



Management Capability Index India 2014

Executive Summary

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About Management Capability Index

The Management Capability Index India 2014 is AIMA's third such initiative, and is the maiden collaboration of AIMA with KPMG in India. MCI survey is used to measure and evaluate management capability across industries and sectors. The survey report aims to provide a platform for measuring the progressive capability of management in today's complex, dynamic external environment.

Management capability is typically demonstrated through business performance and is usually considered to be the result of management leadership and competence in key management practises. We have, after research and analysis, identified 10 major drivers of management capability that have been used to create the index given below.

MCI can help establish a baseline for monitoring management capability performance over a period of time, and provide important insights into the current management capability of organisations across India. The findings of our report can help organisations benchmark their management practises and

effectiveness against similar businesses. This report not only discusses the potential indicators of growth in organisations but also appraises the opportunities for further development.

Survey respondents were asked to rate the questions for all given dimensions on a 6-point likert scale ranging from 0 to 5. The combined average rating given by the respondents for each dimension was converted into a score out of 100 for the dimension. This score out of 100 is provided in the executive summary and key findings sections. The dimension analysis is collated on the average of responses on the 6-point likert scale, ranging from 0 to 5.

The evaluation of management performance on individual dimensions has been converted into an index by calculating and averaging the survey responses with prescribed weightages which reflect the relative importance of the 10 dimensions.

Scale

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

Defining the Dimensions of MCI

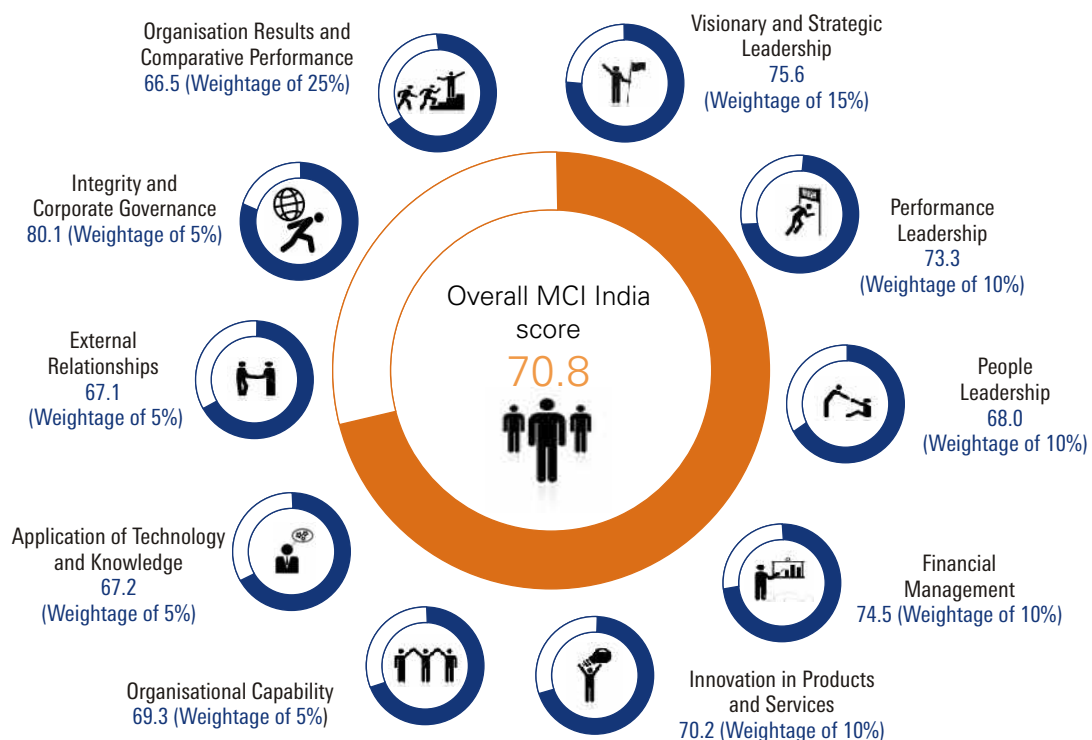
Dimension	Definition
Visionary and Strategic Leadership	Articulates a clear and inspiring vision for the organisation and team, and identifies the best ways to move towards the organisation's vision, mission, objectives and goals while at the same time taking into account the needs of all stakeholders. Demonstrates a global perspective and understanding of global markets and global thinking.
Performance Leadership	Ensures an achievement oriented organisation and team that is able to manage risks and constant changes, while consistently striving for performance excellence and continuous improvement.
People Leadership	Makes human resource planning, talent management and development an integral part of the organisation. Maintains an open structure that encourages growth and empowerment of its people.
Financial Management	Practices sound and effective financial management of the organisation. Leads and manages the organisation to consistent performance improvements and profitable growth.
Innovation in Products and Services	Encourages continuous innovation in products and services for creating new value for the organisation.
Organisation Capability	Builds a culture of innovation and research with emphasis on continual improvement and learning both for the individual and organisation. Maintains a 'boundary-less' organisation with effective application of best management practices to achieve organisational goals and objectives.
Application of Technology and Knowledge	Brings about a knowledge-driven organisation that understands and leverages information technology and knowledge management to improve performance of the organisation.
External Relationships	Builds effective relationships with all stakeholders and develops and maintains networks and spheres of influence.
Integrity and Corporate Governance	Consistently adheres to ethical principles having set specific rules and procedures for making decisions on organisation's affairs. Has an established standard of ethical behavior for directors and stakeholders based on trustworthiness and values that are accepted or upheld. Adheres to legislation, regulations and guidelines in administering the business of the organisation.
Organisation Results and Comparative Performance	Measures and monitors business performance and goals as the key performance indicators and scorecard of the organisation. Recognizes that performance results are the most important measures of management capability.

Executive summary

We received an overwhelming response from over 500 respondents, spanning both senior and mid management levels. Out of these, 302 responses from senior management were considered for the survey analysis.



Figure 1: Management Capability Index India 2014



Top areas of strength		
4.2	Integrity and Corporate Governance	Management and employees ensure that ethical principles are followed in making decisions on the organisation's affairs
4.2	Integrity and Corporate Governance	Management promotes an established standard of ethical behavior for the Board, management and employees based on integrity and a code of proper conduct
4.0	Visionary and Strategic Leadership	Organisation strategies, objectives and plans are targeted at the growth of the business and realizing key stakeholder interests

Top areas of concern		
2.6	External Relationships	Organisation conducts environment and social audit. (Accounting of social and environmental costs and impacts of economic success)
3.1	Application of Technology and Knowledge	Knowledge within the organisation is well organized and there are strong systems to support its access
3.2	People Leadership	There is a clear focus on leadership development and succession planning
3.2	Organisation Results and Comparative Performance	EVA (Economic Value Added) performance over the past five years

■ Indicates score on individual questions under dimensions

Key findings

Overview by organisation type

Foreign multinationals seem to have adapted and evolved faster as compared to other types of organisations to the changing environment. Effective leadership complemented with organisational capabilities has likely helped foreign multinationals surpass the MCI India 2014 in all categories.

Leaders from Indian multinationals also seem to be striving hard to match pace with the industry benchmarks.

Survey findings suggest that government establishments have a relatively larger scope for improvement with a score of 64 per cent. They are observed to be lagging behind in majority of categories, except for Integrity and Corporate Governance. SMEs have scope for development in Financial Management Systems, External Relationships, and Application of Technology and Knowledge.

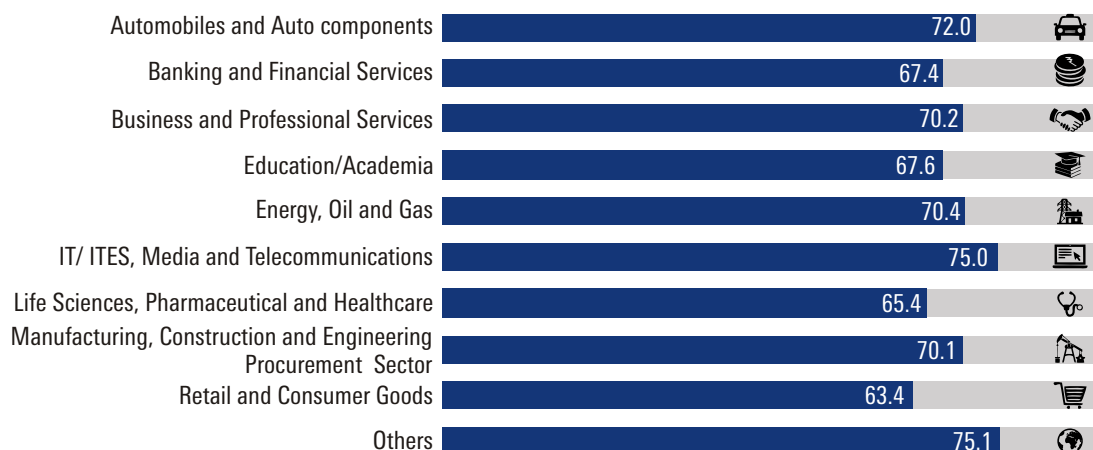
Figure 2: Score by organisation type



Overview by industry type

The boom in the Indian IT industry seems to be in sync with the survey responses with leaders from the IT/ ITES, and media and telecommunications industries rating their organisations the highest, with a score of 75 per cent. This is attributed to the organisations' relative strength in the dimensions of Vision and Strategy, People Leadership, Financial Management and Innovation in Products and Services. Retail and consumer goods, life sciences/pharmaceutical and healthcare industry, with a score of 63 per cent and 65 per cent respectively, have scope for further improvement by emulating relevant and leading industry practises.

Figure 3: Score by industry type



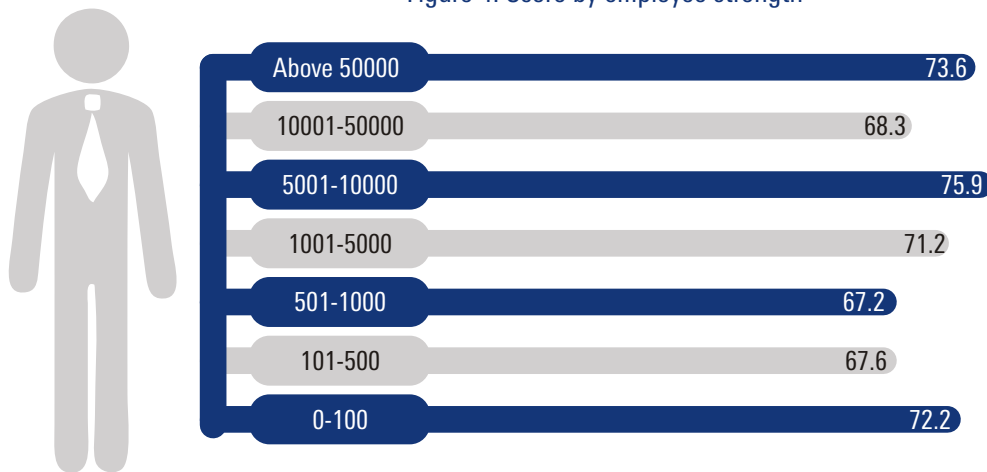
Key findings

Overview by employee strength

Leaders from organisations with medium employee strength (1001 -10000) have rated their organisations relatively well, with scores in the range of 70 per cent to 76 per cent.

Survey findings suggest that leaders from large employee base organisations i.e., with an employee strength of more than 50000, are also of the view that their respective organisations are equally faring well with a score of around 74 per cent. Higher scores of these organisations can be attributed to the relatively high maturity levels of organisation systems and process along with robust guidelines, as compared to smaller organisations.

Figure 4: Score by employee strength

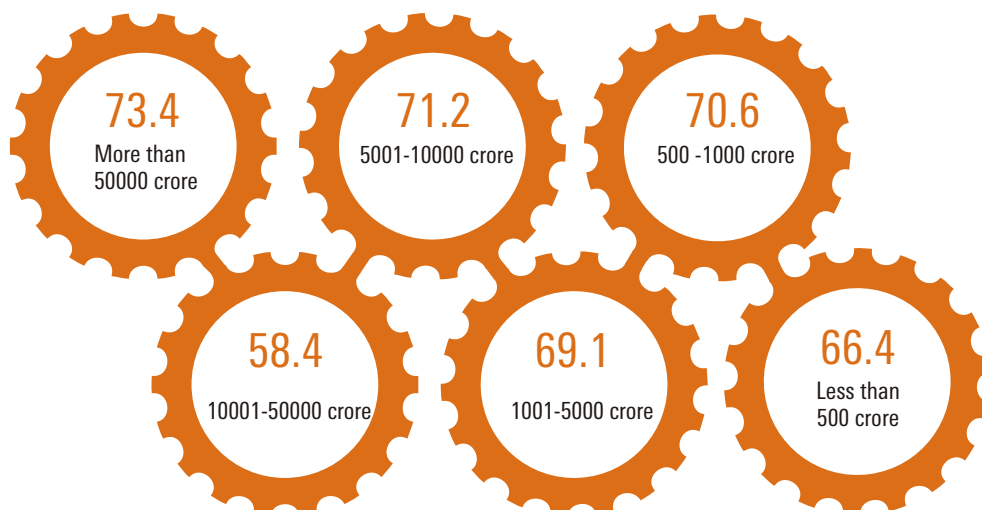


Overview by revenue cap

Organisations with the largest revenue cap i.e. more than 50000 crore are observed to perform relatively better as compared to organisations in other revenue cap segments. The relatively higher score of these organisations could be attributed to well defined structured processes.

It is interesting to observe that leaders of organisations in the mid-large revenue cap segment (10001 to 50000 crore) believe that their organisations have a huge scope for improvement as they are currently performing at less than 60 per cent of their potential.

Figure 5: Score by revenue cap



(in INR crore, where 1 crore = 10 million)

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