management competencies, competence and capability**

The relationship between management skills, practices, competencies, competence and capability are important aspects of any measurement and benchmarking exercise. Therefore, the primary definitions of competencies, competence and capability must be laid down.

### **Competencies**

Competencies are general descriptions of the abilities necessary to perform successfully in a particular job or position. Competency profiles synthesize skills, knowledge, attributes and values, and express performance requirements or competencies in behavioral terms. Competency profiles, or core competencies, are used as the basis for defining the requirements of a particular position and for predicting individual performance in the position.

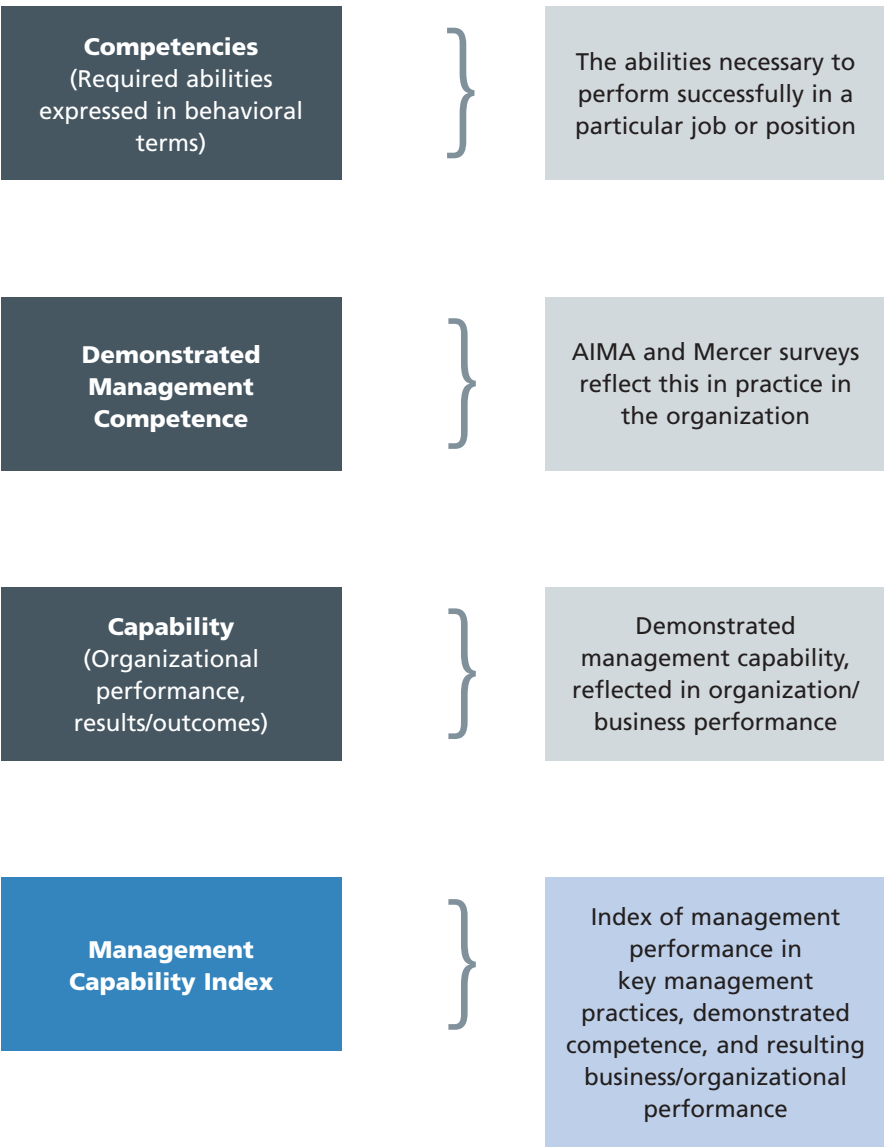
### **Competence**

Competence is possessing competencies collectively – having the requisite or adequate ability or qualities to perform well or to a required standard at the organizational level.

### **Capability**

Capability is the demonstrated ability to achieve or accomplish through effective use of abilities for a particular organizational purpose.

The relationship between management skills, abilities, qualifications, practice, competencies, competence, capability and organizational performance can be depicted as follows:





The background of the slide features a light blue map of India. Several pushpins are pinned to the map: a dark blue pushpin is in the upper right, a light blue pushpin is in the center, and a dark blue pushpin is in the lower right. The text 'Management capability landscape – India' is overlaid on the map.

# Management capability landscape – India



**Sunil Kant Munjal**

Chairman, Hero Corporate Services Ltd. and  
Managing Director, Hero Cycles Ltd. (C.R. Division)

“Profit is as necessary as the air we breathe but it would be terrible if we worked only to make a profit, just as it would be terrible if we lived only to breathe”

– Hermann Joseph Abs, banker and economist

The pursuit of business is profit and all the measurable value it creates – profitability, revenue, economic value addition – terms businesses and companies have learnt to create and measure for centuries.

From where we stand today, the biggest value enhancer to organizations and their stakeholders will come from a pragmatic measurement of economic value. This could be co-opted with a real interest in creating long-term sustainable social value additions to the lives of people on this planet.

Businesses are conditioned to perceive growth and performance using measures like revenue growth, profit performance and Economic Value Added (EVA).

Reflection is a strategic imperative for businesses and a perspective to look at sustainable-manageable relevant growth outcomes. Deepest breakthroughs follow deep reflection and acute action – a value system we are abandoning in the “busyness” of short-term objectives.

The organizations that survive and thrive over long periods of time are not the ones with the best short term financial goals but the ones with the deepest and the most honest relationships with and outside their eco-system; the ones that help achieve a better future for people and society by allocating productive resources to prudent use.

The financial accomplishments displayed by Indian business today is one of the most impressive on the global stage and is enhanced by the fact that as a nation we are making huge leaps in economic and social change.

As we go down that path, I urge all of us to continue creating economic value, enhance financial parameters for growth and at the same time seek to create new exemplars of change and growth. These include new measures for well-being, happiness and health besides including indicators of factors like environmental-friendliness, social well-being and innovation into our benchmarks for valuing economic performance.

This is our way forward to cohesive sustainable growth.

# 1. Organization results and comparative performance

“Success comes when everyone profits. I have found no greater satisfaction than achieving success through honest dealing and strict adherence to the view that, for you to gain, those you deal with should gain as well”

– Alan Greenspan, economist and former Chairman of the US Federal Reserve Board

Of the ten parameters, overall organizational results and performance carries the highest weighting (contribution = 25%).

Performance results are defined through the key measures of business performance and growth, the underlying parameters being:

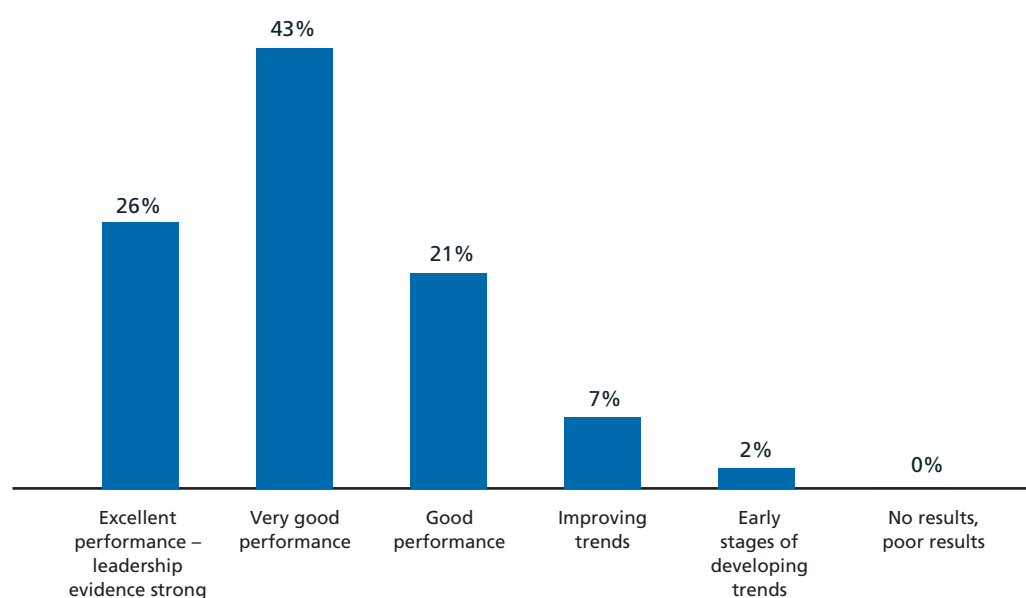
- Growth in revenue over the past 5 years
- Profit performance over the past 5 years
- EVA\* (economic value added) performance over past 5 years

\*EVA - a measure of an organization's financial performance based on residual wealth calculated by deducting cost of capital from its operating profit.

The performance results are the most important measures of management capability. Respondents were asked to assess their performance in relation to their competitors while completing the questionnaire.

Performance of organizations on this parameter in the 2010 MCI – India has been quite positive – with close to 70% of the organizations of the opinion that they have very good/excellent performance on this front. (Graph 1.1)

Graph 1.1 Distribution of overall scores – overall performance and comparative performance

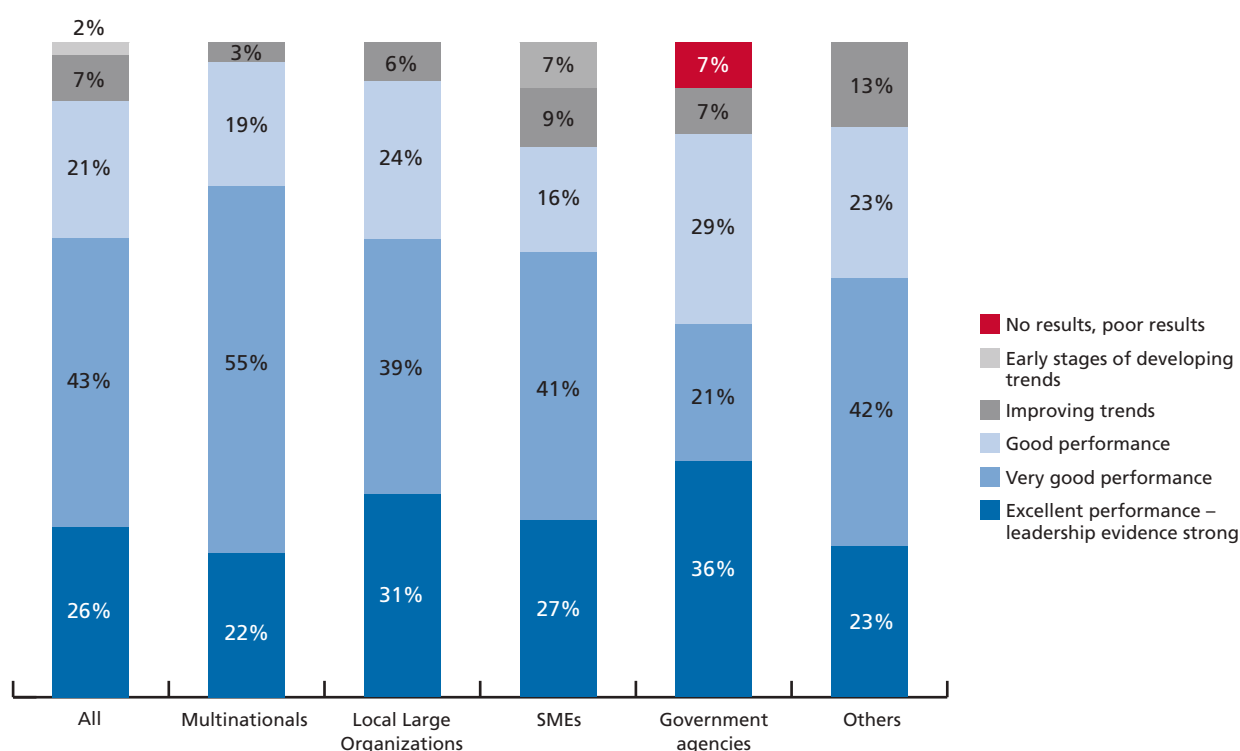


\*Graphs featuring percentages may not total 100% due to rounding

Some differences exist between performances of different (diverse) types of organizations on this parameter.

- Multinational organizations have the highest ratings on this parameter with more than 3 out of every 4 multinationals rating their organization very good/excellent.
- Comparatively, government agencies have the lowest ratings on this front with just about 57% of the respondents rating their organization very good/excellent on this parameter.
- Local Large Organizations (LLOs) scored comparably to multinationals on this parameter with about 70% organizations scoring very good/excellent.
- SMEs and other organizations closely trail LLOs with 65%–68% of organizations scoring very good/excellent. (Graph 1.2)

Graph 1.2 Organizational performance ratings by organization type



To understand the performance of different types of organizations on overall results and comparative performance, an average has been calculated based on the organization's distribution on the six-point scale administered.

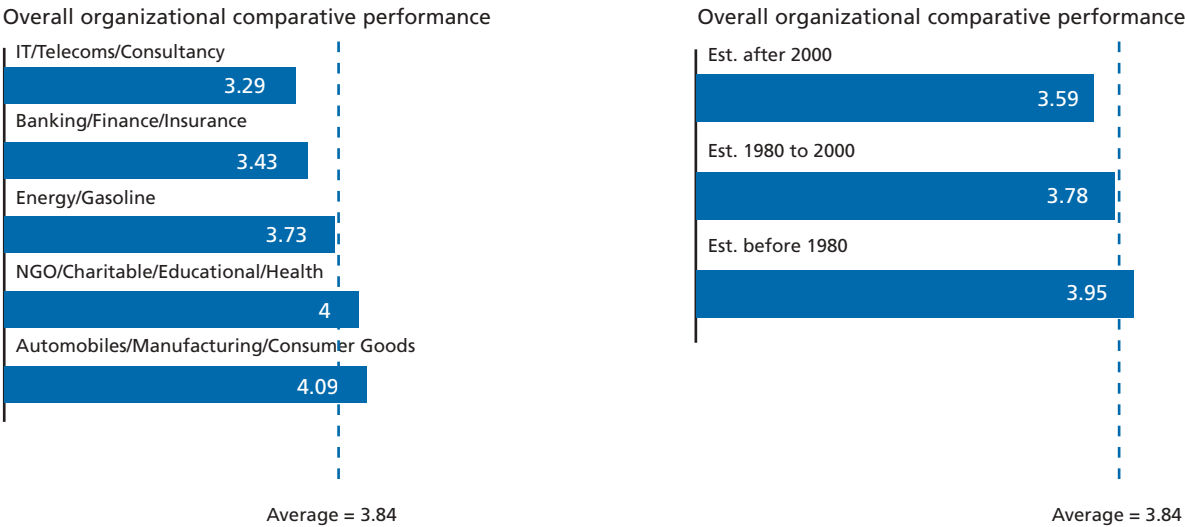
Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.



Organizational performance and importance placed on these parameters seems to be higher for the more traditional organizations

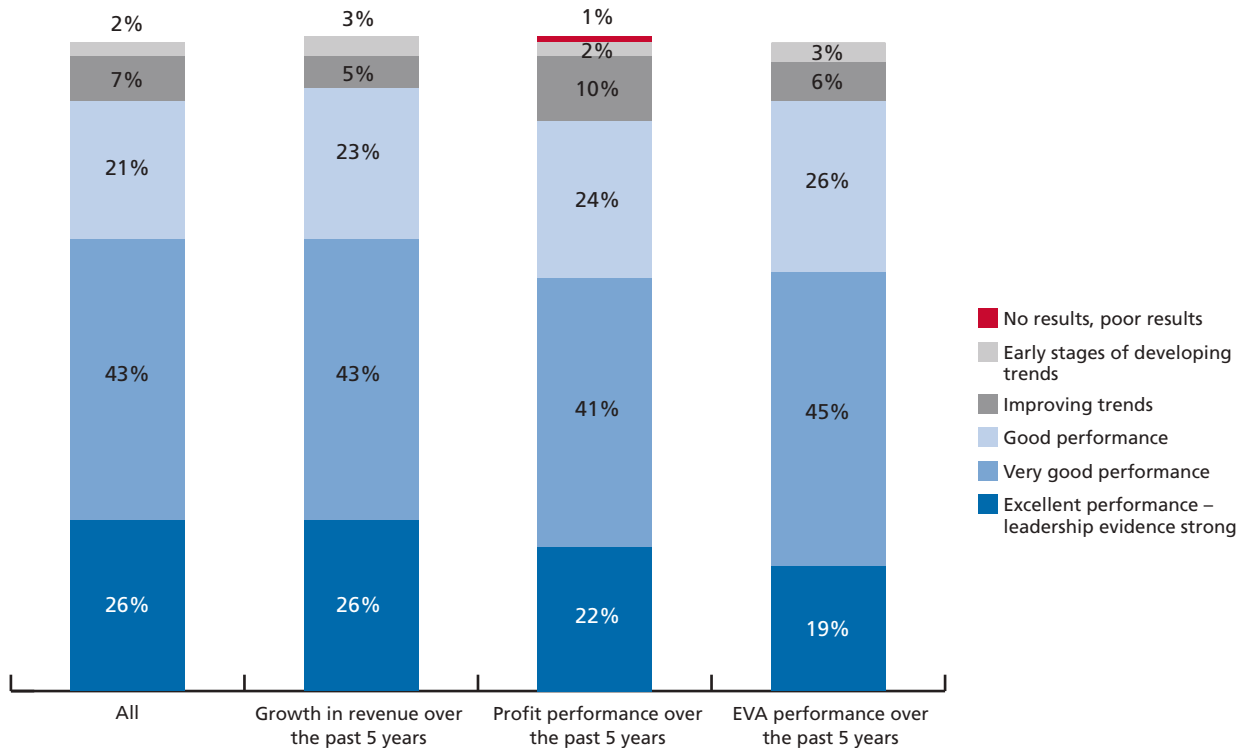
- Traditional industries like manufacturing and consumer goods score higher than IT/telecoms/electronics/consultancies – average score of 4.09 (on a scale of 0 to 5) vis-à-vis 3.29.
- Criticality of organizational performance was recognized in industries like NGO/NPO and the education/health sectors as well. They scored around 4 (on a scale of 0 to 5) on this parameter compared to an all-organization average of 3.84.
- Older organizations tend to score better on this parameter than newer establishments on this parameter. Organizations with a history of more than three decades (established before 1980) score significantly higher on this parameter than the newer organizations (established after 2000). (Graph 1.3)

Graph 1.3



On the whole, the ratings of different organizations on the individual attributes are similar to perceptions about the organizational performance. (Graph 1.4)

Graph 1.4 Distribution of organizational performance scores



To understand the extent of the importance of different attributes in driving scores on the overall parameter, correlation coefficients have been computed between the parameter score and each individual attribute score.

The higher the correlation coefficient, the higher the extent of fit between the scoring patterns of the two. As a result, the criticality of the attribute in driving the parameter is expected to be higher.

On the individual attributes within the broad parameter of organizational performance, all three measures of performance (profitability, growth and EVA) seem to be roughly equally important, as indicated by their correlation coefficients with ratings on overall organizational performance. (Table 1.1)

**Table 1.1**

Attributes	Correlation coefficient with overall organizational performance
Growth in revenue over the past 5 years	0.80
Profit performance over the past 5 years	0.74
EVA performance over past 5 years	0.81

While LLOs and SMEs seem to place equal importance on both profitability and growth, multinationals are seen to be more growth- and EVA-oriented than profit-focused. (Table 1.2)

**Table 1.2**

Attributes	Correlation coefficient with overall organizational performance		
	LLO	SME	MNC
Growth in revenue over the past 5 years	0.83	0.81	0.85
Profit performance over the past 5 years	0.81	0.79	0.79
EVA performance over past 5 years	0.80	0.79	0.88

**In summary:**

- Organizational performance emerges as the most critical factor in measuring management and leadership capabilities of an organization.
- Overall organizations score highly on this parameter with close to 70% of organizations rated as very good/excellent.
- Some differences exist between organization types, with government agencies scoring comparatively lower than others and multinationals performing the best.
- Even nonprofit-oriented organizations and traditional human development sectors like education and health service are seen to perform well on this parameter.
- Organizations in traditional sectors like manufacturing, automobiles and energy are seen to place greater emphasis on this front than modern industries like IT, telecoms and consultancies.
- In terms of measuring organizational performance, all three measures (profitability, growth and EVA) have been considered critical – none of the organizations are seen to completely abandon one financial goal for another.
- Within different types of organizations, multinationals are seen to be relatively more ‘growth’ focused.





**Arun Maira**

*Member, Planning Commission, Government of India and  
India Chairman, Boston Consulting Group*

“If you don’t know where you are going, you will end up somewhere else.” Organizations without vision drift. They may perform well for many quarters and even years. But, without a clear vision of where they want to be and where they want to go, and a strategy of how to get there, they are buffeted by external forces, and lose momentum. In a world of change, strategies cannot be cast in stone. They must be adjusted and changed. Clear visions, shared by all members of the organization, provide the guiding star, towards which the boat must sail, while it tacks in response to the winds and adjusts its course and strategies along the way.

In a dynamic world, all sailors aboard the ship must play their part to adjust the sails and change course. Therefore, they must all understand the vision and strategy, as well as have a sense of the forces in the external environment. Having a vision statement, no matter how attractive, that is not internalized by the sailors, and a strategy document, no matter how clear, that sits only in the office of the captain, is not good enough. People have to be actively involved in the shaping of visions and strategy. As the Bible says, “Nations cannot have visions, if the people in them do not have the vision.”

The most important lesson that has been learned by examining companies, and nations too, that have survived and grown through good and tough times, is that the process of shaping visions and strategies is the essence of creating high performing organizations. The depth of involvement and quality of organizational learning built into the process is much more important for success than any ‘objective,’ external, measure of the vision and strategy can be.

## 2. Visionary and strategic leadership

“Do not follow where the path may lead. Go instead where there is no path and leave a trail”

– George Bernard Shaw, Irish playwright and co-founder of the London School of Economics

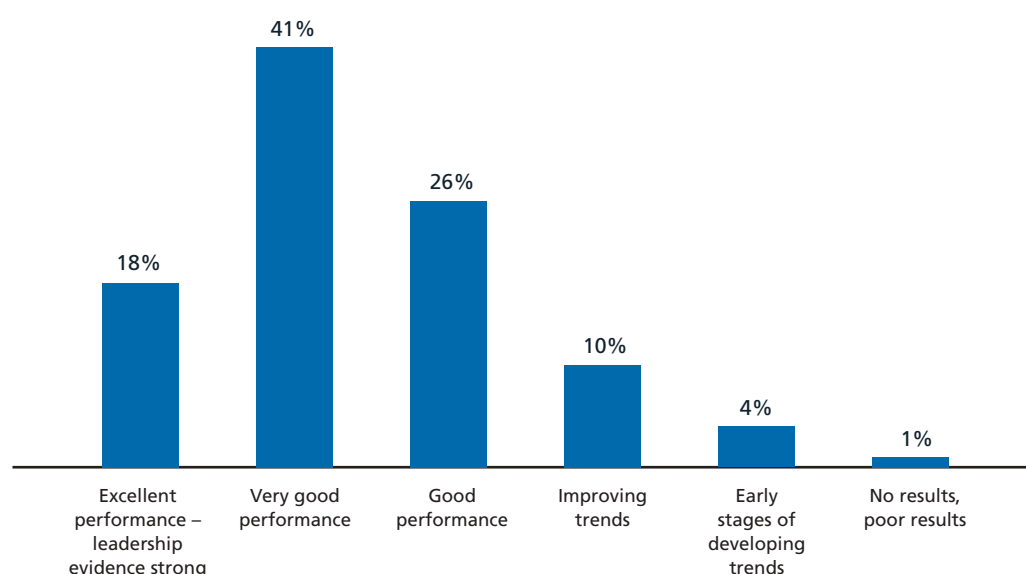
Visionary and strategic leadership lends to organizations the power of infinite possibility. Vision has the power of percolating down to every team member and becoming a reality.

One of the major and visible traits of visionary and strategic leadership is that it moves decision making to the operational level. Trust and quality of decision making are essential in order to make this happen. A high degree of awareness followed by well-planned action is a key characteristic of strategic leadership. It takes into account the fact that thinking, planning and motivation to take action can be co-owned and co-executed. HCL, IBM and Wal-Mart are examples of such leadership. As Sam Walton, founder of Wal-Mart, said, “Capital isn’t scarce, vision is.”

Providing visionary and strategic leadership is a parameter of critical importance in driving overall leadership in an organization. In terms of importance it contributes 15% to overall MCI scores and is the second-most important parameter after organizational results and comparative performance.

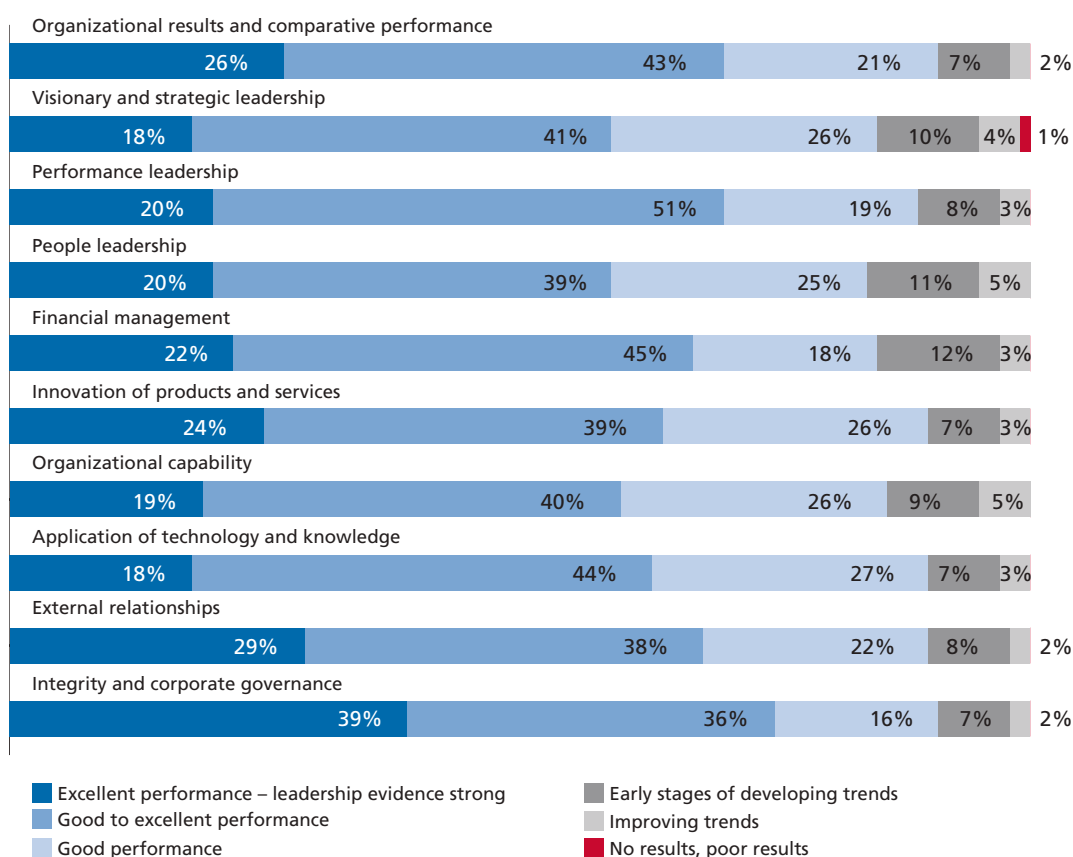
Nearly 60% feel that their organization rates very good/excellent on providing visionary and strategic leadership.

Graph 2.1 Distribution of overall scores – visionary and strategic leadership



However, when this performance is compared across parameters, the organizations covered score relatively weaker on this front. Very good/excellent ratings on this parameter are about 59%, while that for the stronger parameters is 70% or above. (Graph 2.1)

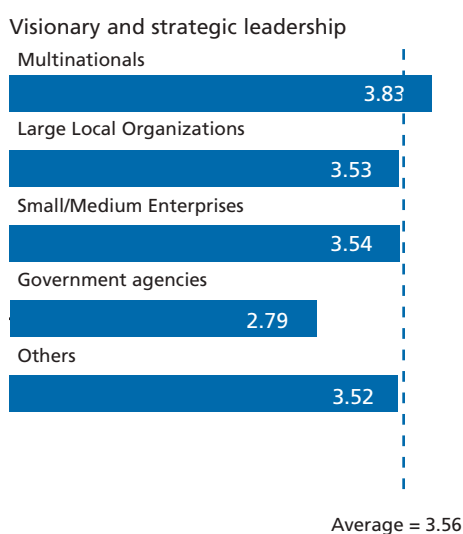
Graph 2.2 Organizational performance rankings



Providing visionary and strategic leadership is also the only broad parameter where about 1% (comprising two organizations) have rated themselves on the bottom box (no results/poor results). Both are Indian organizations. (Graph 2.2)

Government agencies score particularly poorly on this parameter, with 5 out of 14 government agencies scoring in the bottom three boxes (improving trends, early stages of developing trends and no results/poor results). Multinationals score highest on this front (higher than Indian LLOs and SMEs) – with an average of 3.8 (on a scale of 0 to 5). (Graph 2.3)

Graph 2.3



There are no consistent differences between organizations of different size, age and industry, indicating that the ability of the organization in delivering visionary and strategic leadership is independent of size and age.

Indeed, some of the organizations that have scored very highly on this include organizations as diverse as automobile manufacturers (both LLOs and multinationals), locally owned manufacturing units, multinationals involved in energy production, educational institutions and trusts.

The parameter of providing visionary and strategic leadership comprises attributes that straddle both the dimensions of setting the right vision and strategic intent for the organization and also that of driving the organization towards achieving them.

### **Setting the right vision and strategies**

- There is a clear and inspiring vision.
- Strategies, objectives and plans are targeted at growing the business and take full account of employee, supplier, customer and other stakeholder interests.
- There is a global perspective and good understanding of global management and leadership issues, research and best practices.

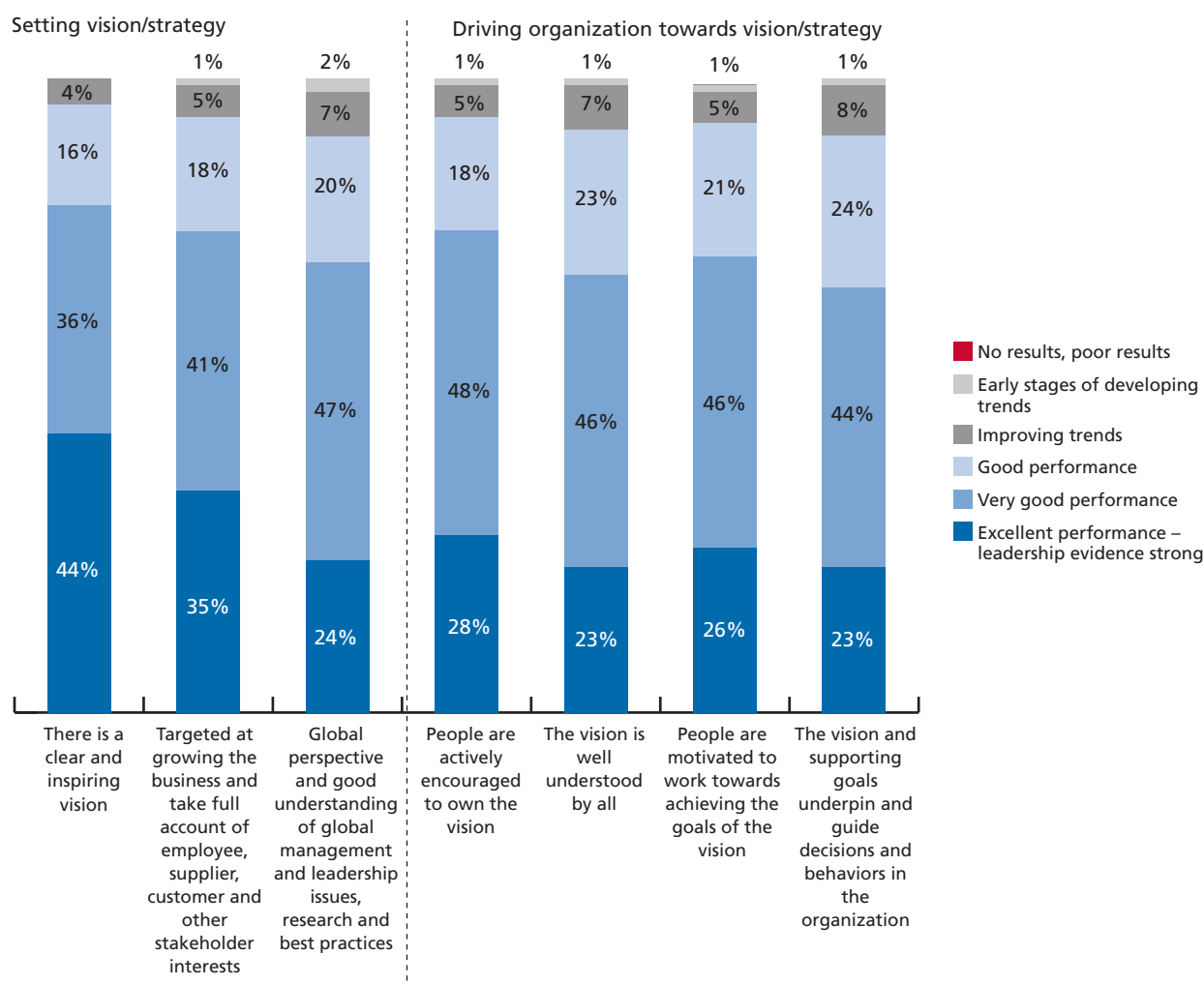
### **Driving the organization towards attaining its vision and strategies**

- People are actively encouraged to own the vision.
- The vision is well understood by all stakeholders.
- People are motivated to work towards achieving the goals of the vision.
- The vision and supporting goals underpin and guide decisions and behavior in the organizations.

Organizations covered seem to do a comparatively better job of setting 'right' strategies and vision than in driving the organization towards attaining the vision and strategies set.

On average, a little more than a third (34%) of the organizations score 'excellent' on 'vision/strategy setting' attributes while on average 25% of organizations score 'excellent' on the 'driving visions/strategies' attributes. (Graph 2.4)

Graph 2.4



Government agencies are perceived to have a clearly articulated and inspiring vision (Graph 2.5) but are seen to be relatively weaker (low average scores) on:

- Making strategies and plans that take stakeholder interests into account. (Graph 2.6)
- Understanding international best practices in management and leadership. (Graph 2.5)

As a consequence, government agencies are perceived to be weaker in driving the vision and strategies set. Particular weaknesses are on:

- Guiding decisions and organizational behavior in line with the overall vision and strategy. (Graph 2.8)
- Motivating people in working towards the overall vision and strategy. (Graph 2.7)
- Ensuring that everyone in the organization understands the overall vision and strategy. (Graph 2.7)

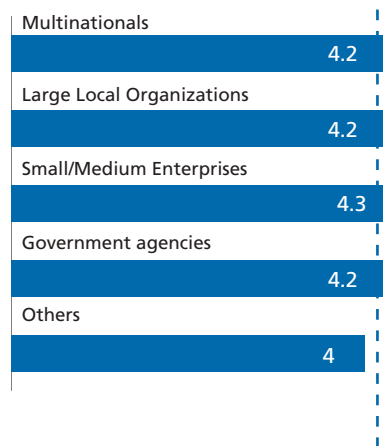
In comparison, multinationals are perceived to be stronger than Indian organizations (like LLOs and SMEs) in terms of:

- Leveraging international best practices in management and leadership in setting organizational vision and strategies. (Graph 2.5)
- Ensuring that decisions and organizational behavior are in line with the overall vision and strategy of the organization. (Graph 2.7)



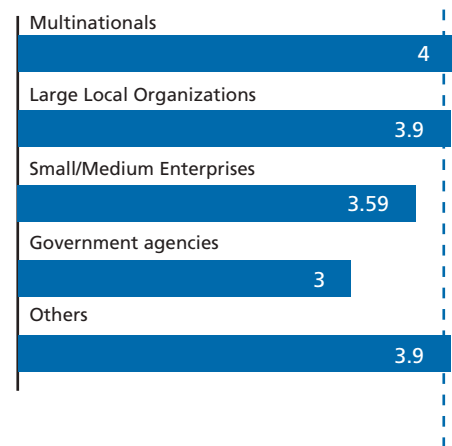
**Graph 2.5**

Having a clear and inspiring vision



Average = 4.18

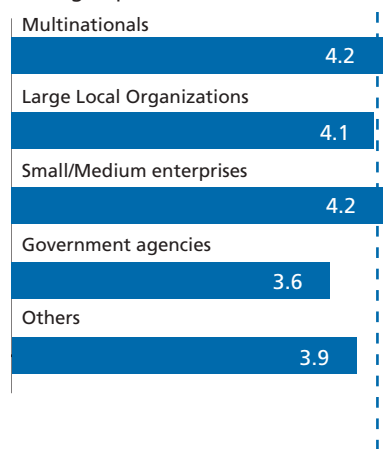
Leveraging global/internal learnings/best practices



Average = 3.84

**Graph 2.6**

Strategies/plans to take into account stakeholder interests



Average = 4.18

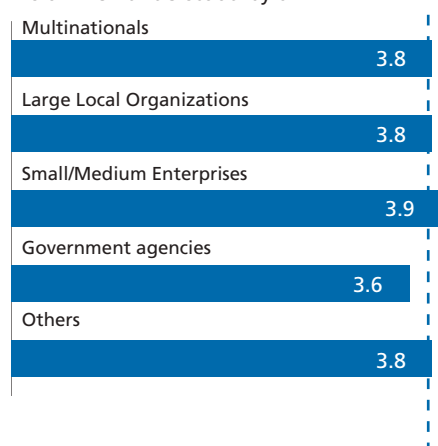
People encouraged to own the vision



Average = 3.98

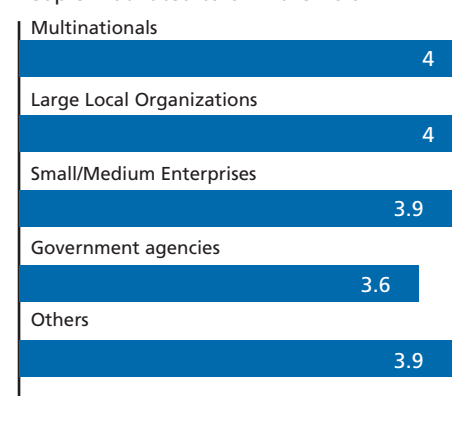
**Graph 2.7**

Vision well understood by all



Average = 3.78

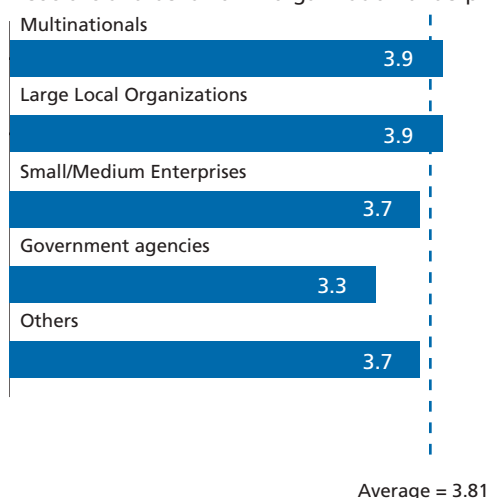
People motivated to own the vision



Average = 3.92

**Graph 2.8**

Decisions and behavior in organization underpinned by goal



**In summary:**

- Visionary and strategic leadership is a critical driver of overall MCI scores.
- Compared to other parameters, organizations score low on this parameter.
- In general, organizations do better in terms of setting the right vision and strategies but perform less well on driving the organization towards achieving them.
- Government agencies score particularly poorly on this parameter while multinationals score higher than their Indian-owned counterparts.
- Areas of relative weakness for government agencies include:
  - Making strategies and plans that take stakeholder interests into account.
  - Understanding international best practices in management and leadership.
  - Guiding decisions and organizational behavior in line with the overall vision and strategy.
  - Motivating people to work towards the overall vision and strategy.
  - Ensuring that everyone in the organization understands the overall vision and strategy.
- Areas of relative strength for multinationals include:
  - Leveraging international best practices in management and leadership in setting organizational vision and strategies.
  - Ensuring that decisions and organizational behavior are in line with the overall vision and strategy of the organization.





**Dr R A Mashelkar**

Director General, Council of Scientific & Industrial Research, Government of India

“The processes used to arrive at the total strategy are typically fragmented, evolutionary, and largely intuitive”

– James Brian Quinn, Professor of Management, Harvard University

‘Challenge the dogma’ pretty much describes the needs of organizations today. Making the rules and then having the conviction to break them and to make exceptions is a formidable growth strategy but one that is difficult to apply. As a scientist, the coterie space where scientific rigor meets commercial application, exact science meets evolving art, and the hard technicalities meet a soft circle of trust is where great results happen.

Talent, technology and trust define the very nature of performance leadership for businesses today. I have always believed that investment in technology, time with talent and trust above all can impel us towards models of unified growth.

As I have said earlier, “I believe in the lilies-in-the-pond story. That is, we should look at the rate of change to see the future. Let us say that lilies double every day and there is one lily in a pond and it takes 30 days to fill the pond. Then on the 29th day the pond will be half full, on the 28th one-fourth full, on the 27th one-eighth full, on the 26th only one sixteenth full, and so on. But if you see the rate of growth then you will see that soon it will be full.”

### 3. Performance leadership

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“It is not a question of how well each process works; the question is how well they work together”

– Lloyd Dobens and Clare Crawford-Mason, media professionals and co-authors of bestselling books on total quality management

Performance leadership is a result-oriented approach to business goals, built on principles of management, systemic processes and leadership. It enhances the effectiveness of management principles by applying them in business situations with increased rigor and efficiency.

Performance leadership recognizes individual contribution towards overall performance and allows each employee to be held accountable with measurable goals.

The three key contributors toward building a strong performance leadership are:

- People development
- Organizational development
- Knowledge and skill enhancement

Providing leadership that is performance oriented is critical to the overall leadership perceptions of an organization. This parameter has a weighting of 10% in driving the overall MCI scores. It comprises attributes that straddle the dimensions of setting challenging performance objectives and has a track record of meeting these objectives through strong organizational focus and commitment.

The individual attributes defining this parameter are:

#### **Setting challenging performance objectives**

- Demonstrating the ability and attitude to lead the achievement of challenging goals, and change, while managing risk and breaking new ground.
- Balancing risk with achievement.

#### **Track record of consistently meeting performance objectives**

- The organization consistently meets its performance goals and has a performance track record of growth and of continuously improving performance.
- The organization's performance is consistently better than its competitors or other comparable organizations.

#### **Organization focus and commitment towards achieving performance objectives**

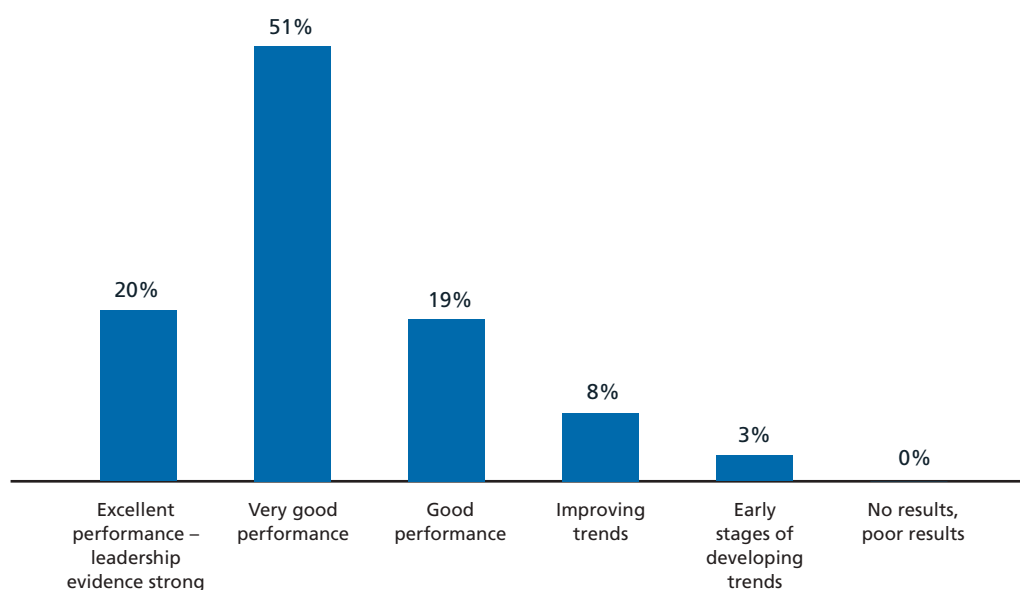
- Ensures the organization has a strong focus on goals, performance and achievement.

To understand the performance of different types of organizations on performance-oriented leadership, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

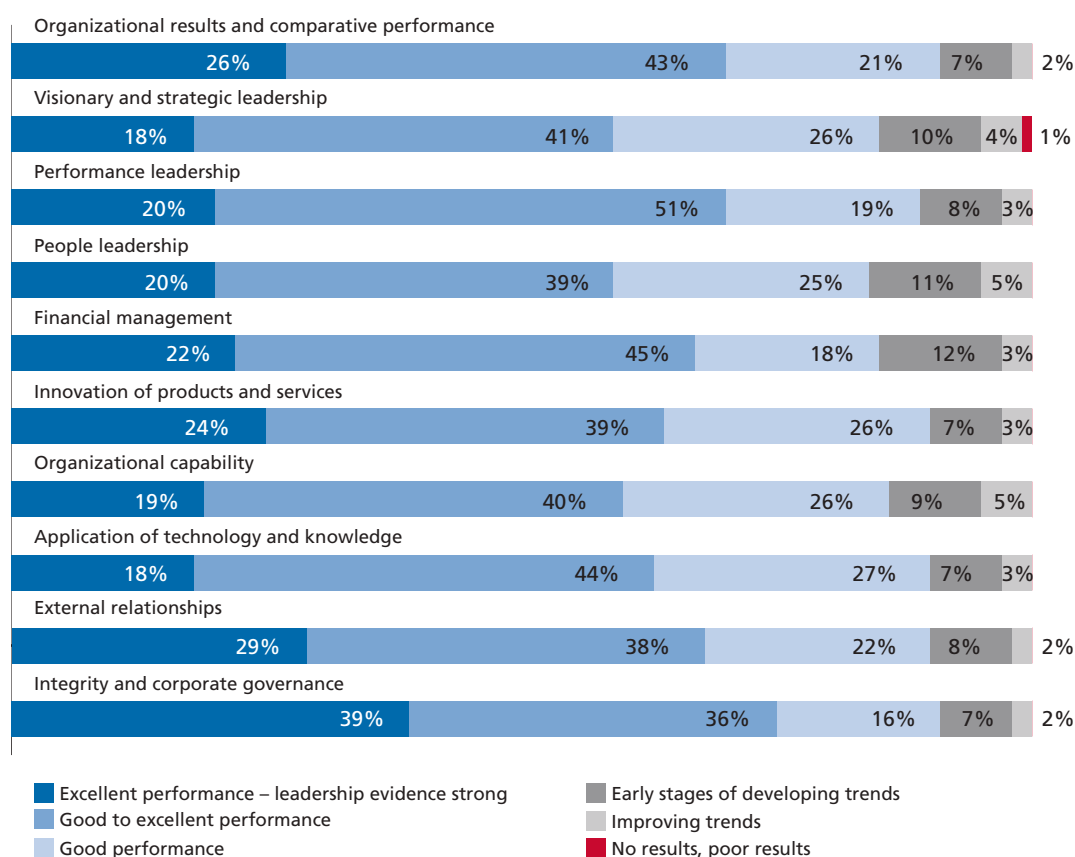
The organizations covered in the survey score quite favorably on this parameter, with more than 70% of them rated as very good/excellent. Only about 10% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 3.1)

Graph 3.1 Distribution of overall scores – performance leadership



Performance leadership is among the top three highest-scored parameters. (Graph 3.2)

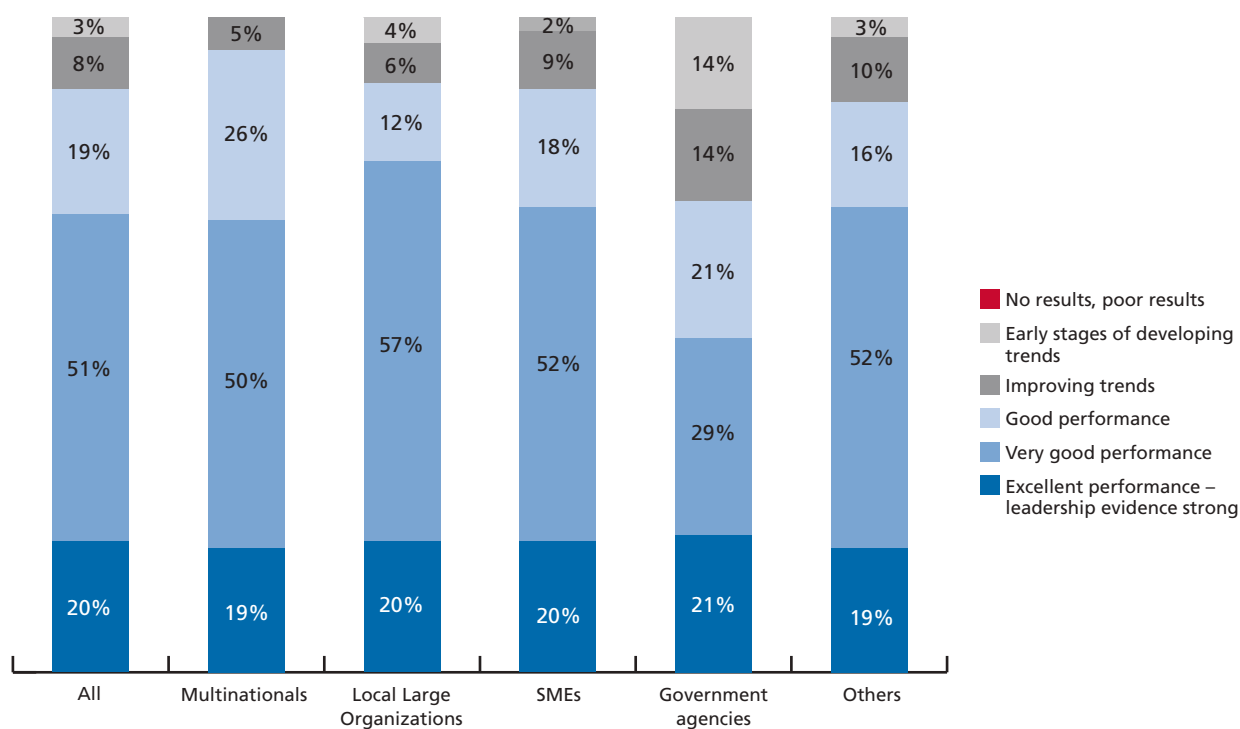
Graph 3.2 Organizational performance rankings



Between different types of organizations, government agencies perform the weakest on performance-oriented leadership. Just about half of the government agencies rate themselves excellent to very good on this parameter compared to more than 70% for all organizations combined.

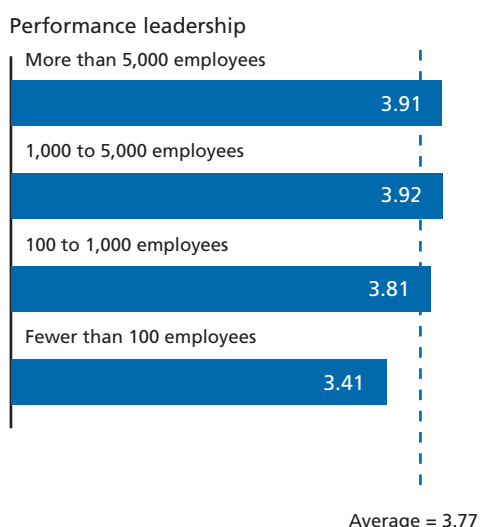
In comparison, LLOs perform highly on this front with more than three out of four organizations scoring very good/excellent on this parameter. (Graph 3.3)

Graph 3.3 Overall performance leadership



As a pattern, larger organizations are seen to perform better on this front than those with fewer employees. For this analysis, the average of the six-point scale distribution for performance orientation of the leadership in an organization has been used. (Graph 3.4)

**Graph 3.4**



There does not seem to be any discernible link between performance leadership ratings with the history of the organization or with the industry the organization belongs to. The top 15 organizations on this parameter are mostly LLOs, multinationals and SMEs that which have more than 1,000 employees. The list includes organizations that were established in 2006 as well as those that are more than 150 years old. In terms of industry, the top 15 have consultancy units, educational institutes and organizations involved in manufacturing, automobiles and energy generation.

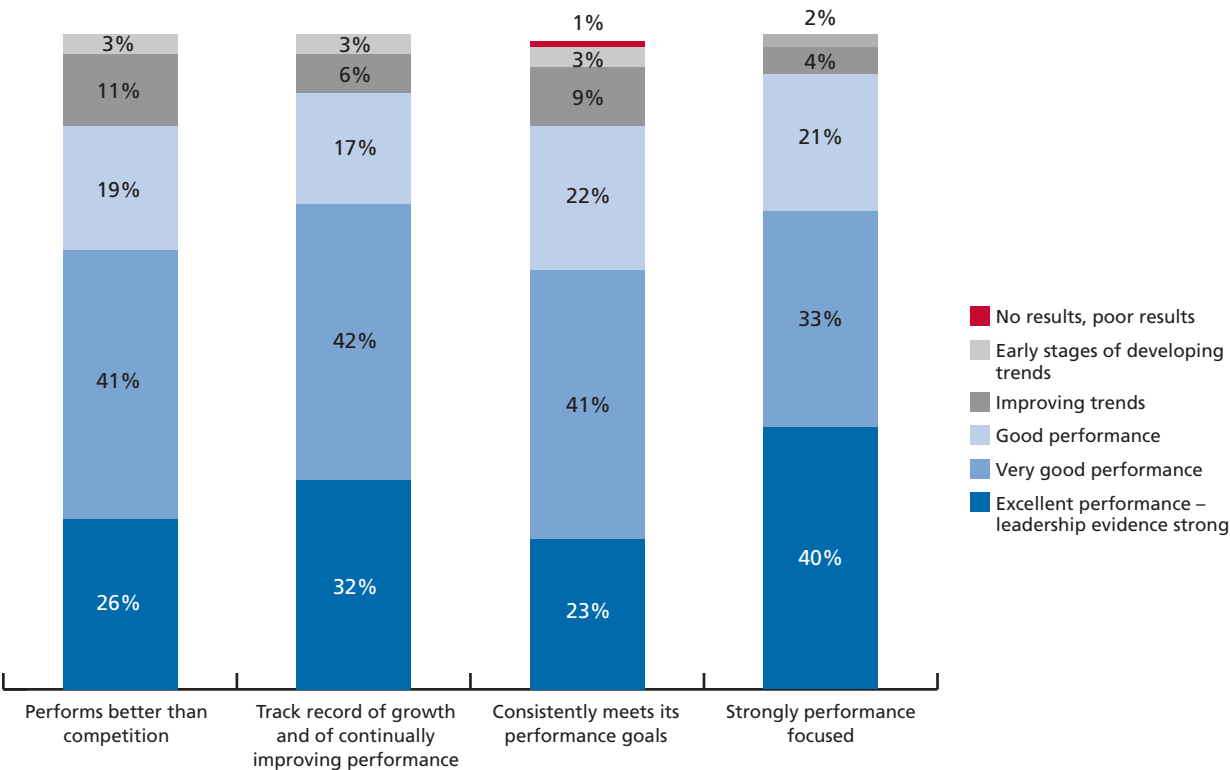
To understand the performance of organizations on the various attributes and dimensions driving performance orientation of leadership, distribution of the organizations on the six-point scale administered has been examined.

In general, looking at all the organizations:

- Performance is higher in terms of achieving the performance targets set. On attributes related to this dimension, 64% of the organizations score very good/excellent on this parameter. (Graph 3.5)
- Once performance targets are set, organizations perform quite well in remaining focused on achieving them continuously; 74% of all organizations score very good/excellent on this parameter. (Graph 3.5)

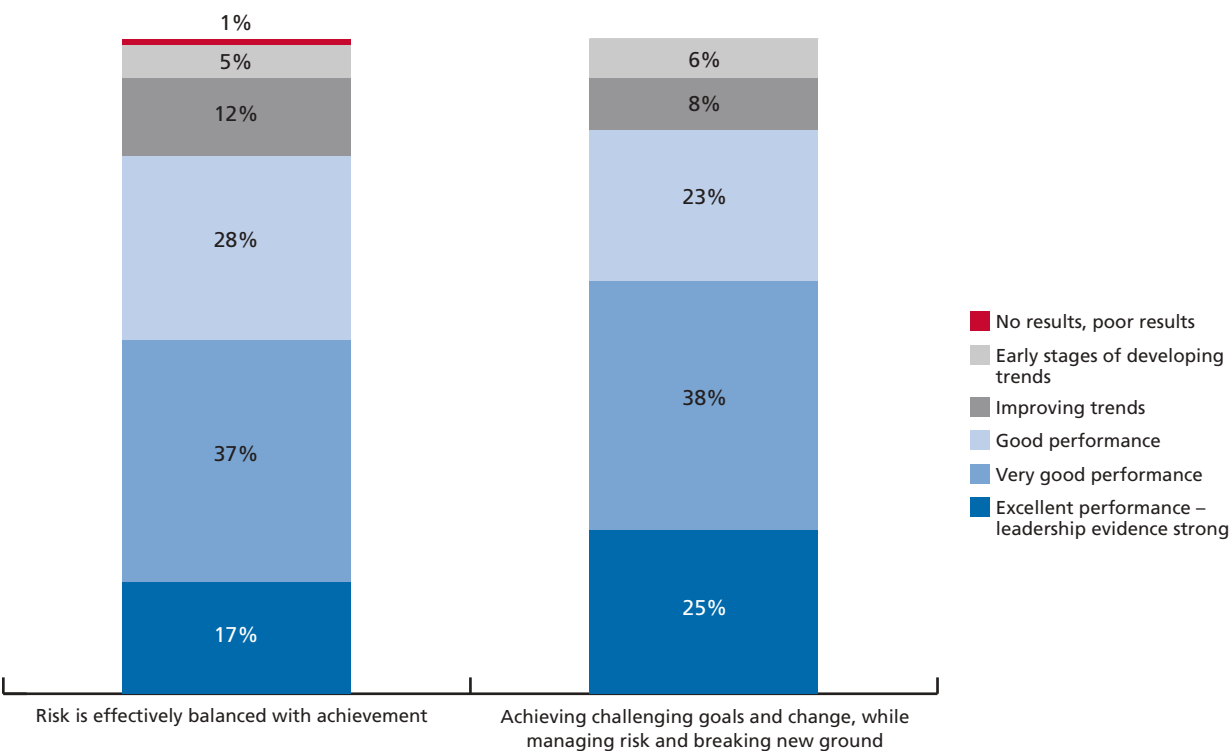


Graph 3.5 Score distribution – focusing on performance targets and achieving them



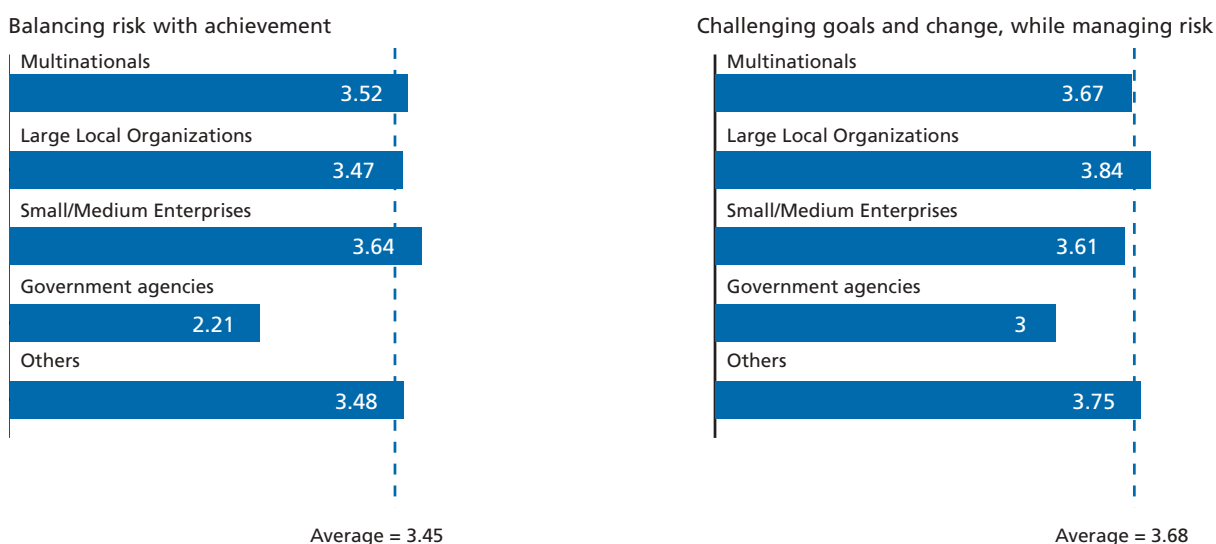
■ On the dimension of setting performance targets that are challenging and adequately stretch the organization, the sample is slightly conservative and risk-averse. (Graph 3.6)

Graph 3.6 Score distribution – setting challenging performance targets



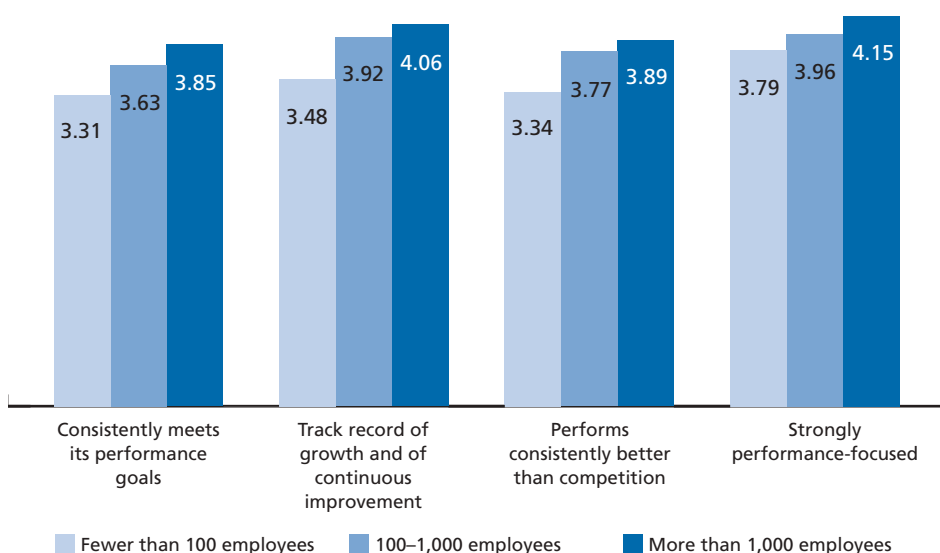
The average score that Indian organizations achieve is between 3.45 and 3.68 (on a scale of 0 to 5). This relative underperformance is mainly due to government agencies, which achieve an average score of between 2.21 and 3.00 (on a scale of 0 to 5) on the attributes in this parameter. (Graph 3.7)

**Graph 3.7**

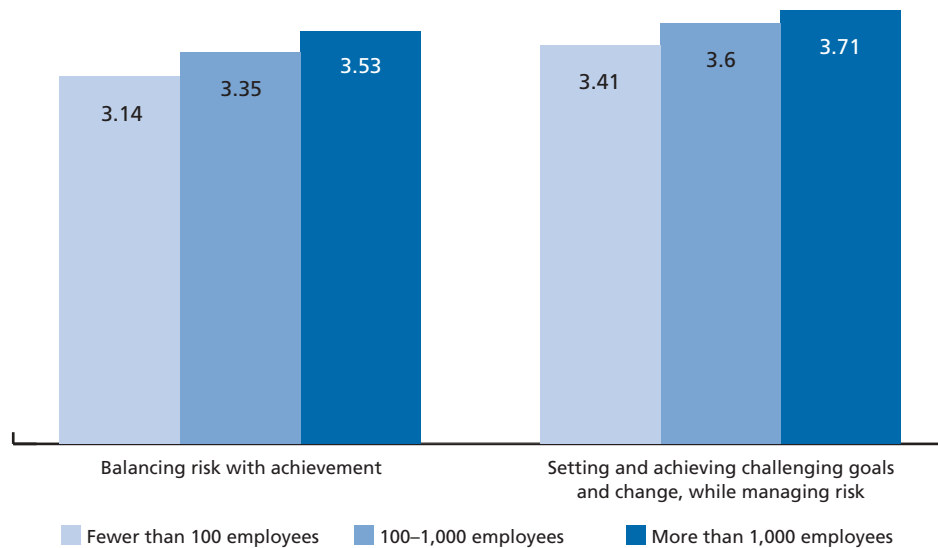


As seen previously, larger organizations score higher than smaller organizations across all attributes comprising performance leadership. They are perceived to be particularly worse in setting targets that are challenging and stretch the organization. (Graph 3.9) Although the gaps are narrower, smaller organizations trail larger ones in focusing on and achieving targets set. (Graph 3.8)

**Graph 3.8 Scores on dimension – focusing on and achieving targets set**



Graph 3.9 Scores on dimension – setting challenging targets



**In summary:**

- Performance leadership is a critical driver of overall MCI scores with a weighting of 10%.
- Compared to other parameters, organizations are seen to score quite well on this parameter, with more than 70% rated as very good/excellent.
- In general, organizations are a little conservative and risk-averse when setting targets.
- Organizations perform relatively better when remaining focused on the targets set and on achieving them.
- Government agencies scored particularly low on this parameter while LLOs and multinationals scored the highest.
- Areas of relative weakness for government agencies include:
  - Setting targets that are challenging.
  - Relatively better in terms of focusing on and achieving targets, but trail LLOs and multinationals on this dimension as well.
- Larger organizations perform better on this than smaller organizations do across attributes.



**Mr S Y Siddiqui**

*Managing Executive Officer Admn (HR, Finance, IT), Maruti Suzuki India Ltd.*

People leadership is the most defining parameter of success in business today. All factors being equal or access to resources being similar, it is the value addition from people that is defining how organizations create and sustain competitive advantage. A culture of innovation, customer centricity and knowledge-led advantage are based on the strength of people leadership in an organization.

Some of the factors that are important in creating effective people-leadership concepts and engaging employees for long-term positive change include:

**Sustainability:** Balance and long-term sustainability defining factors in creating organizations of the future, ones which will not only lead but also practice pragmatic sustainability for all their stakeholders. An increased awareness about one's immediate and larger environment helps organizations in creating effective and relevant responses.

**Learning:** Constant learning and reinvention are hallmarks of growth and any effective people leadership can only emanate from a culture of constant learning and unlearning. It is a significant factor that helps organizations grow using the existing and new knowledge systems and learning curves, in order to create newer paradigms.

**Knowledge-sharing:** The world is increasingly flat. Knowledge, learning and wealth are not necessarily bound by imperatives of the past and new rules of social equity call for a level playing field for everyone. The knowledge and skill-led business universe is increasingly a space where the process of learning, unlearning, sharing and coaching is ongoing and multi-dimensional for everyone.

**Viral-ability:** Ideas, concepts and knowledge have evolutionary life-cycles and any people leadership needs to realize the potential of viral-ability in order to harness creative positive energies within their eco-systems. It also takes into account the fluid, fast changing nature of information and communication and helps enhance responsiveness, effectiveness and correctness.

**Creative Differences:** People leadership for organizations of tomorrow will be built on principles of diversity, social-cohesion and celebration of differences. So, if globalization brought about a wave of standardization and equality of processes, the world of business is ready to find its next growth from celebration of differences across the world, among people, cultures, geographies, practices and styles.

## 4. People leadership

“Leaders don’t create followers, they create more leaders”

– Tom Peters, management guru

One of the most crucial influencers of organizational growth and effectiveness, people leadership outweighs most factors in terms of its ability to create a culture of growth and innovation. It is also the parameter with the maximum multiplier effect, both of operational and strategic measures.

Providing people-oriented leadership is critical to the overall leadership perceptions of an organization. This parameter has a weighting of 10% in driving overall MCI score.

This parameter comprises attributes that straddle the dimensions of owning a consistent and holistic human resource plan, and fostering a people-friendly culture in the organization. The individual attributes defining this parameter are:

### Having a holistic human resource plan

- The organization attracts, retains and motivates people to create an effective team capable of achieving organizational objectives.
- Human resource planning is an integral part of the annual business planning process.

### Fostering a people-oriented culture

- Managers act as role models and are committed to developing subordinates and to leading people effectively.
- The organization is strong on empowerment – allows scope for people to grow.
- The culture supports diversity in all aspects – it is not stifled by structure and hierarchy.
- The organization enables people to grow.
- Managers are able to work effectively with, and achieve results through, a diverse range of people.
- The organization has a stimulating culture.

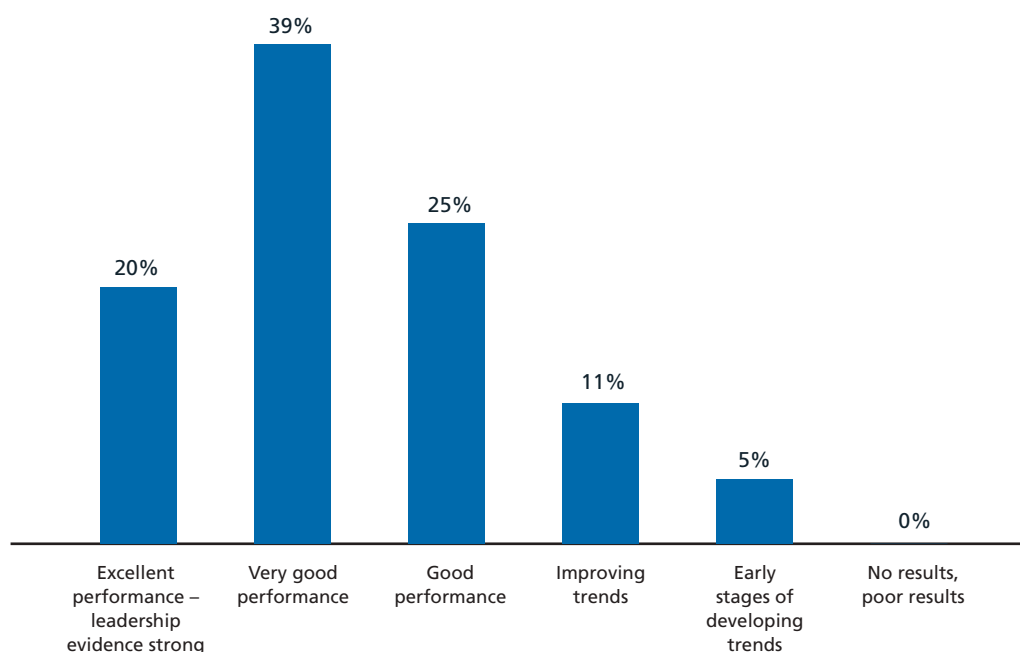
To understand the performance of different types of organizations on people-oriented leadership, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

About 60% of the organizations rate themselves very good/excellent on people leadership. (Graph 4.1)

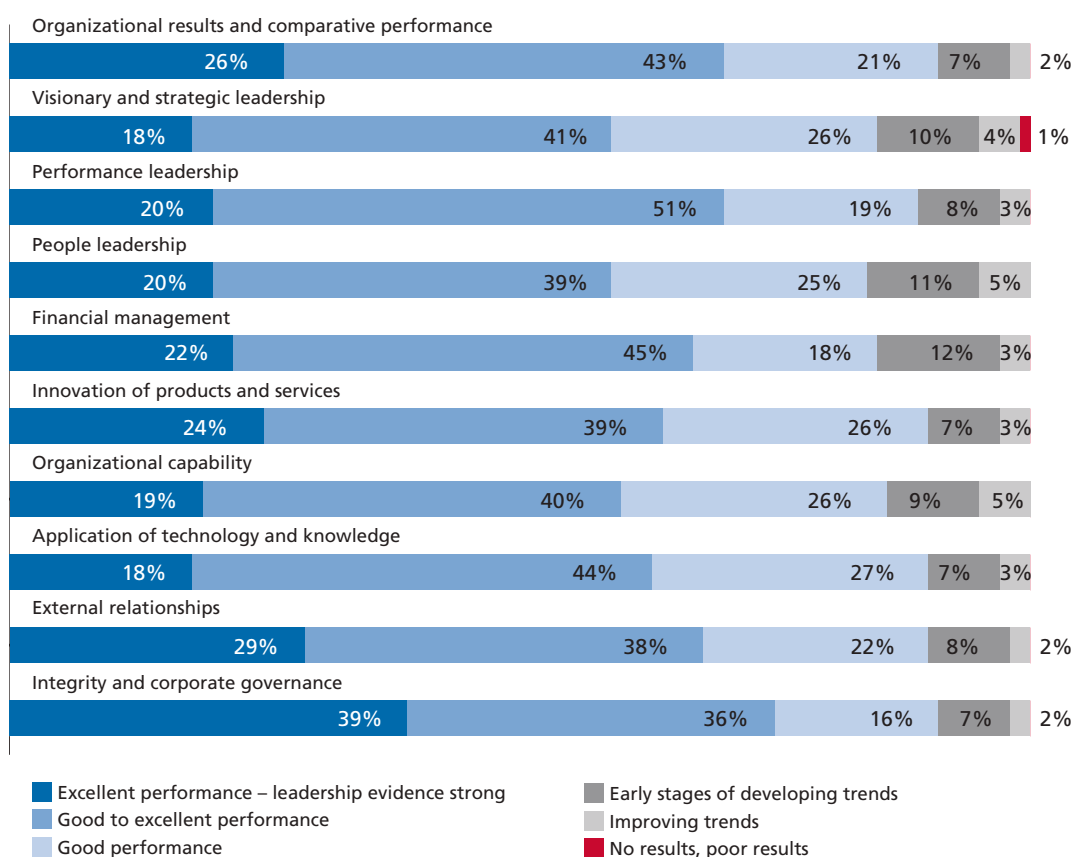
Close to 16% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 4.1)

**Graph 4.1 Distribution of overall scores – people leadership**



When compared to other parameters, performance of organizations on providing a leadership that is people-oriented is on the weaker side. Along with visionary/strategic leadership, people leadership has the lowest very good/excellent ratings (59%). (Graph 4.2)

**Graph 4.2 Organizational performance rankings**

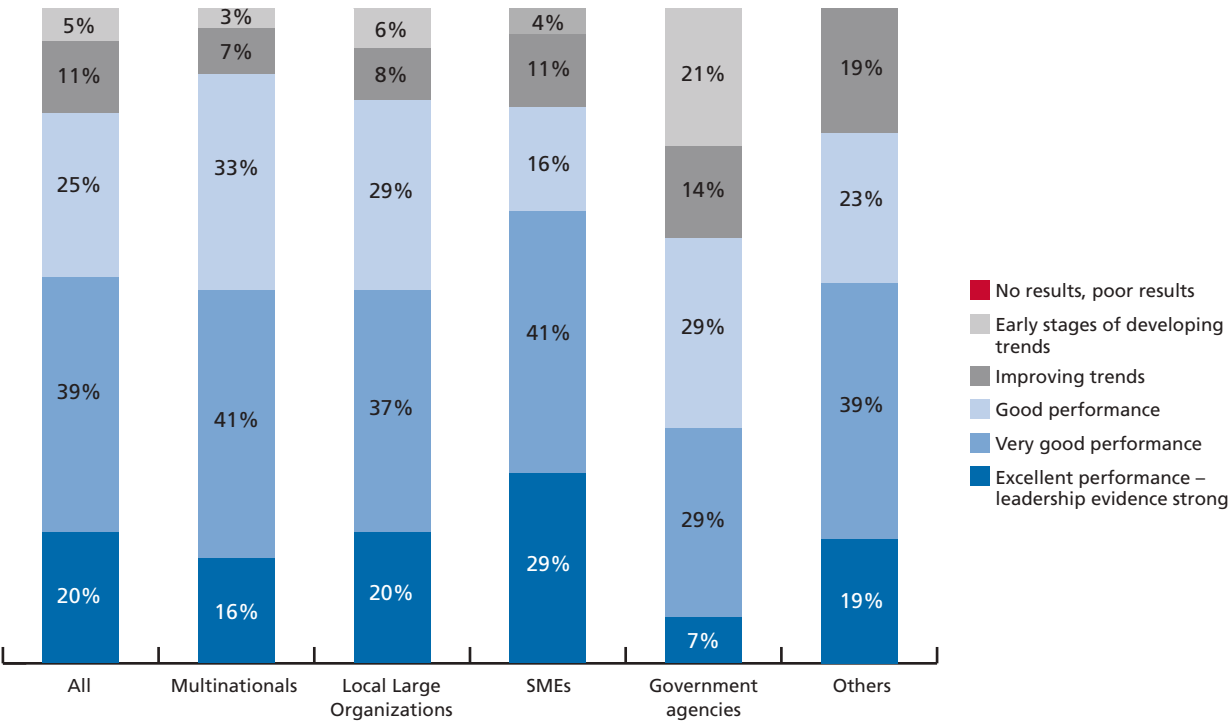


Among the different types of organizations, government agencies perform poorly on providing people-oriented leadership. Just about a third of the government agencies rate themselves very good/good on this parameter compared to nearly 60% for all the organizations combined. (Graph 4.3)

SMEs perform the best on providing people-oriented leadership, with a rating of approximately 70% for very good/excellent on this parameter. (Graph 4.3)

Multinationals scored relatively lower on this front, with a rating of approximately 57% for very good or very good/excellent – these organizations are therefore perceived to be more performance oriented than people-focused. (Graph 4.3)

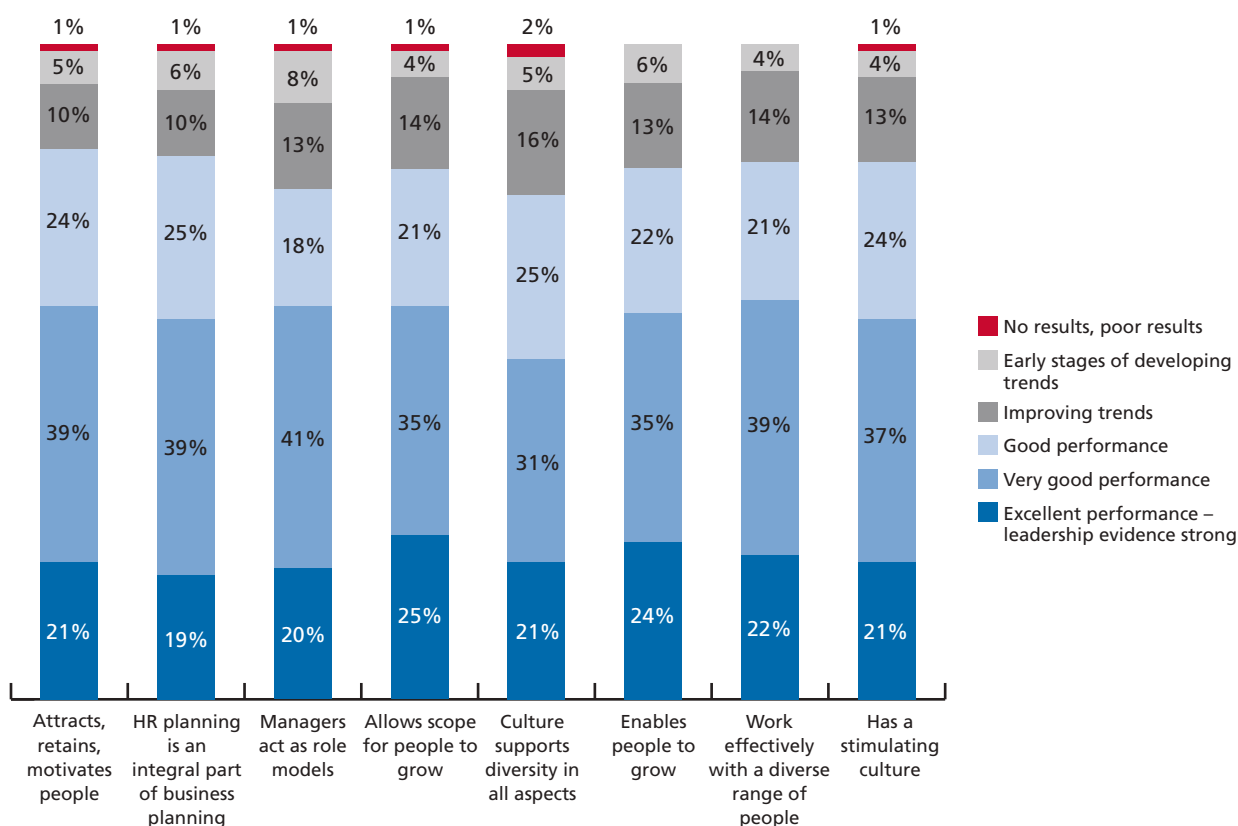
Graph 4.3 Overall people leadership



No discernible pattern emerges between the focus on people in an organization’s leadership and the size of the organization or its history. There are also no consistent industry skews in the ratings on this parameter.

There is little difference in the performance of organizations across different attributes comprising ‘people leadership.’ Organizations perform similarly on both human resource planning and having a people-focused organizational culture. (Graph 4.4)

Graph 4.4 Overall people leadership



Government agencies perform poorly across attributes driving the parameter of people-focused leadership. To understand this, an average score (on a scale of 0 to 5) of the government agencies has been computed on the individual attributes defining 'people leadership.' (Graph 4.5)

Government agencies scored relatively low on the attributes related to the people focus in the organization's working culture. (Graph 4.5) In particular, government agencies scored lower on:

- Managers acting as role models
- Organization culture that supports diversity
- Having a stimulating culture

In comparison, with an average of 3.0 (on a scale of 0 to 5), government agencies are comparatively better at having an HR plan that is well integrated into the annual business plan of the organization. (Graph 4.5)



Graph 4.5 Government agencies on 'People leadership'



The best performing organization type on this parameter are the SMEs, who outperform LLOs and multinationals. (Graph 4.6)

In terms of individual attributes, SMEs perform better on (Graph 4.6):

- Attracting, retaining and motivating people
- Working effectively with diverse groups of people
- Allowing people to grow

Graph 4.6 SMEs on 'People leadership'



SMEs lead both LLOs and multinationals in having a stimulating organizational culture that allows people to grow. (Graph 4.6)

**In summary:**

- People leadership is a critical driver of overall MCI scores with a weighting of 10%.
- Compared to other parameters, organizations score comparatively lower on this parameter with only about 59% rated as very good/excellent.
- Organizations in general score lower across the dimensions of having an integrated HR plan and having a people-focused organizational culture.
- Government agencies score particularly low on this parameter while SMEs score the highest, ahead of LLOs and multinationals.
- Areas of relative weakness for government agencies include:
  - Managers acting as role models
  - Organizational culture that supports diversity
  - Having a stimulating culture
- SMEs are seen to do relatively better on:
  - Attracting, retaining and motivating people
  - Working effectively with diverse groups of people
  - Allowing a culture that lets people grow





**Kewal Handa**

Managing Director, Pfizer India

“Accountants are the witch-doctors of the modern world and willing to turn their hands to any kind of magic”

– Charles Eustace Harman, British judge

Financial management can make or break a business. With all due credit to every single management function, financial management grows in significance as the size of the business grows and has a direct correlation with economic indicators.

It is pertinent that we realize the importance of sound financial management practices, especially in the most recent business context. Each cost, accounting and finance process at ground-level in each company is a link in the chain comprising corporate boards, credit rating agencies and auditors. The key challenges facing corporate India include:

- Greater financial literacy for SMEs.
- Better linkages between autonomous bodies, financial institutions, regulators and markets.
- Heightened importance on executive education in financial management, including certifications and benchmarking exercises.
- Greater alliance with global best practices in reporting, auditing and taxation.
- Better alignment between fiduciary compliance and corporate awareness towards better practices.

The global financial crisis highlighted what can happen without fiscal prudence, increased awareness at executive level and greater engagement between various agencies, which can help achieve sustainable financial management practices. Companies in India operate towards conservatism on fiscal management and in hindsight that has been a blessing. Having said that, the future for financial management professionals is in seeking a balance between commercial entrepreneurship and fiscal astuteness.

## 5. Financial management

“*Watch the costs and the profits will take care of themselves*”

– Andrew Carnegie, Scottish industrialist

Providing sound financial management is a critical parameter in driving overall quality of leadership in an organization. This parameter has a weighting of 10% in driving overall MCI scores.

The individual attributes defining this parameter are:

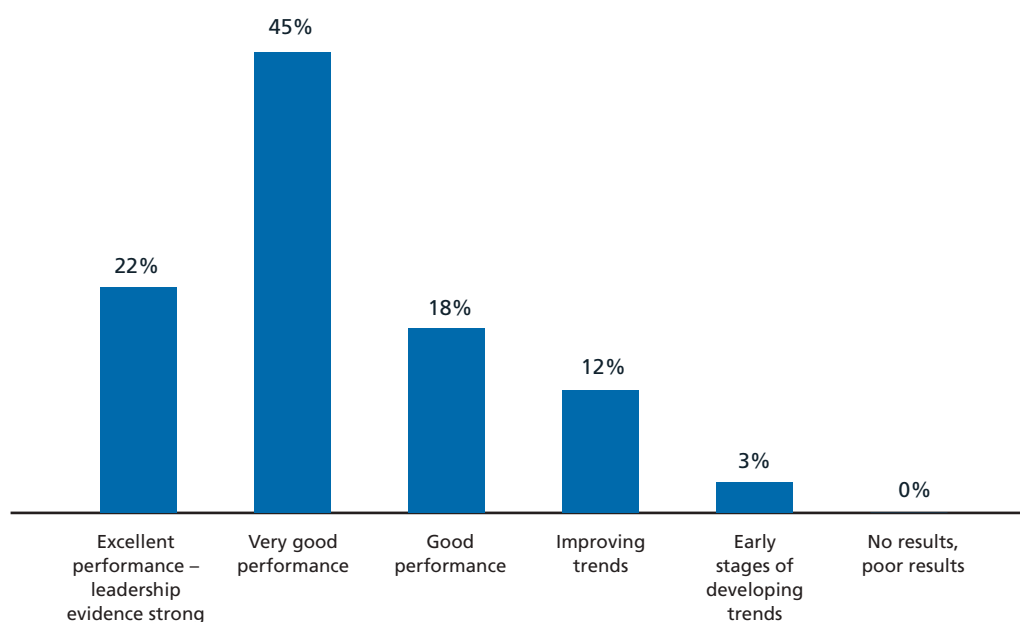
- Develops and commits to plans and goals that support sound growth and continuing performance improvement.
- Leads and manages the business to consistently achieve or exceed these goals.
- Practices sound and effective financial management of the organization including financial planning, accounting, cash flow management, investment, financial reporting and liaising with financial institutions.

To understand the performance of different types of organizations on providing sound financial management, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

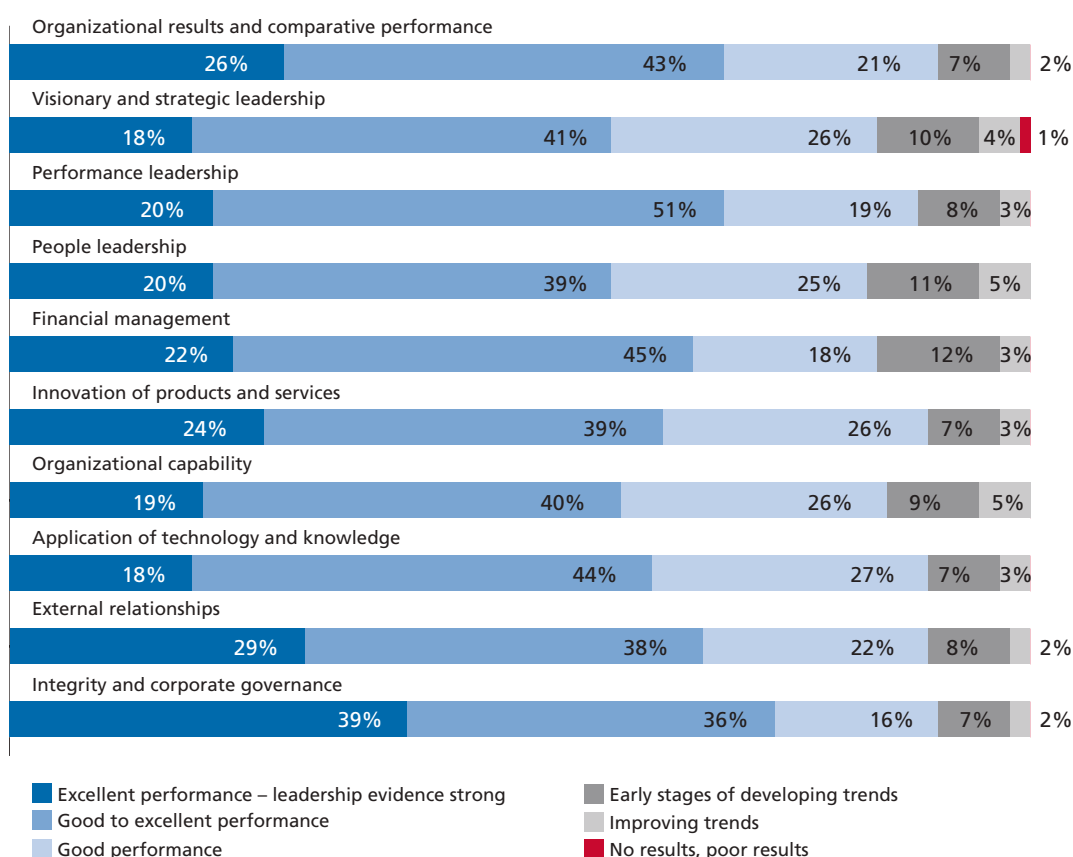
Around two out of three (67%) of the organizations rate themselves very good/excellent on providing sound financial management. Close to 15% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 5.1)

Graph 5.1 Distribution of overall scores – people leadership



When compared to other parameters, organizational performance on providing financial management is on the higher side. The very good/excellent rating of 67% remains comparable to the high-scoring parameters like integrity and corporate governance (75%) and performance leadership (71%). (Graph 5.2)

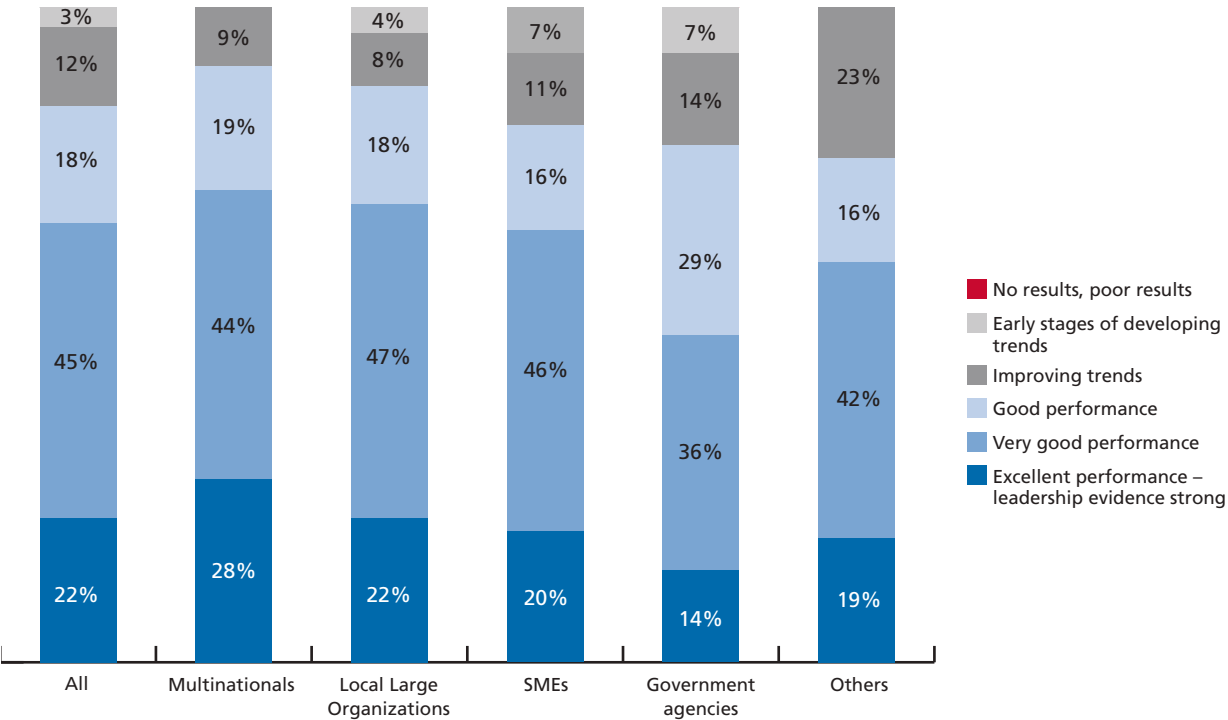
Graph 5.2 Organizational performance rankings



Government agencies are perceived to be among the weakest in terms of providing sound financial management. Only around half of the government agencies are rated very good/excellent on this front. (Graph 5.3)

Multinationals scored the highest on financial management with a very good/excellent score of 73% and no organization rated in the bottom two boxes (early stage of developing trends/no results, poor results). Local Large Organizations and SMEs trail multinationals with ratings close to 70% in the top two scale points (very good/excellent). (Graph 5.3)

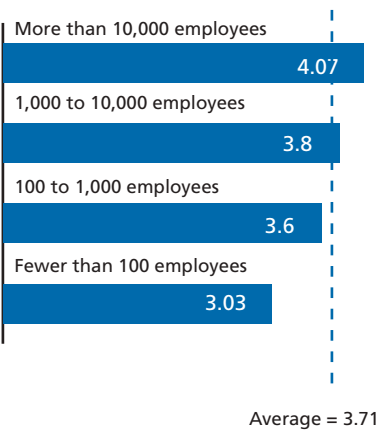
Graph 5.3 Overall financial management



In general, larger organizations (with more employees) are perceived to perform better on providing sound financial management than smaller firms. (Graph 5.4)

The average score (on a scale of 0 to 5) progressively increases with employee strength – organizations with fewer than 100 employees score an average of 3.03 on this parameter while large organizations with more than 10,000 employees score 4.07. (Graph 5.4)

Graph 5.4 Financial management

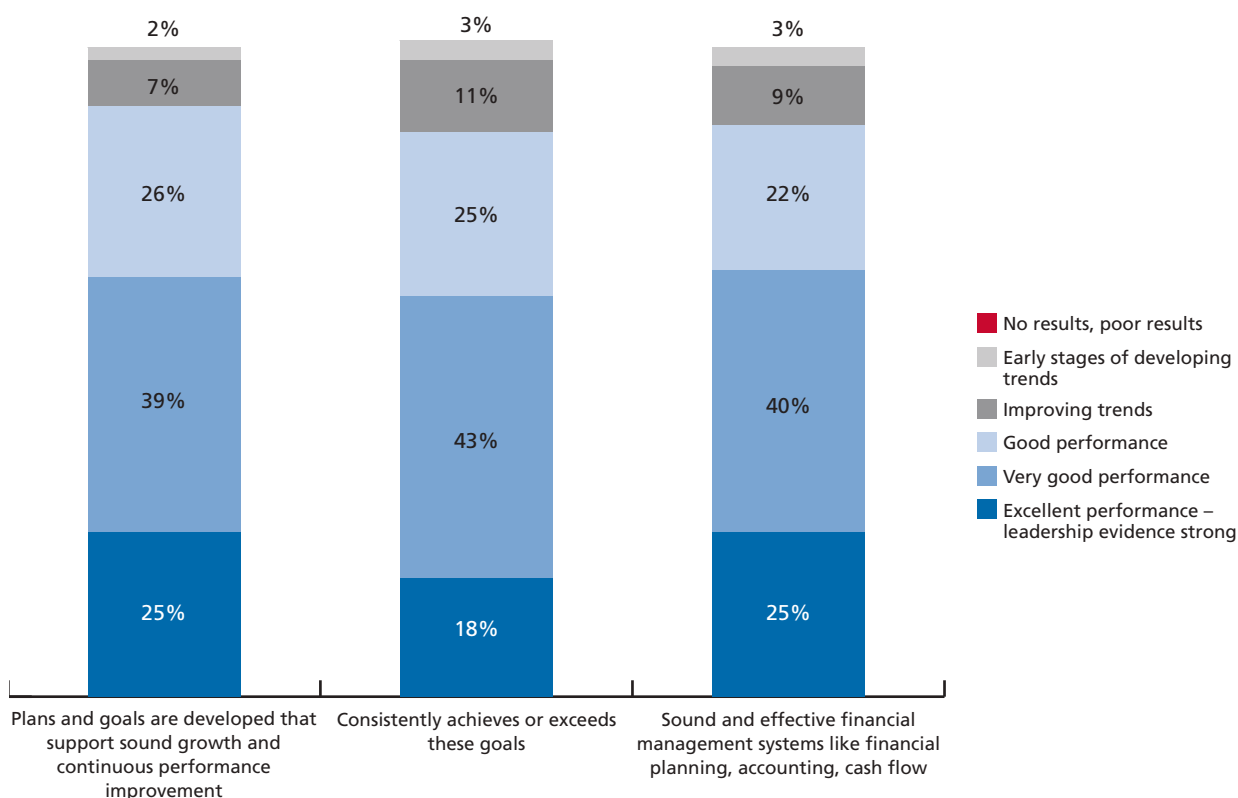


Other than size of the organization (number of employees), no consistent relationship is observed between scores on financial management and the industry the organization operates in.

The highest-scoring organizations on this parameter are mostly larger multinationals and LLOs across industries like education, consumer products, energy, pharmaceuticals, IT and telecoms.

On the individual attributes comprising the parameter of financial management, performance is relatively weaker on the dimension of achieving and exceeding the financial goals set (63% rating for very good/excellent). In comparison, organizations do better in setting 'right' plans and with sound financial management systems in place. (Graph 5.5)

**Graph 5.5 Financial management**



In terms of different organization types, government agencies are seen to be relatively weaker across all three attributes of (refer to tables on the next page):

- Developing and committing to plans and goals that support sound growth and continuing performance improvement.
- Leading and managing the business to consistently achieve or exceed these goals.
- Practicing sound and effective financial management of the organization including financial planning, accounting, cash flow management, investment, financial reporting and liaising with financial institutions.

Multinationals, on the other hand, are seen to be better at (refer to tables on the next page):

- Developing and committing to plans and goals that support sound growth and continuing performance improvement.
- Practicing sound and effective financial management of the organization including financial planning, accounting, cash flow management, investment, financial reporting and liaising with financial institutions.



<b>Sound and effective financial management systems like financial planning, accounting, cash flow</b>	<b>Government agency</b>	<b>Local Large Organization (LLO)</b>	<b>Multinational Corporation (MNC)</b>	<b>Small &amp; Medium Enterprise (SME)</b>	<b>Others</b>	<b>Average</b>
No results, poor results.	0%	0%	0%	2%	0%	0%
Early stages of developing trends, many results not reported.	7%	4%	0%	5%	0%	3%
Improving trends in many areas.	14%	8%	5%	7%	19%	9%
Good performance in many areas.	36%	20%	24%	20%	16%	22%
Very good performance in most areas.	29%	41%	40%	45%	39%	40%
Excellent performance in most areas.	14%	27%	31%	21%	26%	25%

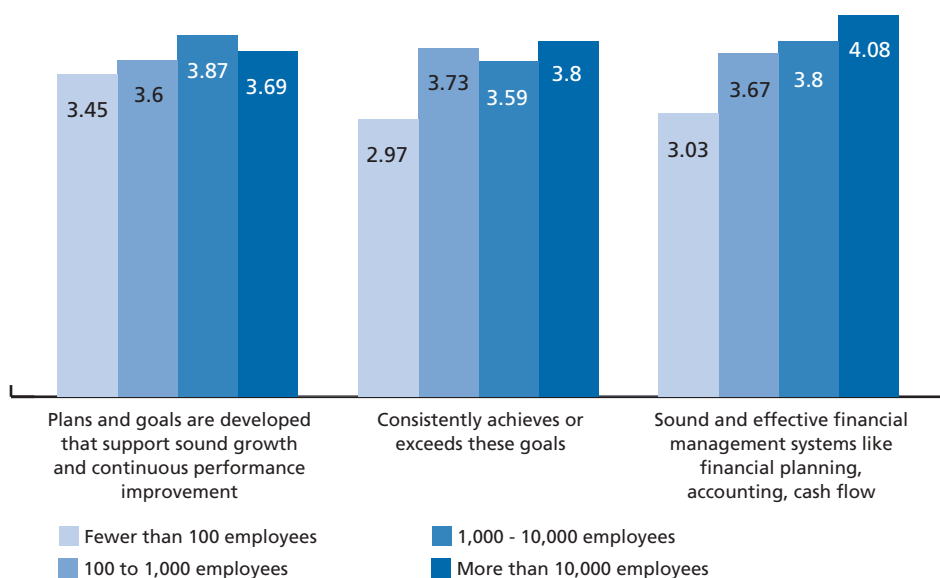
<b>Plans and goals are developed that support sound growth and continuous performance improvement</b>	<b>Government agency</b>	<b>Local Large Organization (LLO)</b>	<b>Multinational Corporation (MNC)</b>	<b>Small &amp; Medium Enterprise (SME)</b>	<b>Others</b>	<b>Average</b>
No results, poor results.	0%	0%	0%	0%	0%	0%
Early stages of developing trends, many results not reported.	7%	2%	0%	5%	0%	2%
Improving trends in many areas.	14%	2%	5%	5%	16%	7%
Good performance in many areas.	43%	37%	24%	20%	19%	26%
Very good performance in most areas.	29%	39%	43%	34%	45%	39%
Excellent performance in most areas.	7%	20%	28%	36%	19%	25%

<b>Consistently achieves or exceeds these goals</b>	<b>Government agency</b>	<b>Local Large Organization (LLO)</b>	<b>Multinational Corporation (MNC)</b>	<b>Small &amp; Medium Enterprise (SME)</b>	<b>Others</b>	<b>Average</b>
No results, poor results.	7%	0%	0%	0%	0%	0%
Early stages of developing trends, many results not reported.	7%	2%	2%	0%	7%	3%
Improving trends in many areas.	7%	12%	9%	19%	7%	11%
Good performance in many areas.	36%	22%	24%	29%	23%	25%
Very good performance in most areas.	14%	49%	40%	42%	48%	43%
Excellent performance in most areas.	29%	14%	26%	10%	14%	18%

With organizational size, performance for having sound financial management systems is seen to improve – average scores of smaller organizations is close to 3.03 (on a scale of 0 to 5) while with organizations that have more than 10,000 employees, the score increases to 4.08.

Smaller organizations with fewer than 100 employees perform less well on achieving financial goals set due to lack of having sound financial management systems. (Graph 5.6)

**Graph 5.6 Scores on dimension – financial management**



#### **In summary:**

- Financial management is a critical driver of overall MCI scores with a weighting of 10%.
- Compared to other parameters, organizations are seen to score well on this parameter with about 67% rated as very good/excellent.
- Organizations in general score lower on the dimension of achieving financial goals set. In comparison they do a better job of setting the right goals and having sound financial management systems.
- Government agencies score particularly low on this parameter while multinationals score the highest, followed closely by LLOs and SMEs.
- Weakness of government agencies on this parameter are across all three attributes:
  - Setting the right financial goals
  - Having good management systems
  - Attaining financial goals set
- In comparison, the strength of multinationals in this parameter is due to superior performance on:
  - Having good management systems
  - Setting the right financial goals
- With organizational size, performance on having sound financial management systems improves.
- Smaller organizations with fewer than 100 employees perform less well on achieving financial goals set due to lack of sound financial management systems.





**R Gopalakrishnan**

Executive Director, Tata Sons and Chairman of Tata AutoComp Systems, Rallis India and Advinus Therapeutics, Vice chairman of Tata Chemicals

“Just as energy is the basis of life itself, and ideas the source of innovation, so is innovation the vital spark of all human change, improvement and progress”

– Ted Levitt, economist

India is at an inflection point in its development course. The self-esteem and confidence levels of our citizens are at an all-time high and growth in entrepreneurial successes, changes in technology and continuous rise in opportunities have accentuated this.

We are witnessing a surge of innovation and its applied form across the board, including rural innovation, reverse innovation, social innovation etc. The fact that innovation lies at the heart of institutional as well as individual growth paths has made innovation an imperative part of the strategic mindset.

We are one of the fastest growing economies and we need to be congruent of the fact that innovation for business and society at large will come from the very realization of living and sensing this environment and empathizing with the nature of our problems. There are breakthroughs to be achieved in health care, drinking water, sanitation, information management, citizen empowerment, education, environment, social enterprise and adaptation of technology.

I hope that the next two decades beginning 2010 are remembered as the time that transformed India through widespread use of innovation.

## 6. Innovation of products and services

“**Innovation is the central issue in economic prosperity**”

– Michael Porter, professor at Harvard Business School and an authority on competition and company strategy

Innovating products and services is a critical aspect of providing able leadership to an organization and this parameter has a weighting of 10% in driving the overall MCI scores.

The different dimensions defining this parameter are:

### Recognizing the need for innovation

- The organization recognizes that innovation is important for all aspects of the business and for all its processes – innovation is part of the organization's culture.
- The organization recognizes that innovation creates new dimensions of performance.

### Encouraging and practicing innovation

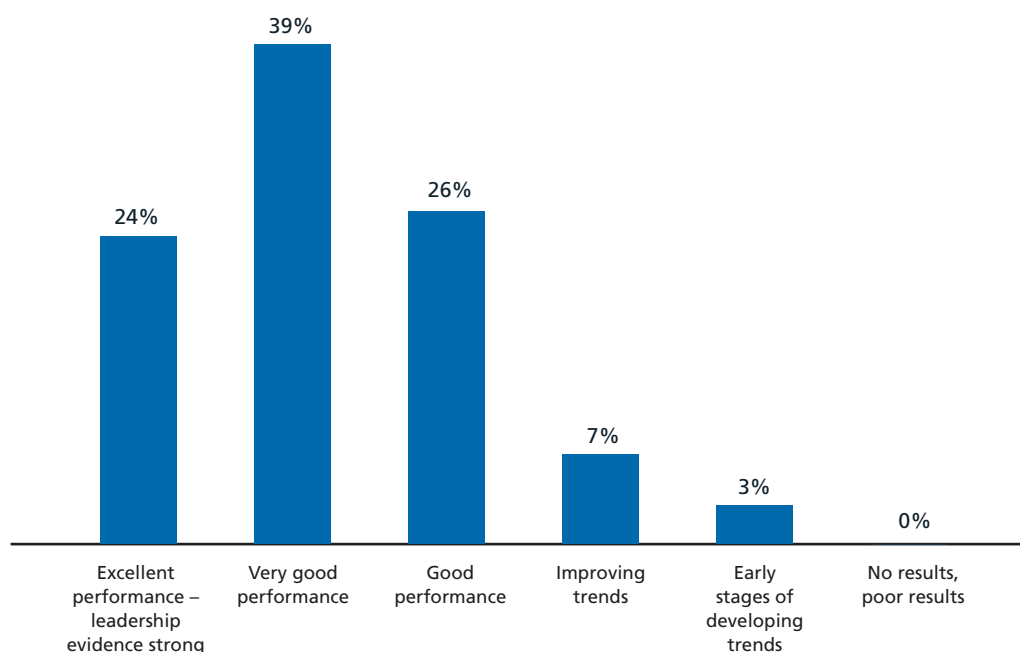
- The organization has a climate that encourages innovation in products and services.
- The organization practices innovation to create new values for the business, customers and shareholders.
- The organization practices innovation to expand its market and increase its market share.

To understand the performance of different types of organizations on providing a leadership that innovates, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

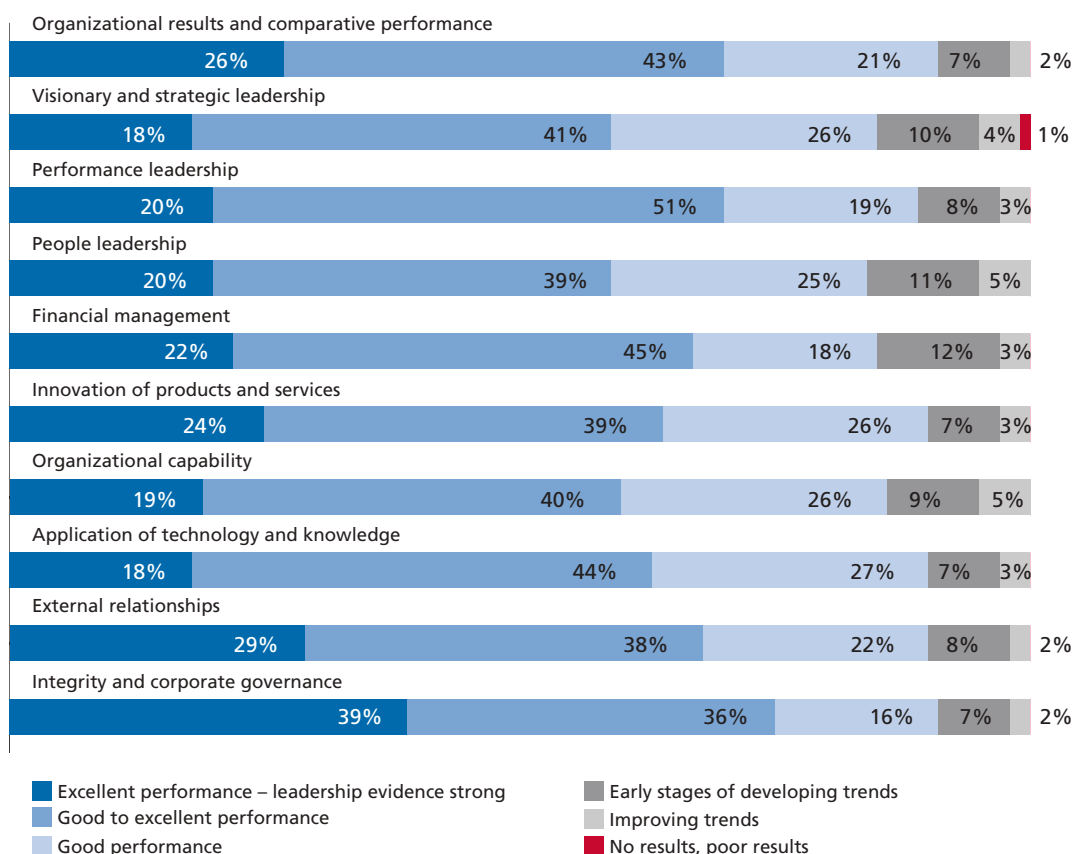
Fewer than two out of three (63%) of the organizations rate themselves very good/excellent on innovation of products and services. Ten percent of the organizations rate themselves as improving trends in many areas/early stages of developing trends, and none are rated in no results/poor results. (Graph 6.1)

**Graph 6.1 Distribution of overall scores – innovation of products and services**



When compared to other parameters, performance of organizations on innovating is moderate. A very good/excellent rating of 63% remains comparable to the performance on high-scoring parameters like integrity and corporate governance (75%) and performance leadership (71%) – but higher than parameters like organizational capability and people leadership (59%). (Graph 6.2)

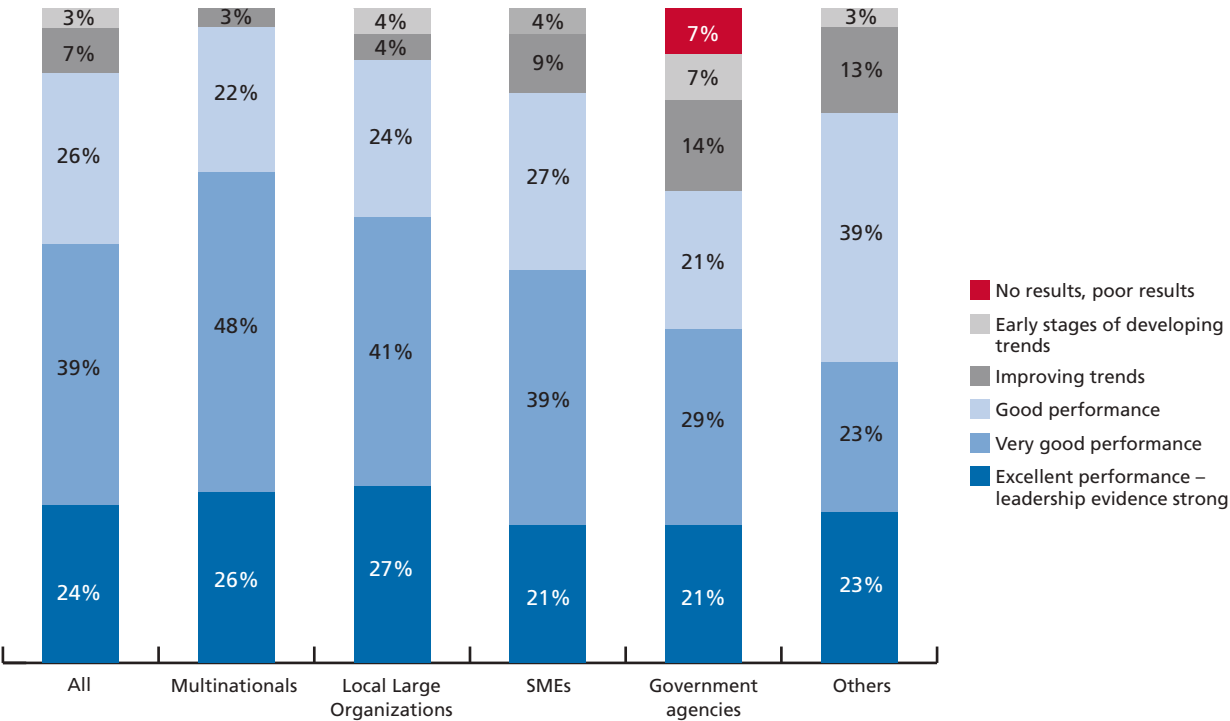
**Graph 6.2 Organizational performance rankings**



Government agencies are among the weakest in terms of innovation. Only half of the government agencies are rated very good/excellent on this front. (Graph 6.3)

Multinationals scored the highest on innovating with a very good/excellent score of 74% and no multinational rated in the bottom two boxes (early stage of developing trends/no results, poor results). LLOs trail multinationals with close to 68% ratings in the top two scale-points (very good/excellent). (Graph 6.3)

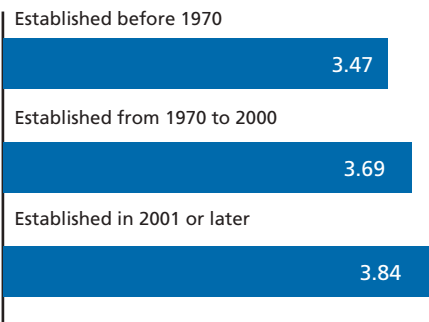
Graph 6.3 Overall innovation of products and services



In general, performance on innovation seems to be better among the newer organizations; that is, organizations established after the year 2000. (Graph 6.4)

The average score (on a scale of 0 to 5) progressively declines with the age of the organization. Organizations established after the year 2000 score an average of 3.84 on this parameter while older organizations (established before 1970) score 3.47. (Graph 6.4)

Graph 6.4 Organizational age by innovation of products and services

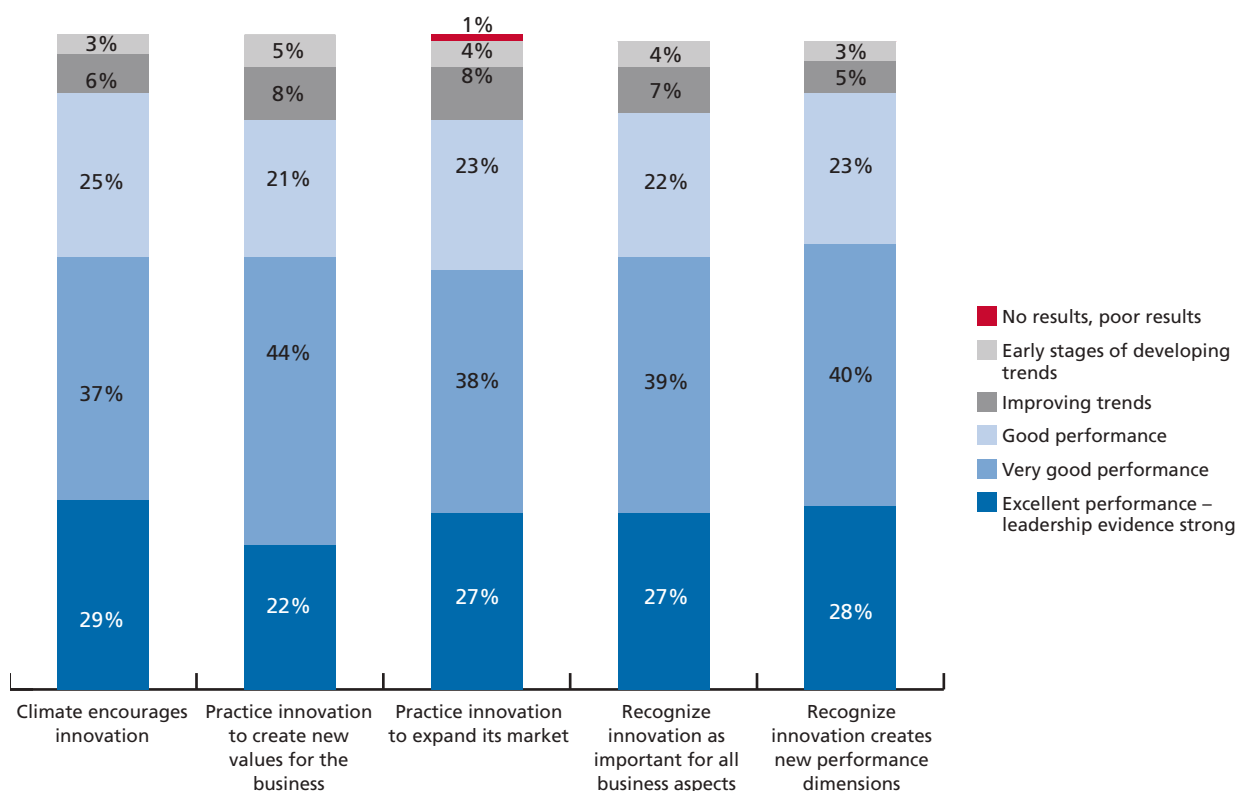


Other than age of the organization, no consistent relationship is observed between scores on innovation and size of organization or the industry in which the organization operates.

The highest-scoring organizations on this parameter are mostly newer multinationals and LLOs across industries like IT and telecoms, energy, consumer goods, automobiles, pharmaceuticals, education, and health.

There is little difference in performance of organizations across the different attributes defining this parameter. Hence, organizations that do not perform very well on this parameter tend to be weaker in terms of both recognizing the need for innovation and therefore in encouraging and practicing innovation. (Graph 6.5)

**Graph 6.5 Innovation**



#### **In summary:**

- Innovation of products and services is a critical driver of the overall MCI scores with a weighting of 10%.
- Compared to other parameters, organizations scored moderately on this parameter with about 63% rated as very good/excellent.
- Performance is moderate across different attributes defining this parameter – both in terms of recognizing the need for innovation as well as encouraging and practicing it.
- Government agencies scored comparatively low on this parameter while multinationals scored the highest, followed closely by LLOs.
- Newer organizations tend to do better on this parameter than older ones do.







**Sanjeev Bikhchandani**  
Founder, Naukri.com

“The store of wisdom does not consist of hard coins, which keep their shape as they pass from hand to hand; it consists of ideas and doctrines whose meanings change with the minds that entertain them”

– John Plamenatz, political philosopher

Organizational capability encompasses a lot but to me it signifies building companies that are adequately geared to respond to the needs of future in a cohesive manner.

An organization is a sum total of its learning experience. A fair share of responsibility of influencing, sharing and enhancing the learning experience lies with leadership teams. Management capability influences human learning and development to a large extent. The quality of intra-organizational interface sets the tone for creating organizational capability. The ability to respond to change and evolve in an unstructured, evolving environment is the most significant challenge facing management teams today.

I summarize some factors that may determine organizational capability for organizations of tomorrow:

**Governance:** Business is like a prism and transparency about practices, processes, ownership of resources and accountability determine the long-term success of an organization.

**Equity:** Not everyone in an organization may have financial equity but you can still have a high degree of brand, social, innovation, impact and development equity. The success of organizations will not depend solely on their financial impact but also the ownership of their equity in all aspects. Companies like Google and Kiva, represent the new face of equity, determining organizational capability.

**Renew:** Renew is not just a management mantra for organizations but also a way for them to sustain effectively and enhance their impact. Renew applies not only to recycled resources but also to relationships within an organizational set-up, to commitment and to the promise made to employees and customers.

**Technology:** Technology will help us create organizations as they move out of their comfort zones into unexplored spaces. The evolving nature of work and workplace dynamics provides us with an opportunity to use technology as a unifier-enabler.

**Personalization:** Individuals for community and community for individuals – a knowledge-driven worker needs to thrive. Personalization for external and internal customers is a distinct possibility and will lead us into forging better relationships.

## 7. Organizational capability

“*Management is the most creative of all the arts, for its medium is human talent itself*”

– Robert McNamara, former US Secretary of Defense, former president – World Bank

Organizational capabilities represent the combination, coordination and deployment of organizational competencies and are ‘directed toward the strategic purpose of the organization’ (Peppard et al. 2000). Secondly, organizational capabilities form the basis of business processes, which are difficult for competitors to understand or emulate (Stalk et al. 1992). Rather than key technologies and skills, it is the organizational attributes of deployment, coordination and integration that are the ultimate source of competitive advantage.

The capability of an organization has a weighting of 5% in driving overall MCI scores. The different dimensions defining this parameter are:

### Recognizing the need for innovation

- The organization is fully capable, has a culture of innovation and research, and is dedicated to continuous improvement.
- The organization is ‘boundary-less’ and the structure is non-hierarchical.
- It has an effective balance of both team and individual work as needed.
- There is a sound understanding and effective application of best management practices to achieve organizational goals and objectives within the organization.
- There is a strong commitment to continuous learning for both individuals and the organization itself.

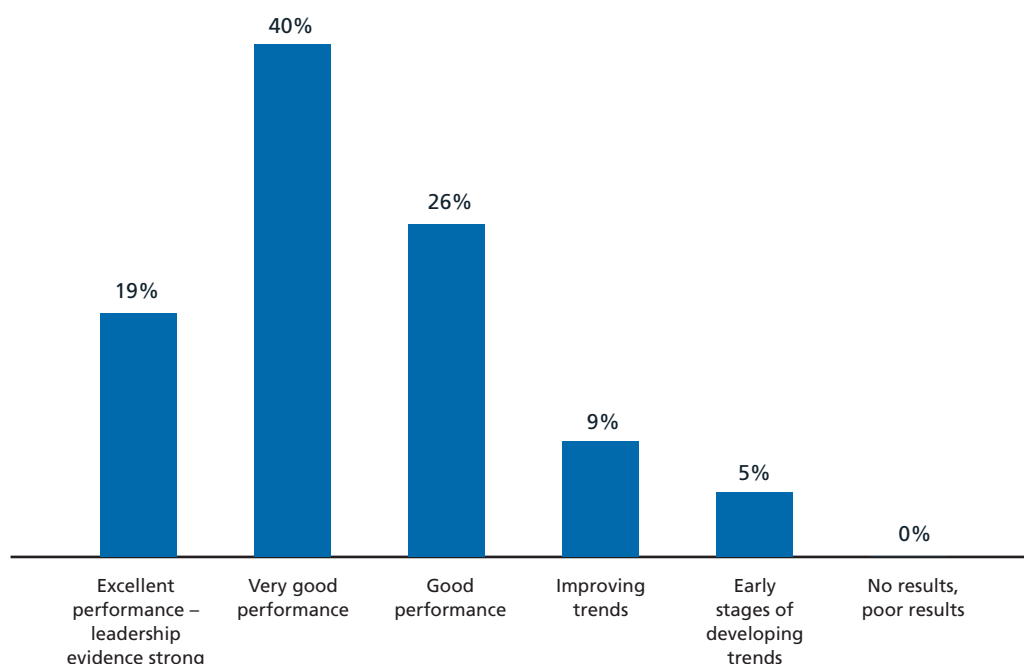
To understand the performance of different types of organizations on providing sound organizational capability, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

About 59% of the organizations rate themselves very good/excellent on this parameter. (Graph 7.1)

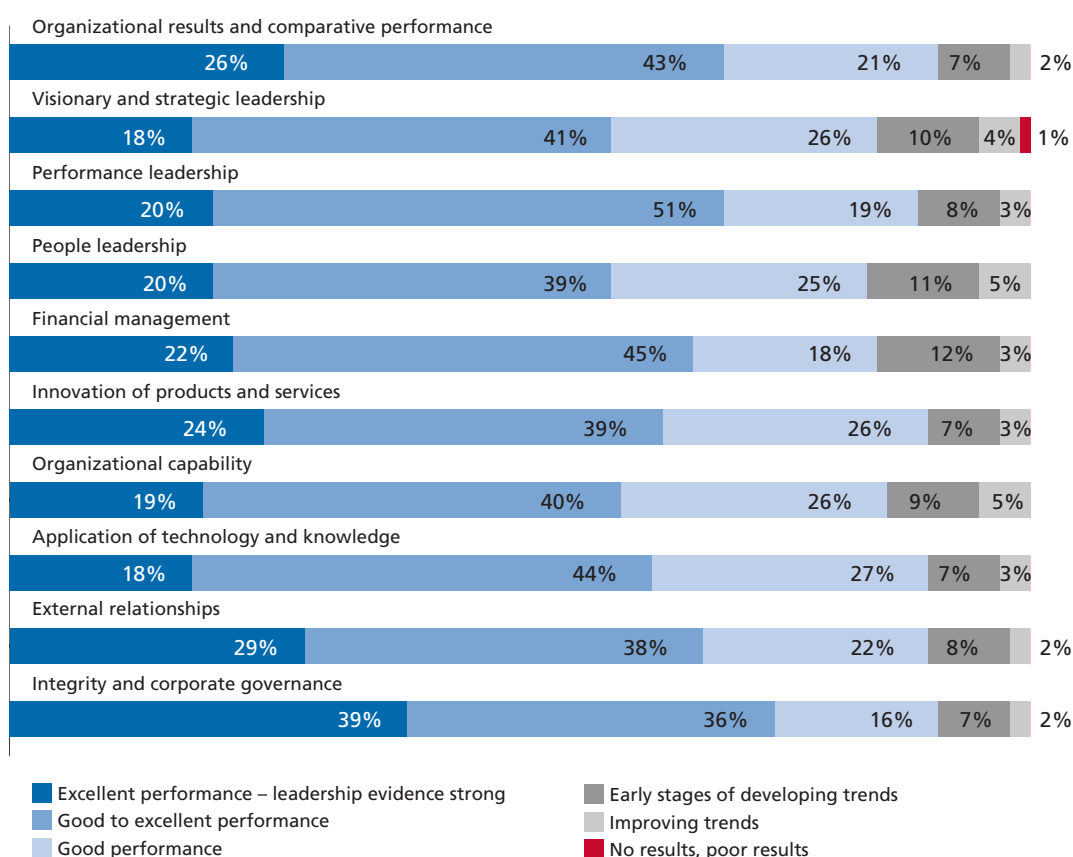
And 14% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 7.1)

**Graph 7.1 Distribution of overall scores – organizational capability**



When compared to other parameters, performance of organizations on organizational capability is on the lower side. A very good/excellent rating of 59% is comparable to other low-performing areas like visionary leadership (59%) and people leadership (59%). (Graph 7.2)

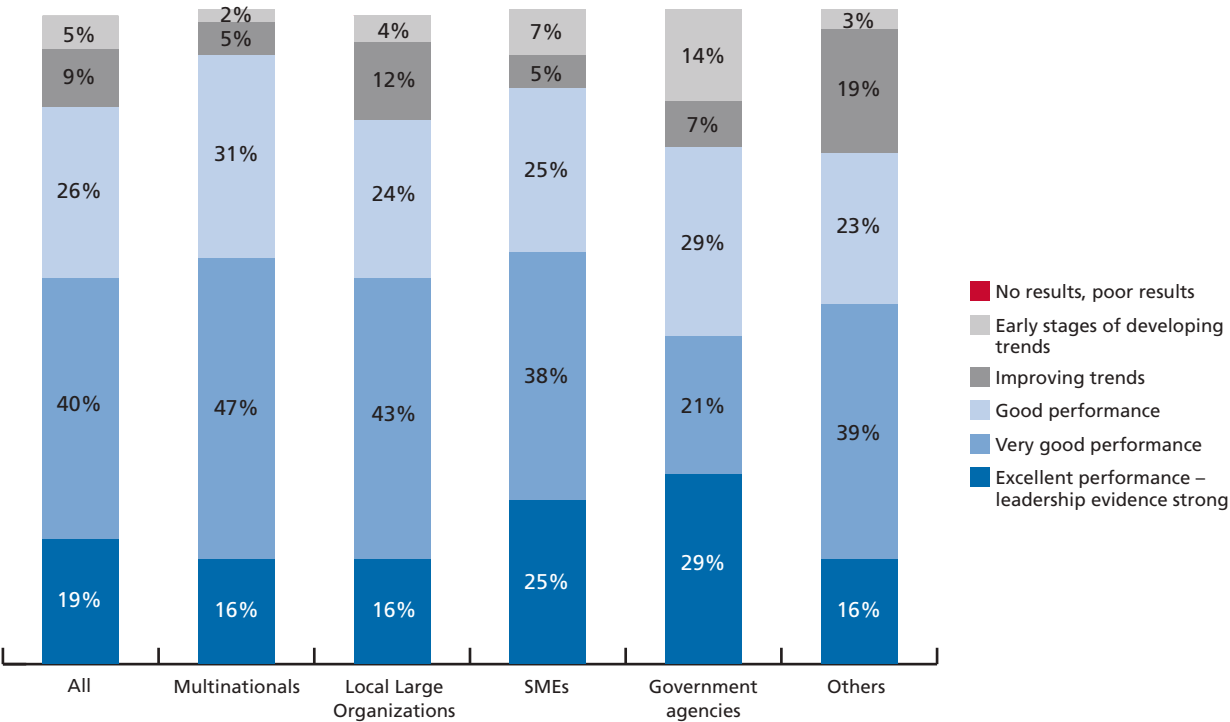
**Graph 7.2 Organizational performance rankings**



Government agencies are perceived to be among the weakest in terms of organizational capability. Only 50% of them are rated very good/excellent on this front.

SMEs and multinationals scored the highest on maintaining good external relationships with a very good/excellent score of about 63%. Local Large Organizations follow closely with a very good/excellent rating of 59%. (Graph 7.3)

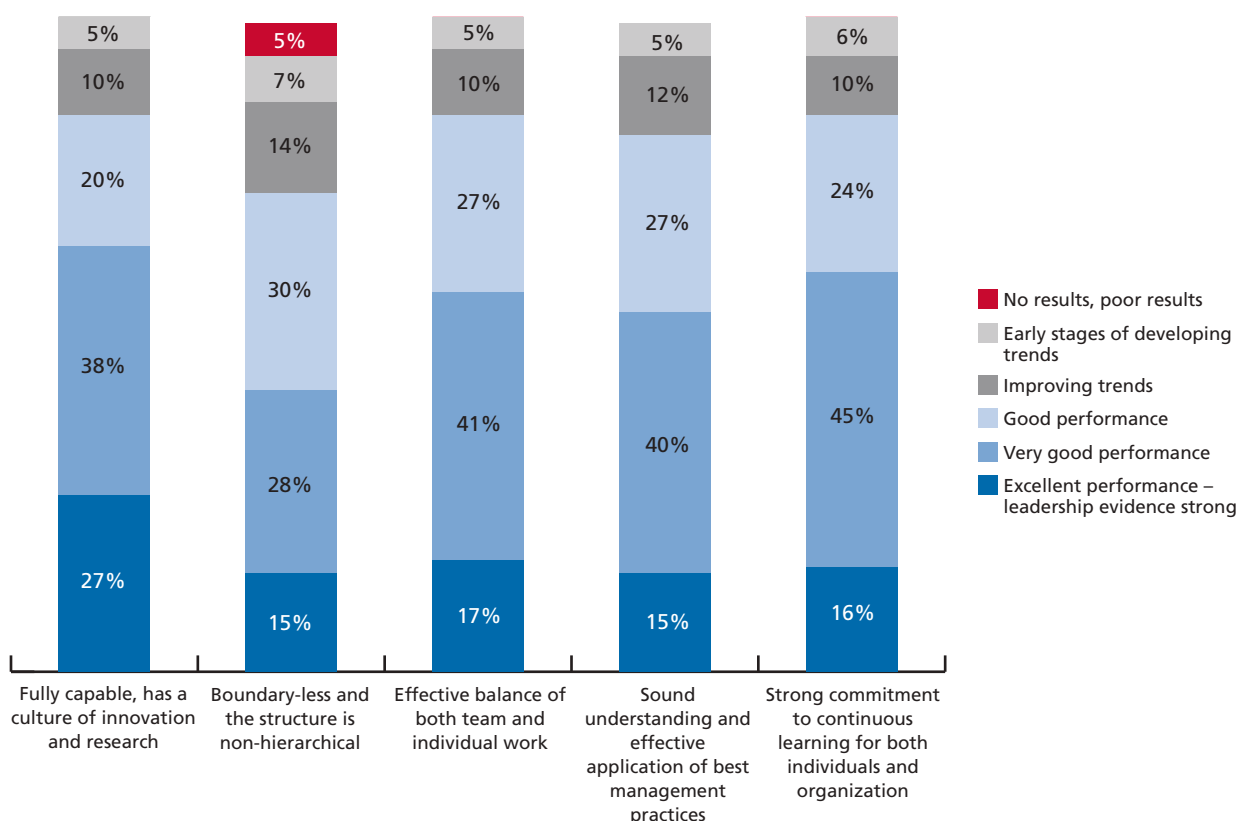
Graph 7.3 Overall organizational capability by type of organization



While the performance of organizations remains on the lower side across attributes defining the parameter, scores are particularly low on the attribute of having boundary-less and non-hierarchical structure. (Graph 7.4)

Only about 43% of the organizations scored between very good/excellent while 5% scored in the bottom box (no results, poor results). (Graph 7.4)

Graph 7.4 Organizational capability – individual dimensions



**In summary:**

- Organizational capability is a strong driver of the overall MCI scores with a weighting of 5%.
- Compared to other parameters, organizations are seen to score less on this parameter with about 59% rated as very good/excellent.
- Performance is moderate across different attributes defining this parameter and particularly low on having a boundary-less and non-hierarchical structure.
- Government agencies scored poorly on this parameter while multinationals and SMEs scored the best.





**D. Shivakumar**

*Managing Director, Nokia India*

Never underestimate the power of small and simple.

We won't be wrong if we call the century gone by and the forthcoming one as ruled by the power of an idea converted into reality.

From the industrial age to the information age – technology and its application has offered businesses and society multiple change tracts and continues to do so. Knowledge, especially tacit knowledge, is an organizational strength. The business world, indeed the world at large, depends entirely on knowledge and its efficient use.

Application of knowledge and technology in the context of business growth hinges a lot on how effectively teams contextualize and use technology without getting overwhelmed by the process or its discovery. Knowledge troops into organizations from multiple sources in numerous formats. The challenge lies not in how to use it or apply technology in a certain context but how to coach, lead and inspire teams to create growth outcomes.

There is no perfect body of knowledge or a technology too perfect, but what we have are simple solutions created from available knowledge, which solve very intense problems. The constant nature of knowledge ensures that we find no idea too simple or small, only the beauty of complex challenges managed by simple, valuable solutions.



## 8. Application of technology and knowledge

“ *A manager is responsible for the application and performance of knowledge* ”

– Peter F. Drucker, management guru

The different dimensions defining this parameter are:

- The organization is able to exploit information technology and is knowledge driven.
- People in the organization understand the impact of technology on an organization and on work itself.
- People in the organization understand the value and application of knowledge in the organization and demonstrate effective knowledge and information management.

Effectively applying technology and being knowledge-driven is a critical driver of overall leadership in an organization and this parameter has a weighting of 5% in driving the overall MCI scores.

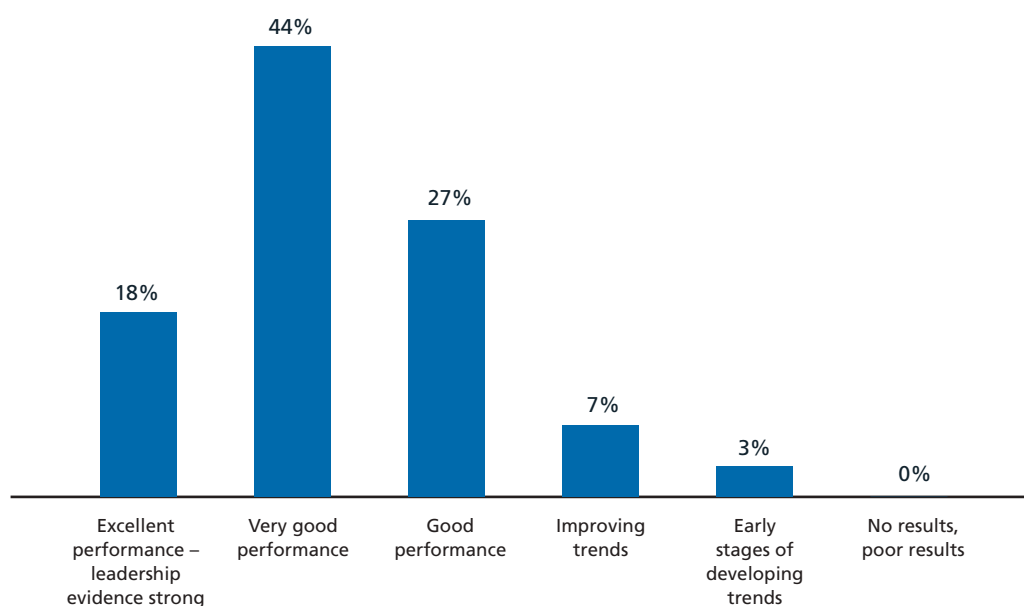
To understand the performance of different types of organizations on applying technology and knowledge, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

Close to two out of three (62%) of the organizations rate themselves very good/excellent on this parameter. (Graph 8.1)

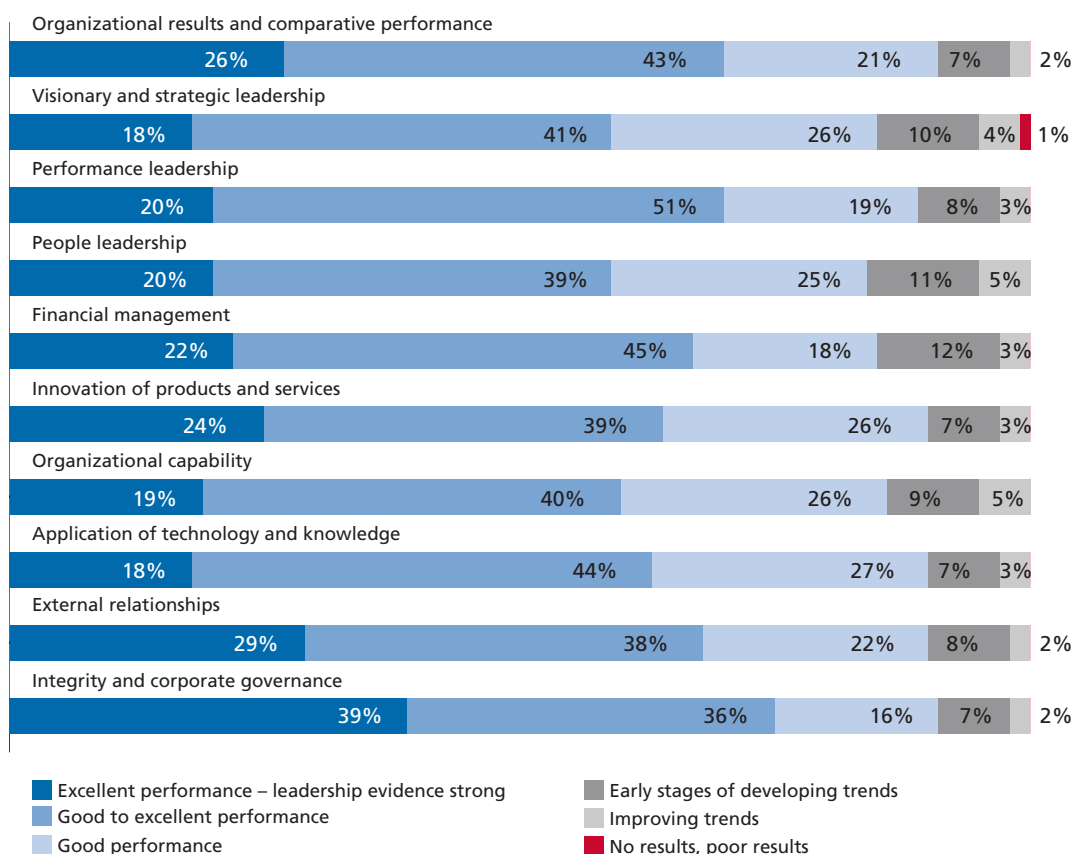
A total of 10% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 8.1)

Graph 8.1 Distribution of overall scores – application of technology and knowledge



When compared to other parameters, performance of organizations on application of technology and knowledge is moderate. A very good/excellent rating of 62% remains behind the performance on high-scoring parameters like integrity and corporate governance (75%) and performance leadership (71%) – but higher than parameters like organizational capability and people leadership (59%). (Graph 8.2)

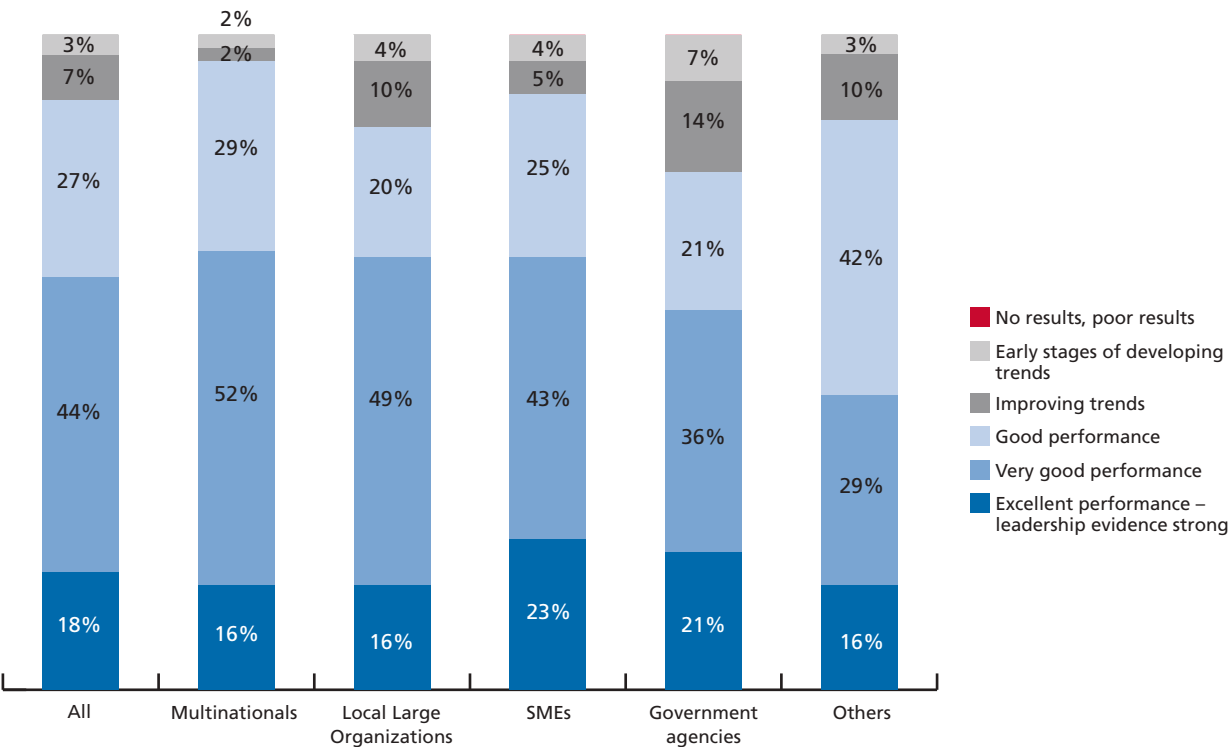
Graph 8.2 Organizational performance rankings



Other organizations are perceived to be among the weakest in terms of applying technology and knowledge. Only 45% of these are rated very good/excellent on this front. (Graph 8.3)

Local Large Organizations and multinationals score the highest in applying technology and knowledge with a very good/excellent score of 65% or more. (Graph 8.3)

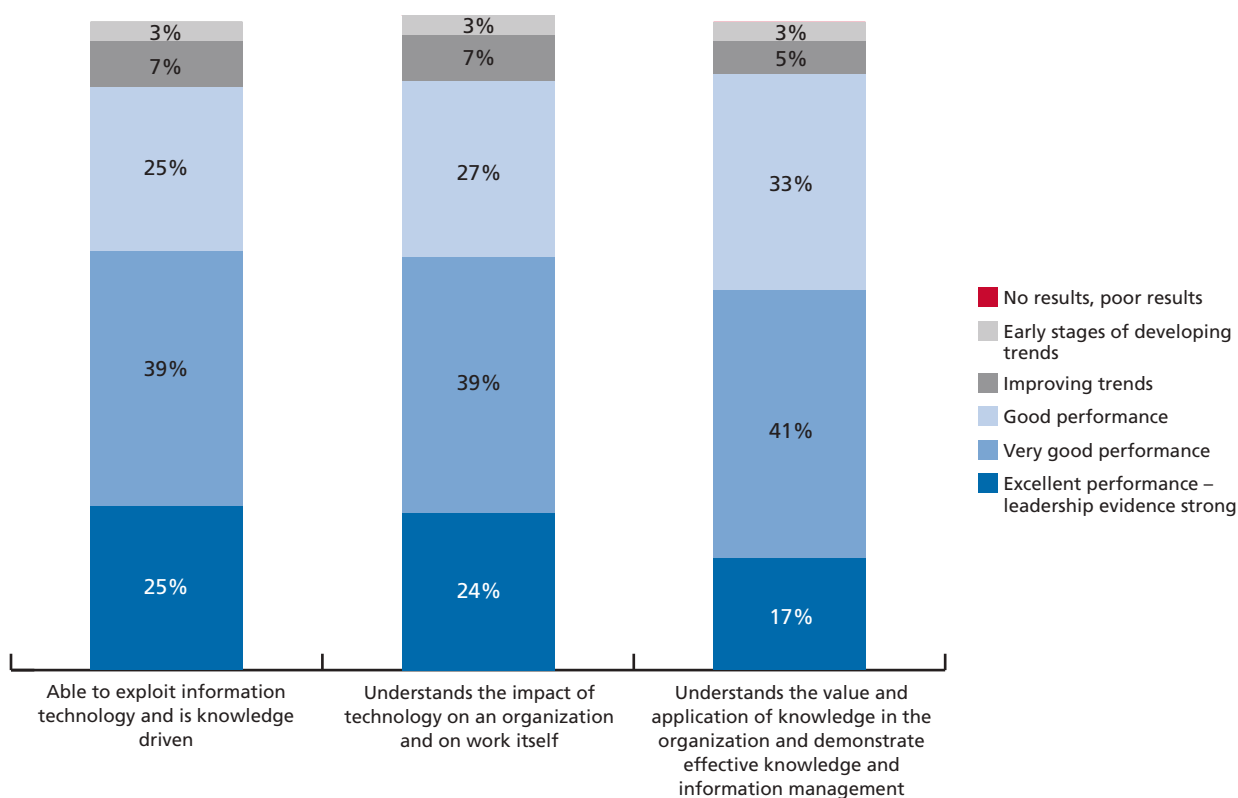
Graph 8.3 Overall application of technology and knowledge by type of organization



There is little difference in performance of organizations across the different attributes defining this parameter. (Graph 8.4)

Organizations perform comparatively worse on effective knowledge management than in utilizing information technology and understanding the impact of technology. (Graph 8.4)

Graph 8.4 Applying technology and knowledge – individual dimensions



#### In summary:

- Application of technology and knowledge is a key driver of the overall MCI scores with a weighting of 5%.
- Compared to other parameters, organizations scored moderately on this parameter with about 63% rated as very good/excellent.
- Performance is moderate across different attributes defining this parameter.
- In general, organizations tend to do worse on knowledge management than in the field of understanding the use of and utilizing technology.
- Other organizations scored poorly on this parameter while LLOs and multinationals scored the best.





**Sanjiv Goenka**  
Vice-Chairman, RPG Enterprises

“The glue that holds all relationships together – including the relationship between; the leader and the led is trust, and trust is based on integrity”

– Brian Tracy, management consultant and coach

As our desi management gurus go on adding hundreds of pages to the Indian version of management writings, there is the disparaging trend to lean totally on management writings in English. The distinct area of neglect is what non-English writers in great business countries such as China, Japan, Korea and Germany are thinking and writing. Indian business is too big and too serious an affair to depend entirely on those who are good in English but bad in business.

The second area of neglect is our total ignorance of business practices in our own country from time immemorial. We hardly know anything about those far-sighted businessmen who met Buddha 2,500 years ago, bought him an expensive garden, and later funded that extraordinary centre of learning – the University of Nalanda – which hopefully will revive soon.

The role of businessmen and their comfortable/uncomfortable relationships with those in princely power can provide a lot of new ideas and make our own CEOs more knowledgeable.

Here in Bengal, I occasionally hear about a businessman (a subarnabanik) who, sitting in his Subarnagram headquarters owned a billion gold coins. Naturally, the love-hate relationship with the king was a cause for tension. He would advance money to the king whenever asked for, but would in turn expect some accountability. The near-bankrupt king invited him to his palace and asked for some advances, when the rich businessman reminded him of NPAs with the king and suggested collaterals which annoyed the king so much that he immediately directed the might of his secret services to ruin this businessman's image and then downgraded his cast from a Vaishya to a Shudra. Those who are interested in corporate anecdotes of ancient India know that the Subarnabaniks of Eastern India, after several centuries, are still bitterly complaining against that vindictive de-grading.

Then there is the story of another Subarnabanik in whom Emperor Aurangzeb became deeply interested, as His Excellency could not believe that there can be a businessman who is also truthful. The meeting of Satyabadi Mallik (the truthful one) and the Emperor in Agra deserves corporate analysis and, perhaps, corporate admiration!

One can easily look at our past and get assurances that scams, lobbying, espionage and eavesdropping are nothing new in this country. These have been a part of our everyday culture for at least 2,500 years!

## 9. External relationships

“ I have always believed that personal relationships are vital in business and that people should be directly accountable for their actions ”

– Richard Branson, chairman and founder of the Virgin Group

Maintaining effective external relationships is a critical driver of overall leadership in an organization and this parameter has a weighting of 5% in driving the overall MCI scores.

The different dimensions defining this parameter are:

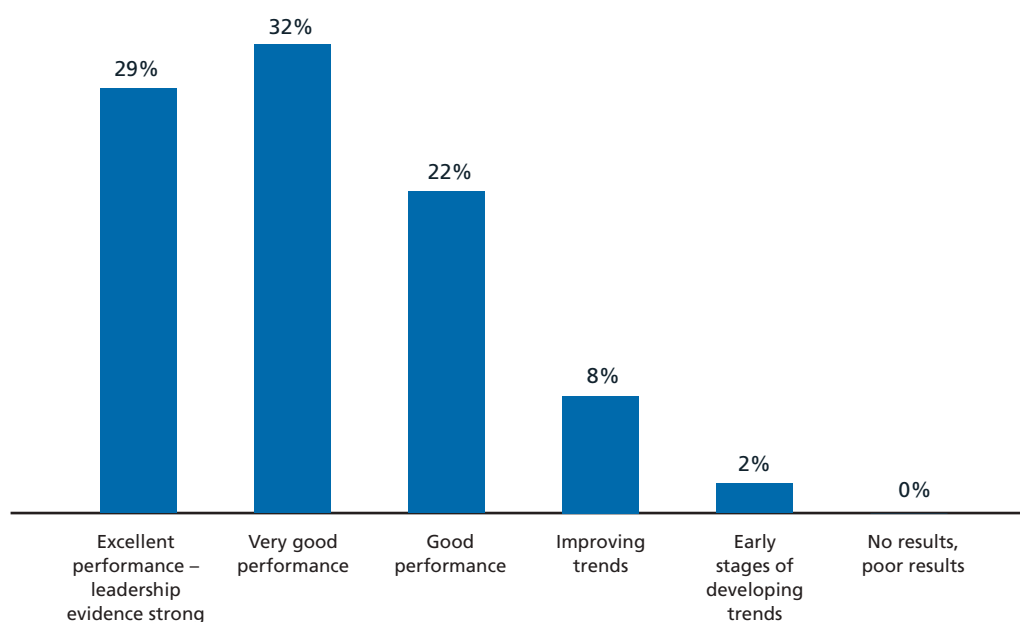
- The organization has developed and maintains effective networks and spheres of influence.
- The organization has a positive external image through the building of effective relationships with all stakeholders, including members, customers and suppliers.
- The organization has a positive external image through the fulfillment of community and social obligations.
- The organization practices corporate social responsibility.

To understand the performance of different types of organizations on providing external relationships, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

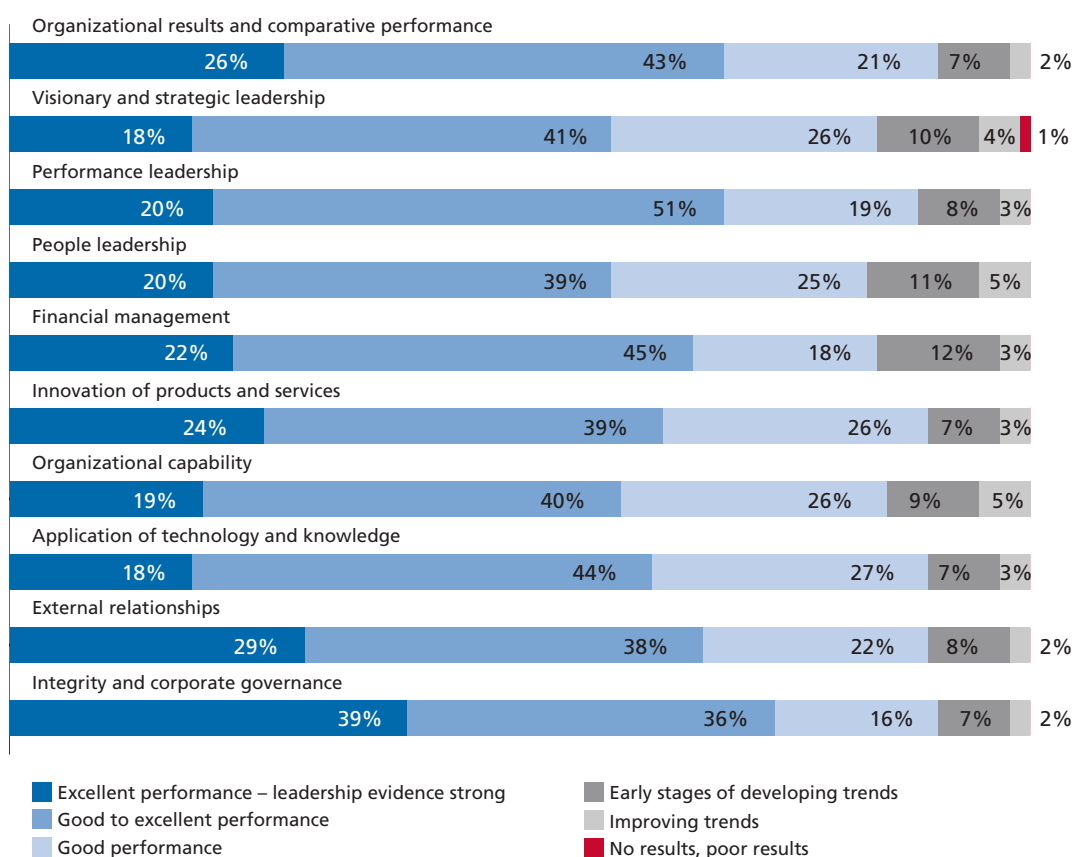
Just under two out of three (61%) of the organizations rate themselves very good/excellent on this parameter. Close to 10% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 9.1)

Graph 9.1 Distribution of overall scores – external relationships



When compared to other parameters, performance of organizations on external relationships is moderate. A very good/excellent rating of 63% remains behind the performance of high-scoring parameters like integrity and corporate governance (75%) and performance leadership (71%) – but higher than parameters like organizational capability and people leadership (59%). (Graph 9.2)

Graph 9.2 Organizational performance rankings

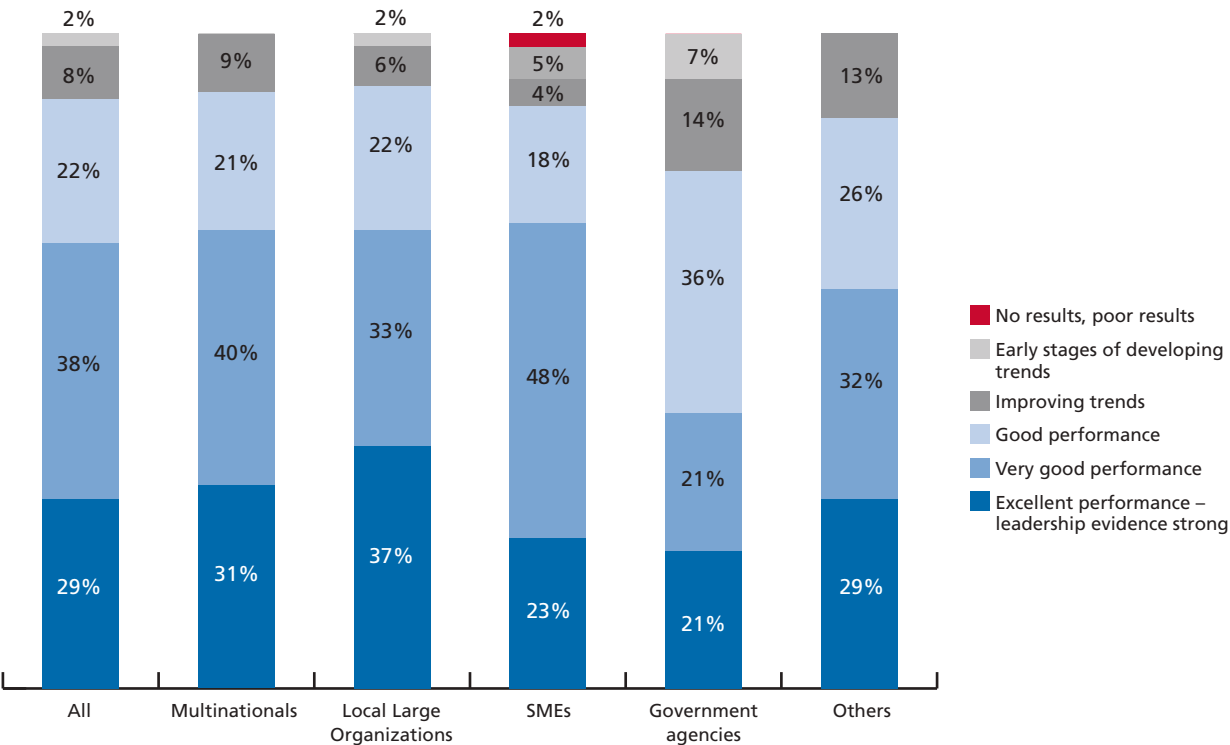




Government agencies are perceived to be among the weakest in terms of maintaining external relationships. Only 42% of the government agencies are rated very good/excellent on this front. (Graph 9.3)

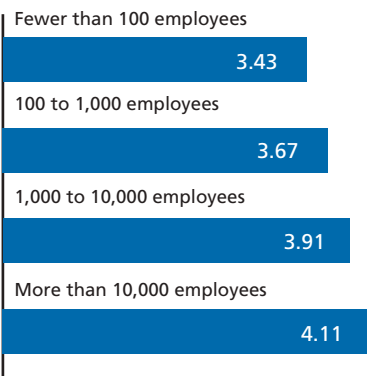
Local Large Organizations and multinationals scored the highest on maintaining good external relationships with a very good/excellent score of about 70%. (Graph 9.3)

Graph 9.3 Overall external relationships by type of organization



In general, performance is better among larger organizations – the average score (on a scale of 0 to 5) progressively declines with number of employees in the organization. Organizations with more than 10,000 employees score an average of 4.11 on this parameter while organizations with fewer than 100 employees score significantly less. (Graph 9.4)

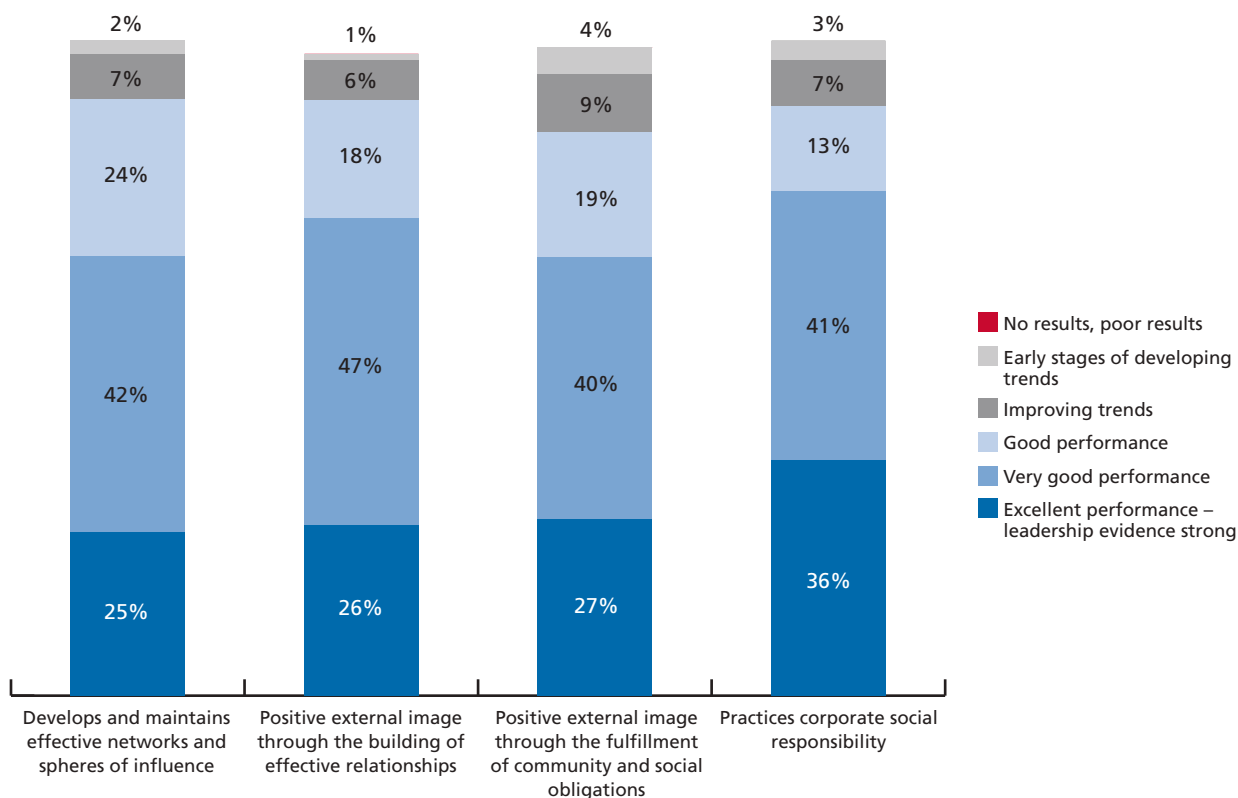
Graph 9.4 Organizational size by external relationships



Other than size of the organization (number of employees), no consistent relationship is observed between scores on external relationships and age of organization or the industry the organization operates in.

There is little difference in performance of organizations across the different attributes defining this parameter. (Graph 9.5)

**Graph 9.5 Maintaining external relationships – individual dimensions**



#### **In summary:**

- Maintaining good external relationships is a critical driver of the overall MCI scores with a weighting of 5%.
- Compared to other parameters, organizations are seen to score moderately on this parameter with about 61% rated as very good/excellent.
- Performance is moderate across different attributes defining this parameter.
- Government agencies score comparatively low on this parameter while LLOs and multinationals score the best.
- Larger organizations tend to do better on this parameter than smaller ones.



“ Good corporate governance is about ‘intellectual honesty’ and not just sticking to rules and regulations, capital flowed towards companies that practiced this type of good governance ”

– Mervyn King, Governor of the Bank of England

## 10. Integrity and corporate governance

Integrity and corporate governance is another aspect of providing able leadership to an organization and this parameter has a weighting of 5% in driving the overall MCI scores.

The different dimensions defining this parameter are:

- The organization and employees understand ethical principles in making decisions on the organization's affairs.
- The organization follows ethical rules and procedures for making decisions on the organization's affairs.
- The organization and employees adhere to legislation, regulations and guidelines in administering its business.
- The organization promotes an established standard of ethical behavior for directors, management and employees based on integrity and a code of proper conduct.
- The organization practices integrity and ethical behavior as being good for long-term business and profitability.

Transparency and trust are business propellers for the long term, something that business leaders need to emphasize to all stakeholders. This approach has gained further relevance in light of some recent developments in the corporate world.

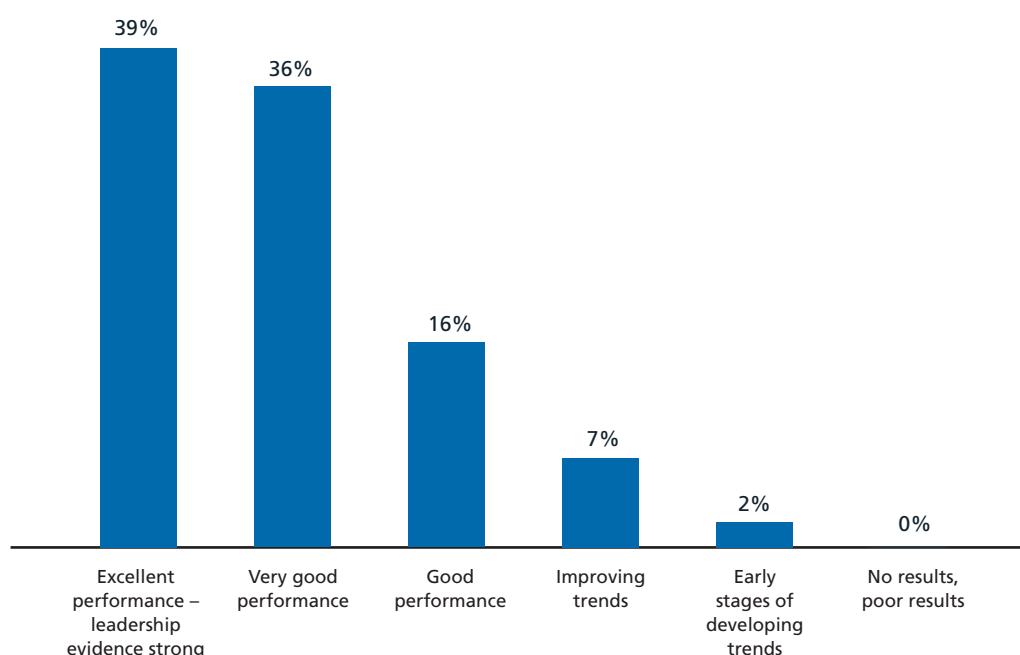
The emphasis on integrity and corporate governance can be sustained by continuous investment in governance training, director education, simplification of fiduciary processes and open evaluation. It is also a process that connects the smallest stakeholder in the society with the largest.

To understand the performance of different types of organizations on displaying integrity and sound corporate governance, the organizations have been rated on the following six-point scale.

Scale	Score	Current position of the organization
5	100	Excellent performance in most areas. Strong evidence of industry leadership in most areas.
4	80	Very good performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
3	60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
2	40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength.
1	20	Early stages of developing trends; many results not reported.
0	0	No results, poor results.

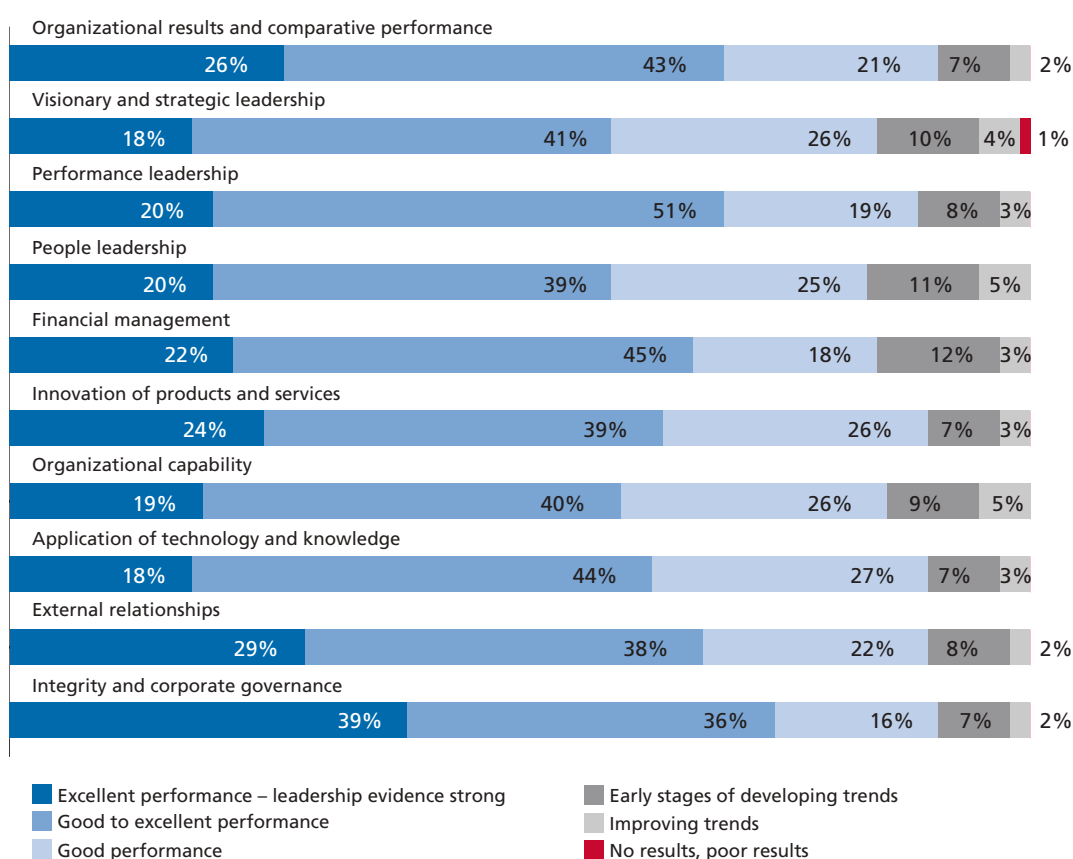
A total of three out of every four organizations (75%) rate themselves very good/excellent on providing integrity and corporate governance. Only about 9% of the organizations rate themselves in the bottom three scale points – that is, improving trends in many areas, early stages of developing trends or no results/poor results. (Graph 10.1)

**Graph 10.1 Distribution of overall scores – integrity and corporate governance**



When compared to other parameters, performance of organizations on providing a leadership with integrity and good corporate governance is among the highest. A very good/excellent rating of 75% remains the highest. (Graph 10.2)

**Graph 10.2 Organizational performance rankings**

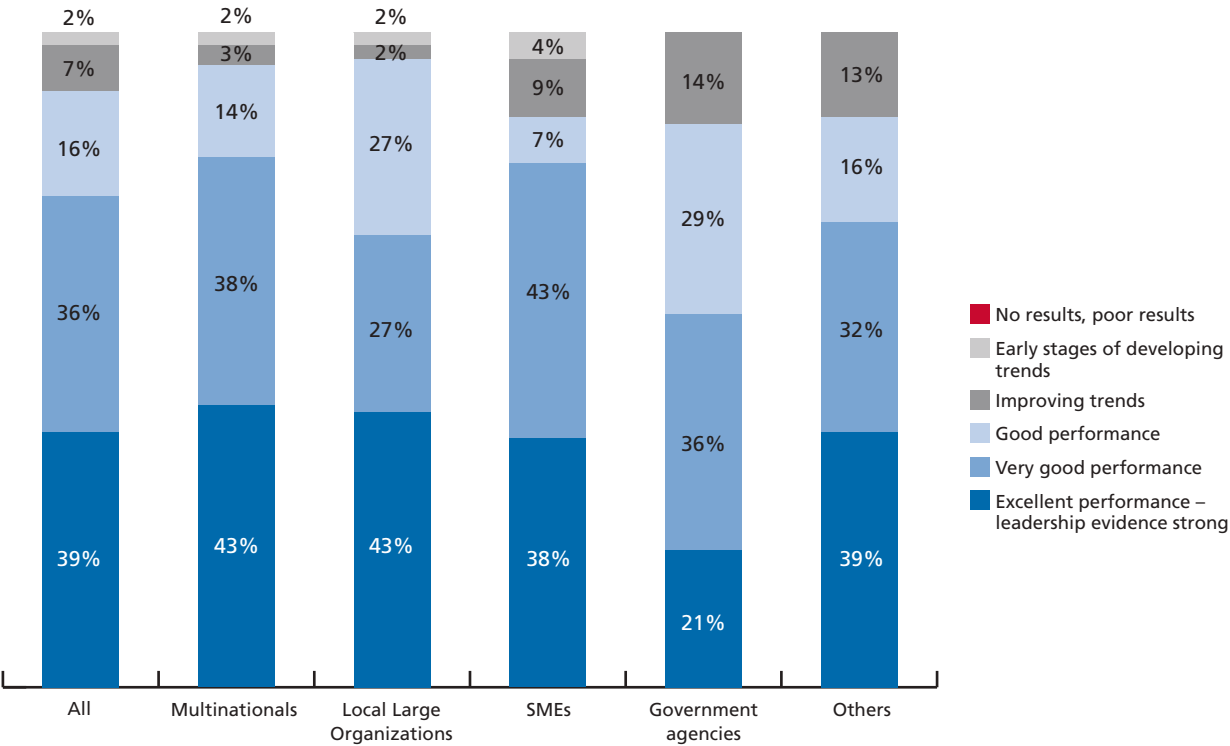


Level of performance remains high across different types of organizations.

Government agencies are rated comparatively lower on integrity and corporate governance – despite close to 57% of these organizations being rated excellent/very good. None of the government agencies are rated in the bottom two boxes (no results/poor results or early stages of developing trends) on this parameter. (Graph 10.3)

Multinationals score the highest on this front with a very good/excellent score of 81%. Local Large Organizations, SMEs and other organizations trail multinationals closely with average scores (on a scale of 0 to 5) of greater than 4 on providing a leadership with integrity and good corporate governance. (Graph 10.3)

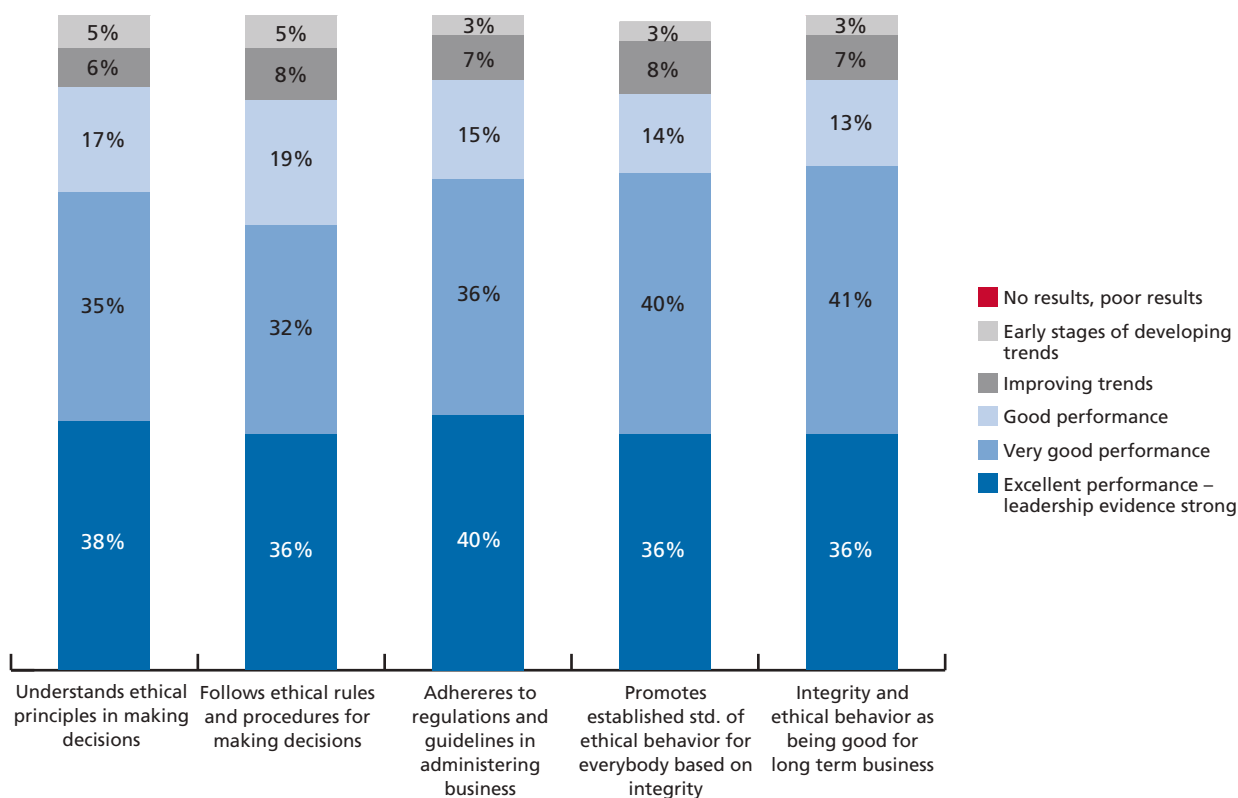
Graph 10.3 Overall integrity and corporate governance



There is no pattern or relationship between ratings of an organization on this parameter and the age, size or industry the organization operates in.

There is little difference in performance of organizations across the different attributes defining this parameter. High average performance is recorded across the different dimensions. (Graph 10.4)

Graph 10.4 Integrity and corporate governance – individual dimensions



**In summary:**

- Providing leadership with integrity and good corporate governance is a significant driver of overall MCI scores with a weighting of 5%.
- Compared to other parameters, organizations scored highly on this parameter with about 75% rated as very good/excellent.
- Performance is good across different attributes defining this parameter.
- While most types of organizations perform well here, government agencies scored comparatively low on this parameter while multinationals scored the highest, followed closely by LLOs, SMEs and other organizations.







# MCI – India: A tool to catalyze growth

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“ I believe that companies are economic organs of society and therefore need to be ultimately evaluated in terms of the value they create for society ”

– Y C Deveshwar, Chairman & CEO, ITC Limited

The recent global recession not only brought businesses and economies to a slowdown, but also inspired some crucial lessons for management and organizations. Leadership teams are tested during tough times, and a prescriptive approach to management needs rewiring in changing contexts.

Organizational systems and capabilities tend to evolve over time along with management capabilities and collective potential within a firm. While some of these capabilities rest on individuals, where systems and processes are meticulously built in the organizations, capability building at the firm level is substantial.

In a standard framework, management capability development parameters are:

- Educational qualifications
- Experience
- Training and continuous development
- Learning paths and opportunities for cross-skilling
- The management environment

Management capability is indicated in terms of management knowledge, skills and aptitudes.

Application of capability to practice management is showcased in:

- Human resource management and high-level work practices
- Quality processes
- Research and development
- Market promotion

Business activity and outcome are indicated by:

- Spend on innovation
- Patenting activity
- Customer and employee satisfaction
- Productivity
- Profitability
- Shareholder value

These concepts are based on the work of Penny Tamkin, Jill Hillage and Rebecca Willison from The Institute for Employment Studies.

Traditionally, management capability has been measured within a framework of the following integrated variables, which are directly related to organizational and individual outcomes:

#### Management capability framework

**Relevant:** Throw at least some light on management capability.

**Repetitive:** For trends to be tracked, the data needs to be collected on a regular basis.

**Comprehensive:** Refer to or be representative of managers.

**Compatible:** In terms of coverage and dates in order to comfortably alongside other sources in a single framework.

**Cost-effective:** Readily available from existing data sources.

*(Source: Indicators of Management Capability: Developing a Framework – Penny Tamkin, Jim Hillage and Rebecca Willison, The Institute for Employment Studies) and*

Organizations are microcosms of economic growth and provide emerging economies like India with an adequate pool of competitive advantage. The ability of an enterprise to sustain value creation is significantly reliant upon its ability to continuously improve competitive capability – both at an individual and an organizational level. Organizational ability to perform is directly correlated with its relationship to the external macro environment.

It has been universally acknowledged that the long-term economic growth agenda for India includes an 8–10% growth rate. Michael Porter, professor at Harvard Business School and an authority on competition and company strategy, assigned equal significance to both macroeconomic and microeconomic factors in creating conditions for improved productivity and competitiveness in the Global Competitiveness Report 2002-2003. It is in this very setup that measurement of leadership's value addition to an organization and that of an organization to an economy becomes relevant. Therefore, an exercise like the creation of a Management Capability Index becomes an effort directly related to the task of nation building, one organization at a time.

# Conclusions and the way forward

There are significant takeaways for all organizations from the results of the MCI – India. An assessment reveals clear focus areas that need attention and development to improve management capability in order to achieve continuous and consistent business growth.

The overall MCI – India rating for 2010 is 74.6%. This suggests Indian management is performing at just under three-fourths of its potential 100% capability and has considerable opportunity for improvement.



If we map performance of different organizations vis-a-vis their criticality, the Indian corporate sector is strongest in integrity and corporate governance where the results are up to 81% (80.8%).

Indian organizations are also good at the more tangible, performance-oriented parameters like:

- Organization results and comparative performance
- Performance leadership

In comparison, the Indian corporate sector is comparatively weaker on the softer and the more intangible aspects of management and leadership like:

- Visionary and strategic leadership
- People leadership
- Organizational capability

Of these, visionary/strategic leadership and performance leadership emerge as critical areas for immediate attention given their greater importance in driving overall management capability perceptions.

### **Visionary and strategic leadership**

In general, organizations do better in terms of setting the right vision and strategies, but perform less well on driving the organization towards achieving them.

This weakness is particularly pronounced in government agencies while multinationals are perceived to be the strongest on this front.

### **People leadership**

The Indian corporate sector scores lower across the dimensions of having an integrated HR plan and having a people-focused organizational culture.

Government agencies score particularly low on this parameter while SMEs score the highest, ahead of Local Large Organizations and multinationals.

In the immediate term, Indian organizations would need to strengthen their visionary and strategic leadership and people leadership. Focus is also needed in organizational capabilities and application of technology and knowledge.

Besides implementing programs in the above areas, Indian organizations will also need to keep in mind the need for continuous programs in the other six areas of the MCI in order to maintain their performance in those areas as well. While attention to and focus upon the weak areas are required, organizations cannot afford to neglect any of the other areas that make up the overall management capability index.

There are significant differences by types of organizations in terms of their performance on the different parameters.

Performance of different types of organizations on the parameters defining MCI is portrayed as follows:

<b>Category</b>	<b>2010 Overall MCI</b>	<b>Local Large Organizations (LLO)</b>	<b>Multinational Corporations (MNC)</b>	<b>Small &amp; Medium Enterprise (SME)</b>	<b>Government Agencies</b>	<b>Others</b>
Organization results and comparative performance	76.7	78.8	79.3	74.3	72.9	74.8
Visionary and strategic leadership	71.3	70.6	76.6	70.7	55.7	70.3
Performance leadership	75.4	76.7	76.6	75.7	65.7	74.8
People leadership	71.8	71.4	71.7	76.1	57.1	71.6
Financial management	74.1	75.1	78.3	72.1	67.1	71.6
Innovation of products and services	74.5	76.3	79.3	73.2	64.3	69.7
Organization capability	72.0	71.0	73.8	73.6	68.6	69.0
Application of technology and knowledge	73.5	72.7	75.5	75.4	70.0	69.0
External relationships	76.5	79.2	78.6	75.0	67.1	75.5
Integrity and corporate governance	80.8	81.2	83.4	80.4	72.9	79.4
MCI	74.6	75.3	77.3	74.6	66.1	72.6

## **Multinationals**

Multinationals are performing at 77.3% of their potential 100% capability, which suggests that the criteria are being practiced across most of the organizations with further room for improvement.

Multinationals surpass the MCI – India in the comparison of all categories, except for people leadership (variance of -0.1). It has strongest performance in visionary and strategic leadership (variance of 5.3) and innovation of products and services (variance of 4.8).

## **Local Large Organizations (LLOs)**

The LLOs are performing at 75% of their total potential, which suggests that while the criteria are being practiced across most of the organizations, there is room for further improvement.

The LLO group is the strongest (when compared across different organizations) on performance leadership and maintaining external relationships. LLOs are relatively weaker on organizational capability.

## **Small and Medium Enterprises (SMEs)**

SMEs and government agencies are performing at below 75% of their potential 100% capability.

This group has a strong performance in people leadership (variance of 4.3) and is relatively weaker on organization results and comparative performance (variance of -2.4).

## **Government agencies**

Government agencies recorded lower overall assessment in all the categories comparison with the widest disparities in all categories (variance of -3.4 to -15.6). One of the key trends throughout the MCI – India is the fact that government organizations and Public Sector Units (PSUs) have fallen short on most key parameters including visionary leadership, financial management and innovation.

Other than type of ownership of the different organizations, some of the other differences that emerged are:

- Larger organizations tend to perform better on MCI scores due to superior performance on performance leadership, financial management and maintaining external relationships.
- On the other hand, newer organizations tend to do better on application of technology and knowledge management.

**SME focus:** The small and medium enterprises have shown a lot of promise and performance in the MCI – India. However, they need to be adequately supported in order to enhance their competitiveness and management capability. Most SMEs score high on innovation and integrity but lack strength in financial performance and application of technology.

**Financial management:** Financial literacy, access to financial systems and reporting compliance are three areas where all organizations, except multinationals, need support and regulatory intervention.

**Value-driven management:** Organizations with a conscious view of the social and national implications of their performance have a greater need to be transparent, innovative and competitive. An organization as a unit of national development that is equally reciprocated by the external environment in a bid to enhance performance will encourage business leaders to invest in developing management capability.

**Vision and leadership:** An enhanced focus on long-term organizational vision and leadership may help corporate India strengthen its MCI scores and also realize its potential. Most organizations did not display a long-term strategic vision or business leadership, especially in the government and SME sectors. It is also a function of investment in the development of capability and overall transparency in business strategy and goals.

**People leadership:** One of the most acute and real challenges faced by growing businesses and organizations, people leadership leaves scope for improvement in managing an organization's best assets. Although some companies like HCL Technologies and Infosys have taken a leap in putting people first, most organizations still place people as resources and not as their most valuable business assets. A major change in paradigm for people leadership is essential for organizations to lead in the changing environment.



Based on the overall scores and keeping emerging trends in mind, businesses and organizations in India showcase a high degree of upward growth and positive sentiment. This is marked by a very high degree of buy-in in adopting best practices and improving efficacy of businesses. Conversations with business leaders show a high level of self-awareness, reflection and commitment to make the change. A synthesis of key indicators combined with resolution of systemic problems has the potential to help companies improve their management capability and enhance their national competitiveness.

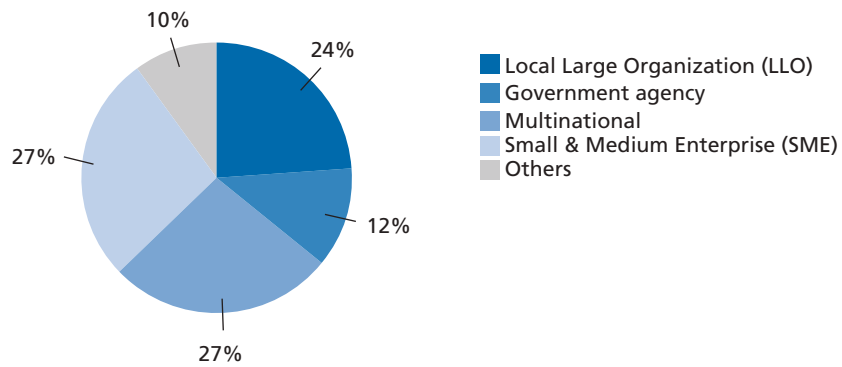




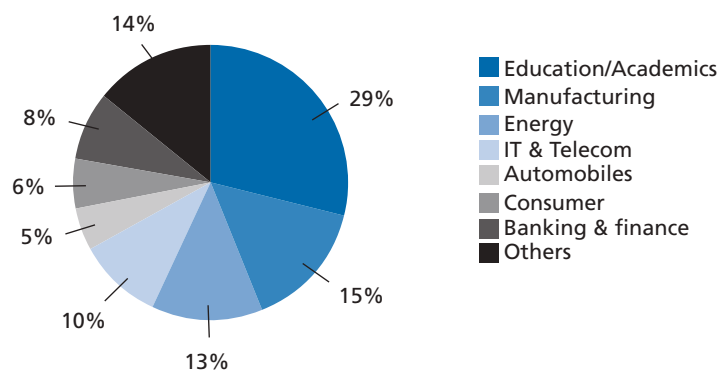
# Appendix

## MCI survey participant profile

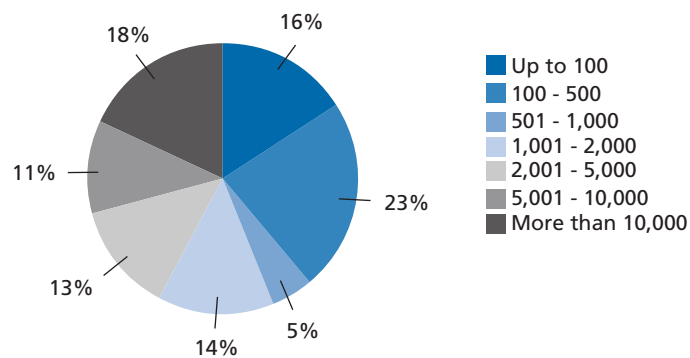
### Type of organization



### Industry



### Number of employees





# About

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## AIMA

AIMA, or All India Management Association, is an apex body of professional management that was established in 1957. Over the past five decades, AIMA has been at the forefront of developing new management thought in India, both at the academic and at the institutional level. AIMA along with its 60 affiliated Local Management Associations enjoys the patronage of 3,000 institutional members and over 30,000 individual members. A pioneer in the field of distance education, AIMA also offers ISO certified testing and allied services to corporations, institutions and students. Events organized by AIMA provide a platform for the management fraternity to share knowledge and best management practices from across the globe.

## MERCER

Mercer is a leading global provider of consulting, outsourcing and investment services, with more than 25,000 clients worldwide. Mercer consultants help clients design and manage health, retirement and other benefits and optimize human capital. The firm also provides customized administration, technology and total benefit outsourcing solutions. Mercer's investment services include global leadership in investment consulting and multimanager investment management.

Mercer's global network of more than 20,000 employees, based in over 40 countries, helps ensure integrated, worldwide solutions. Our consultants work with clients to develop solutions that address global and country-specific challenges and opportunities. Mercer is experienced in assisting both major and growing, midsize companies.

The company is a wholly owned subsidiary of Marsh & McLennan Companies, which lists its stock (ticker symbol: MMC) on the New York, Chicago and London stock exchanges.

## AAMO

AAMO is an independent, nonpolitical and not-for-profit Association of National Management Organizations of 15 countries in the Asia-Pacific region, including India, which promotes, facilitates and supports the development of professional management. The current 15 members of AAMO include Australia, Hong Kong, India, Japan, Macau, Malaysia, Mauritius, Nepal, New Zealand, Pakistan, the Philippines, Qatar, Singapore, Sri Lanka and Taiwan. AAMO has launched the MCI study in New Zealand and Malaysia and intends to replicate the research in all affiliated countries this year. These results will then be calibrated and compiled to provide a regional view of the prevalent management practices while creating a platform for sharing management best practices.

*AIMA and Mercer, as partners for the India survey, endeavor to institutionalize the Management Capability Index research in India as an annual benchmarking research, to provide credible insight into the management practices of Indian companies and how they fare when benchmarked against these indices in the rest of the Asia Pacific region.*



For further information on AIMA,  
please contact:

**[www.aima-ind.org](http://www.aima-ind.org)**

For further information, please  
contact your local Mercer office:

Mercer Consulting (India) Pvt Ltd  
Unit - I, 7th Floor, Tower A  
DLF Infinity Towers, DLF Cyber City  
Gurgaon – 122002, India

or visit our website at:  
**[www.mercer.co.in](http://www.mercer.co.in)**

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please contact:

**[www.aamo.net](http://www.aamo.net)**