KPMG

AIMA
ALL INDIA MANAGEMENT ASSOCIATION

Management Capability Development Index India 2018 report

Foreword by AIMA

With a vision to contribute towards nation building in India through its talent and its management capability, I am pleased to bring to you the 2018 edition of the AIMA KPMG Management Capability Development Index India Report.

Management capabilities have been instrumental in transforming lives. Revolutions in human civilizations have, while being fueled by innovative ideas, fostered on account of strong and visionary management thinking and capabilities. On this account, it is imperative that we understand what organizations in India, in different stages of growth, think about their own management capabilities – which are the dimensions they view as needing urgent attention and which as a strength already.

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

This year the survey saw participation across sizes (budding, rising and leading) and sectors,

with high contributions from manufacturing, BFSI (banking and financial services) and TMT (Technology, Media and Telecommunication) sectors and sizable participation from, and not limited to, education and training, professional/technical/scientific services, retail trade, construction, healthcare, mining and logistics.

Over 500 participant responses have revealed that Indian orgnaisations in 2018 believe a) integrity, trust and corporate governance, b) external relationships and c) focus on getting results are established strengths. This reflects the growing focus on governance, network organizations and sustainable results. On the other hand, the Indian organisations also believe that a) people leadership and self development and b) organisational capability are most urgent new focus areas – throwing the mantle once again on the people side of business.

The report is aimed at helping organisations benchmark their management practices against the overall Indian business scenario as well as against businesses that are similar in nature. We hope the 2018 report gives you an opportunity to take a close look at your current performance, identify the areas of improvement, get potential indicators for growth and gain credible insights for making a positive impact to your business practices.

TV Mohandas Pai

President, AIMA
& **Chairperson,** Manipal
Global Education Services
Pvt Ltd

Foreword by KPMG in India

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

The Management Capability Development Index (MCDI) is a measure of how leaders and managers in organisations perceive their management capabilities – helping companies gauge the effectiveness and growth of their business performance. The measure helps companies benchmark their management practices against those of their competitors and similar organisations. This year, we have received an overwhelming response from 511 participants across India.

Today, India is one of the fastest growing talent markets in the world, where organisations need to build management capabilities across regions, business units, and functions at every level. But challenges rear their ugly head when delivering high quality and consistent development, scaling it, and delivering it in the requisite time frame. Organisations are finding that even employees starting out in their careers need to be equipped to think strategically, to make effective decisions, and to inspire and influence those working in their teams and around them. Organisations that are adept at thriving in a dynamic environment are better positioned to excel and reduce the gap between growing industry needs and internal capabilities.

The findings of the 2018 edition of the report highlight distinct gaps between the thinking of organisations at different stages of growth.

Organisations with annual revenues ranging between INR100 crore and INR4000 crore highlighted urgent need for people leadership and self development while those with annual revenues ranging between INR4000 crore to INR14000 crore considered organisational capability the most urgent need. However, larger organisations with annual revenues ranging between INR14000 crore and INR60000 crore rated innovation and adaptability the most urgent.

Today, management capability assumes an imperative role, where organisations have become better equipped with driving business results and improving capability at different levels. Management capability is growing in all spheres and professionals are being increasingly recognised for their business acumen and skills for identifying, creating and sustaining competitive advantage. Management capability development can help organisations achieve their strategic goals at different stage as per the business value chain, and help ready their talent to lead through the changes and challenges ahead.

The report examines in detail, the 10 pillars of management capability and attempts to highlight the level of maturity of companies across these key dimensions.

We would like to thank all the senior leaders and various critical stakeholders who spared their valuable time, shared their inputs and helped us in making this initiative a success. We hope you find the content of this report insightful and helpful in carving out your organisational capabilities.

Vishalli Dongrie

Partner and Head
People & Change Advisory
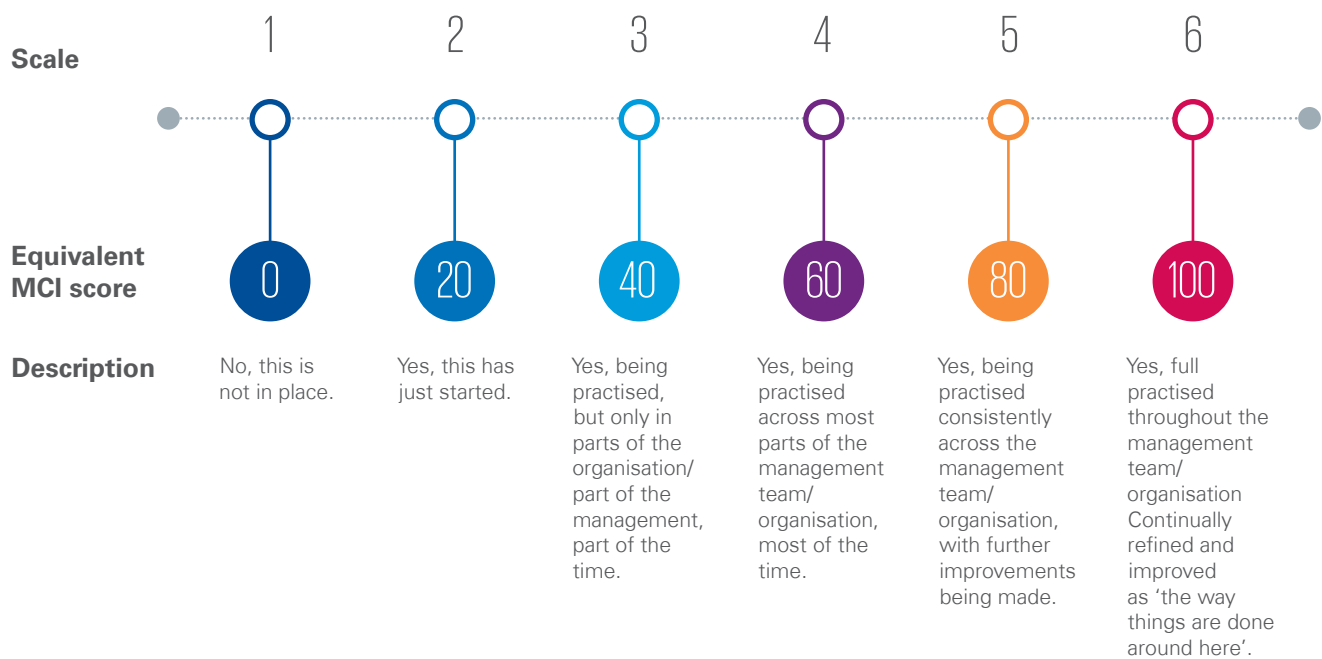KPMG in India

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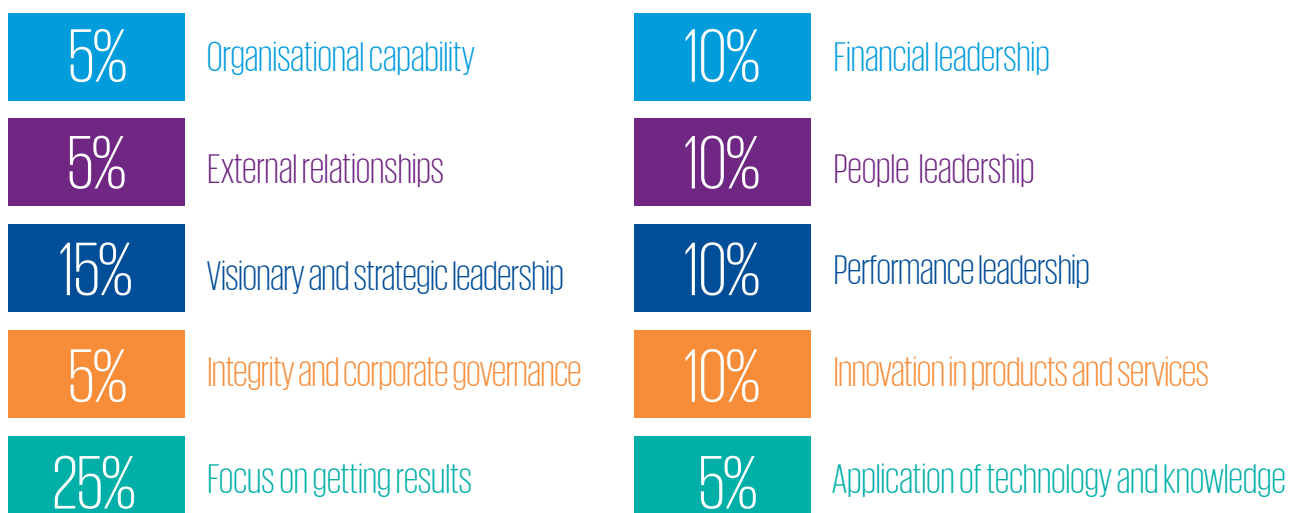# About Management Capability Development Index survey

The AIMA-KPMG Management Capability Development Index (MCDI) survey focusses on 10 dimensions of management capability to measure perspectives from CEOs, CXOs and senior leadership. Participants reflect on how advanced their organisations are with respect to the specific dimensions or how much of catching up they need to do. The survey captures both the relative weightage and urgency of these dimensions. In addition,

each of these 10 dimensions has sub-elements for participants to reflect on. In the concluding section, the survey also captures participants' comfort with the internal and external training ecosystems available to foster improvement in management capabilities.

The scale to understand participant perspective is captured below:

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

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

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

Definitions of management capability dimensions

Organisational capability

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

External relationships

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

Visionary and strategic leadership

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

Integrity and corporate governance

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

Focus on getting results

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

Financial leadership

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

People leadership and (self) development

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

Performance leadership

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

Innovation in products and services

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

Application of technology and knowledge

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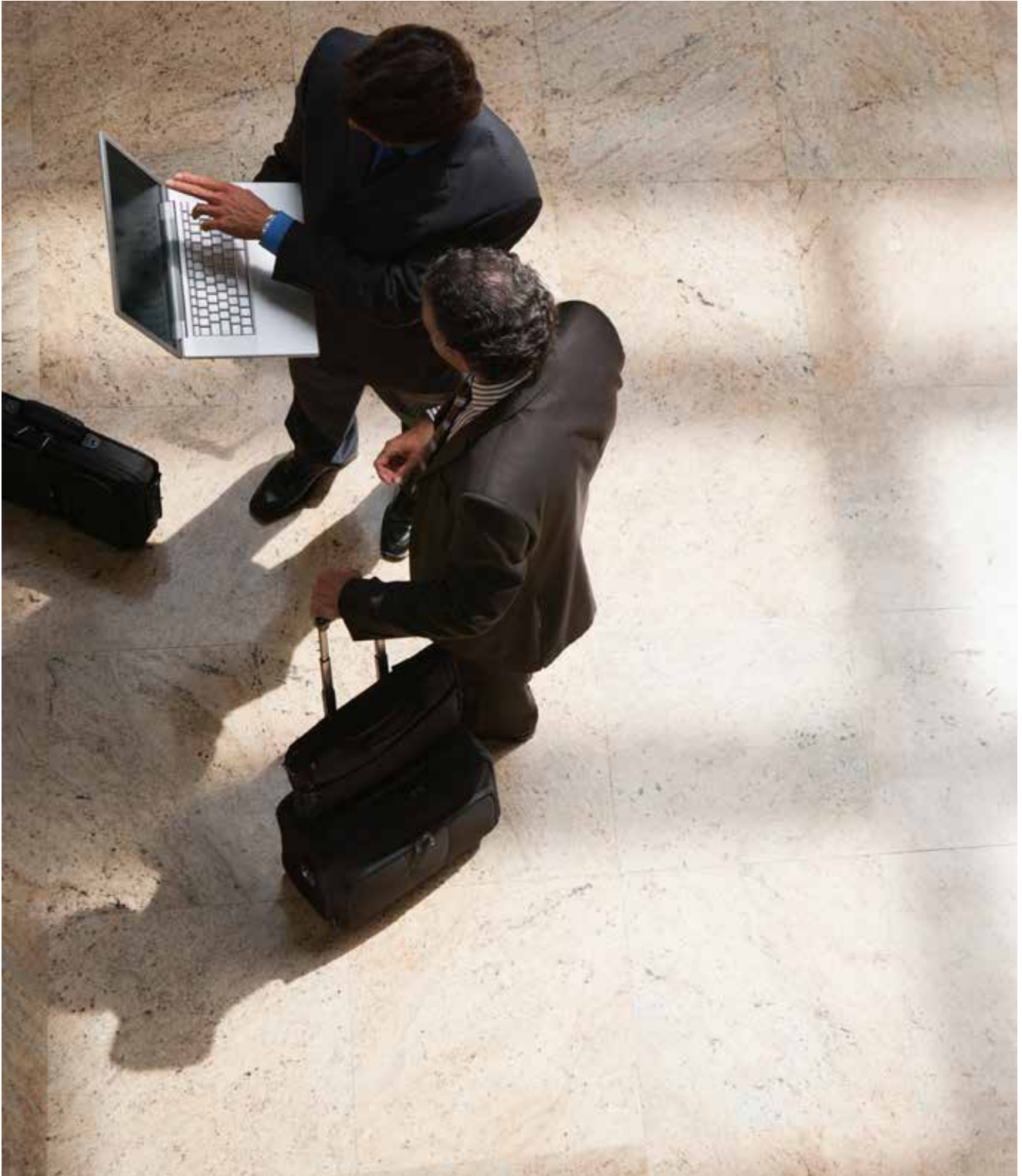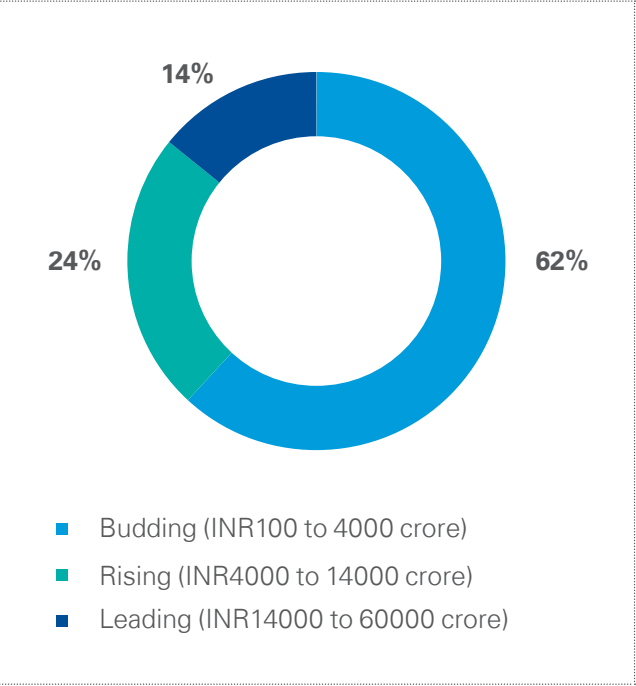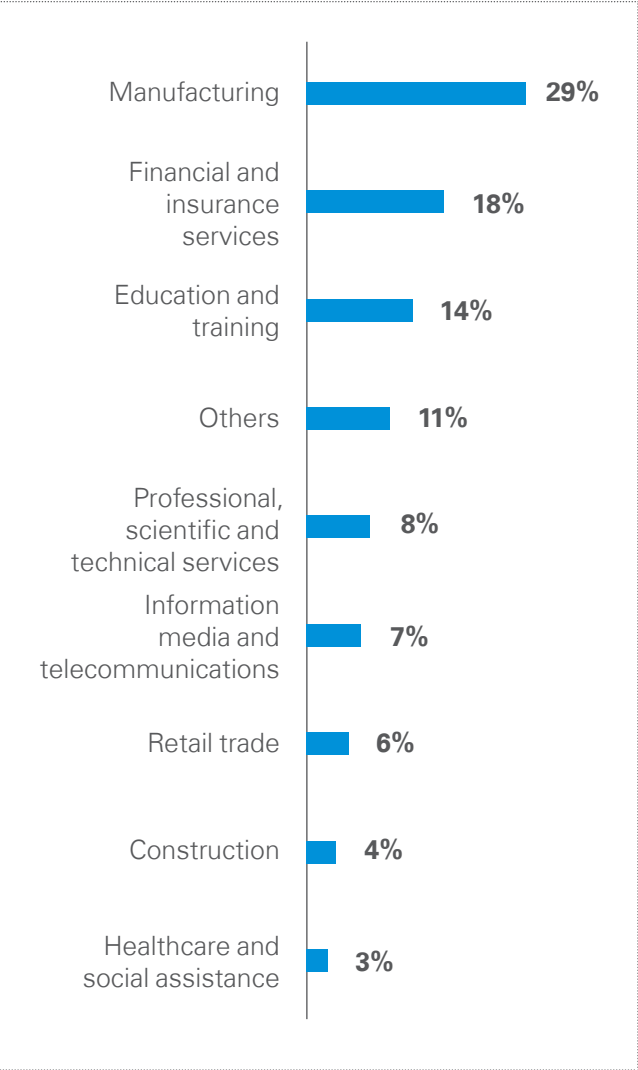
Who participated – Demographic dashboard

A key element of this report is to examine how organisations at different stages of growth have fared. Here is a participant split by revenue.

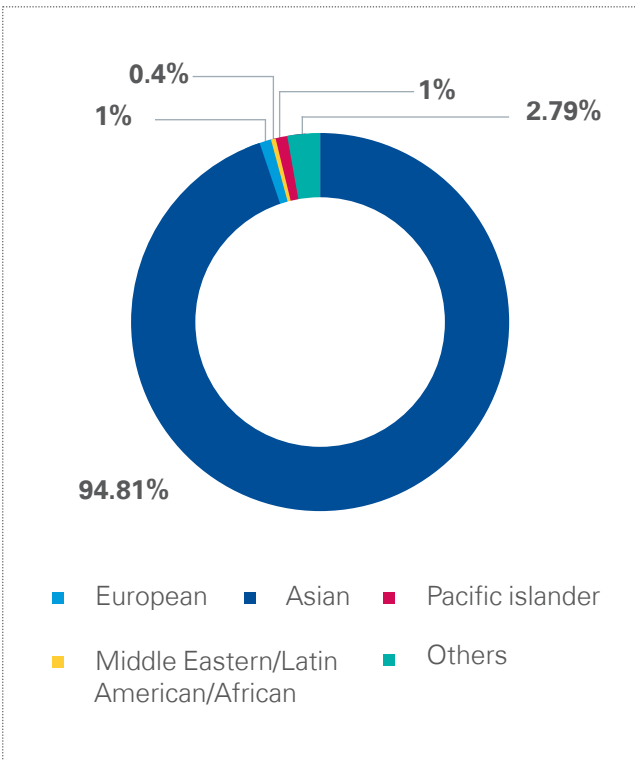From across industry segments dominated by manufacturing and financial sectors

By size of organisation

14%

24%

62%

- Budding (INR100 to 4000 crore)
- Rising (INR4000 to 14000 crore)
- Leading (INR14000 to 60000 crore)

Participation by industry type

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

Diversity of participants has made the survey results richer.

Participation by ethnicity

0.4%

1%

1%

2.79%

94.81%

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

Organisation type

5%

10%

18%

22%

45%

- ■ Public listed
- ■ Government/ PSU
- ■ Not for profit/ NGO
- ■ Privately held
- ■ Others

Gender

75%

25%

Male

Female
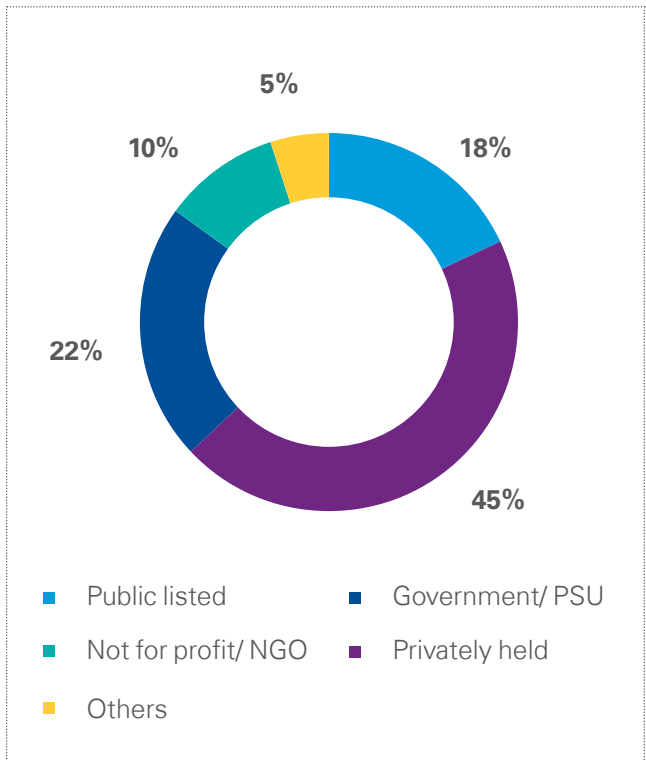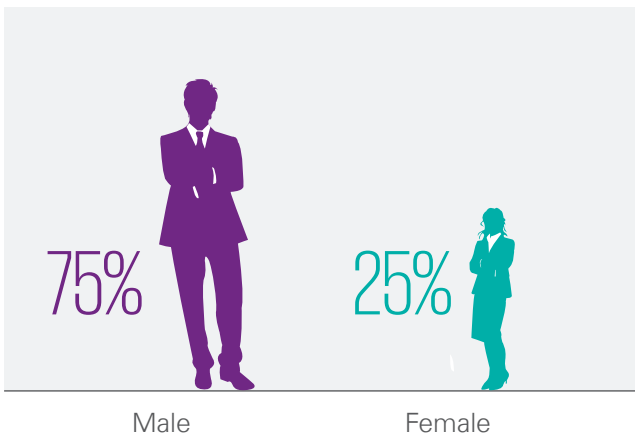
Findings from the survey

Survey findings – Results vis-à-vis previous years

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

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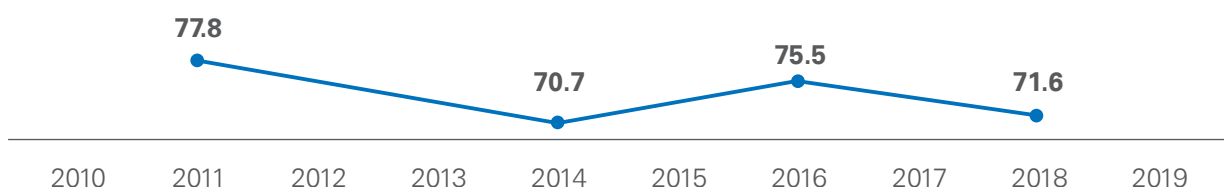
	2011	2014	2016	2018
Highest	Integrity and corporate governance	Integrity and corporate governance	Focus on getting results	Integrity and corporate governance
Lowest	People leadership and (self) development	Focus on getting results	Organisational capability	People leadership and (self) development

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

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

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

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

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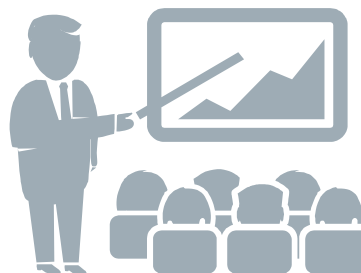
Participant response	Dimensions	%
Dimensions that highest percentage of participants have said are either practiced consistently and throughout their organisations	Integrity trust and corporate governance	67%
	External relationship	63%
Dimensions that highest percentage of participants have said are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

Strongest management traits

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

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

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

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

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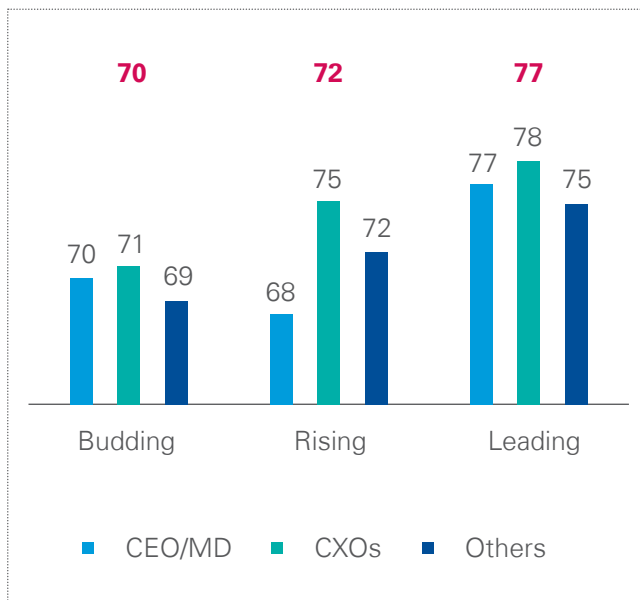
Management traits that need urgent attention

- Management provides effective feedback for development of others

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

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

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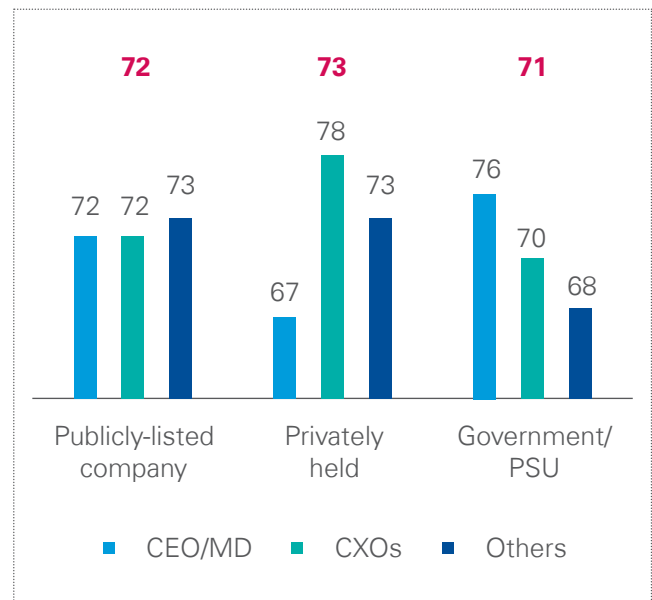
Survey findings – Summary of responses

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

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

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

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

MCI scores by organisation revenue and participant management level

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

MCI scores by ownership type and participant management level

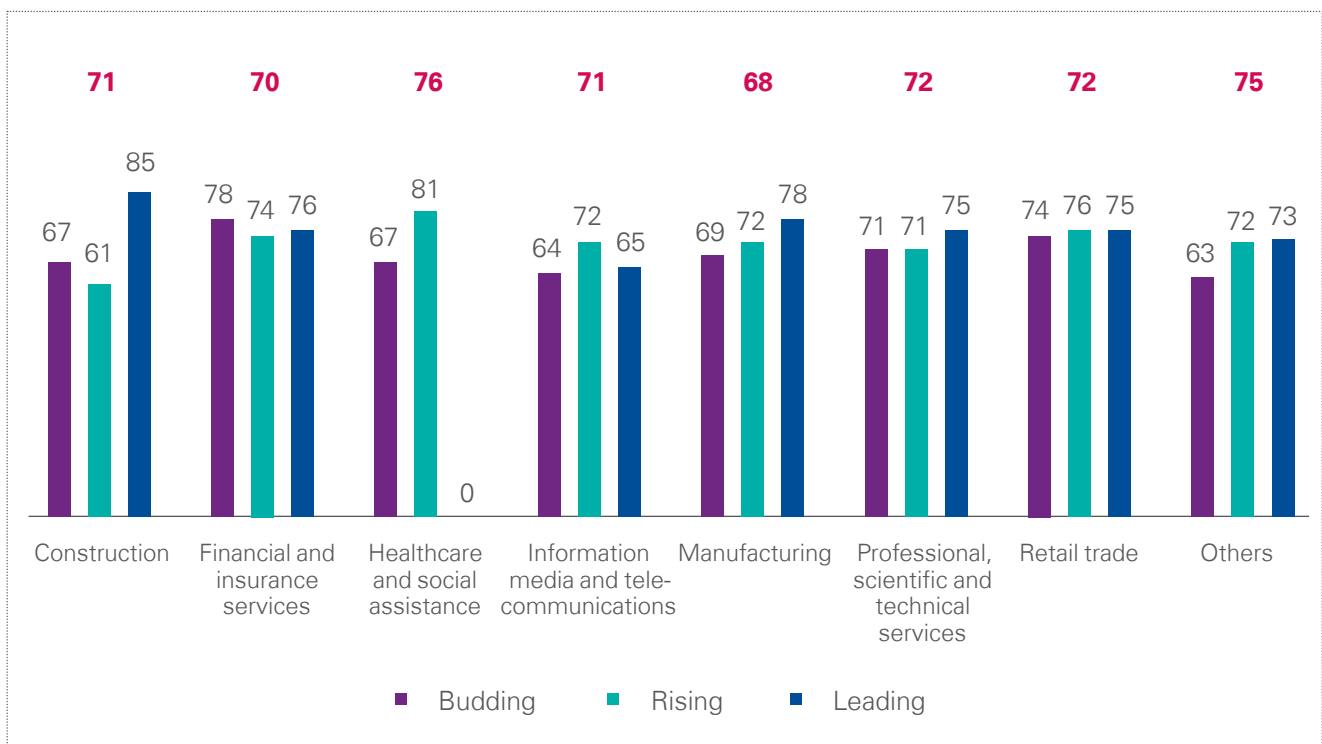|	Publicly-listed company	Privately held	Government/PSU
	72	**73**	**71**
CEO/MD	72	67	76
CXOs	72	78	70
Others	73	73	68

Key findings – Summary of responses

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

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

MCDI scores by organisation revenue and industry

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

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

MCDI scores by organisation, region and industry
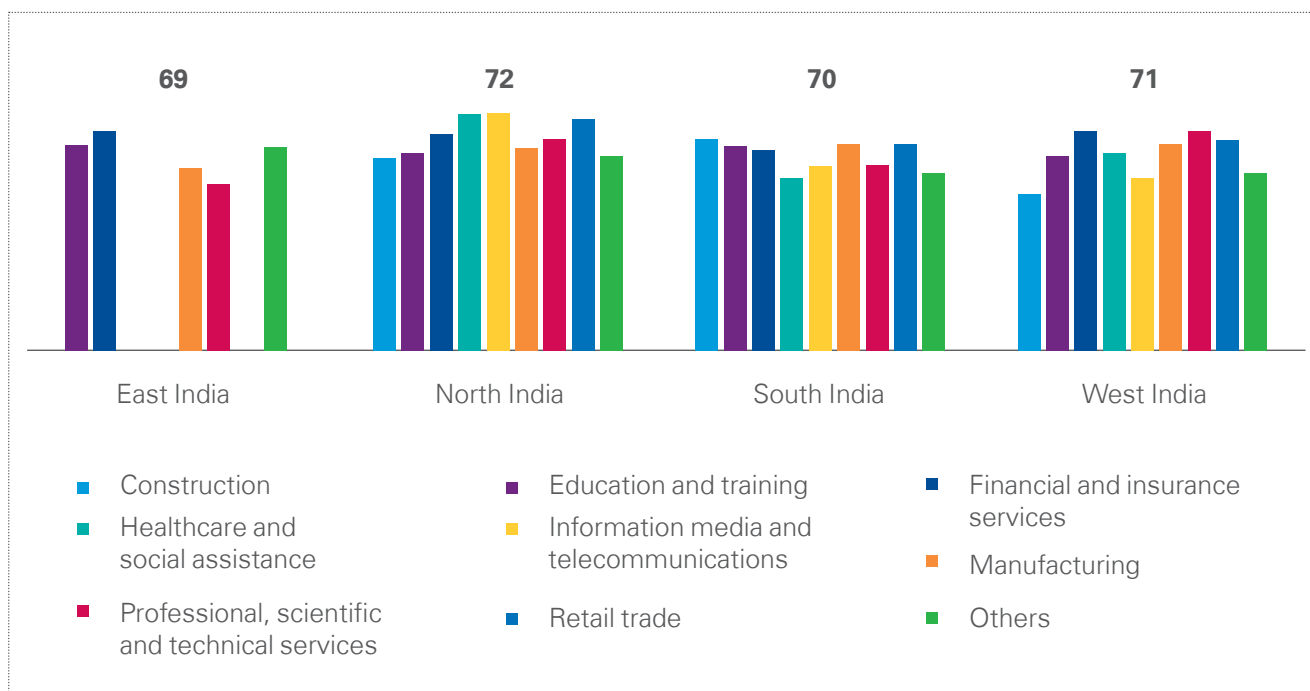
What we have learnt and how we must move forward

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

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

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

The learning from results of this survey are three fold:

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

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

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

Management capabilities

Organisational capability

Leader speak

> The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow
>
> – *Rupert Murdoch*

Today, more than ever before, organisations are operating in an environment marked by constant flux and transformation, be it disruptive innovation, new-age technology, outsourcing, or merger and acquisition. Leading an organisation in this complex and rapidly changing environment calls for challenging the status-quo and driving radical change. One of the ways organisations can gain competitive advantage in responding to these changes is by building organisation capabilities.

Organisational capability may include a whole array of measures ranging from developing its core capabilities to cultivating a culture of innovation, and creating a continuous learning organisation.

However, the area of focus differs from one organisation to another. Identification and development of organisational capabilities require prioritisation and focus. A guiding principle in setting up a capability agenda is to align it with the organisation's strategic objectives.

What do we want to achieve in the 5 to 10 year horizon, how are we going to differentiate ourselves in the market, what capabilities do we need for the future - these are some questions senior executives must address before expanding the breadth of capabilities needed to give their organisations the competitive edge. Understanding of the impact the capabilities may have on business performance, both at present and in the future, is very important. For example, if

a company aims to differentiate itself in customer servicing by adopting technologies powered by artificial intelligence, it must focus not only on the technological skills but also in building a digital culture where these changes can survive and flourish.

Constructing a culture of innovation and query is one of the top priorities of many organisations today. As opportunities are growing at an accelerated pace, rather than waiting to be disrupted by competitors, many organisations are actively disrupting their specific sectors. According to 2017 global CEO outlook by KPMG, three in four CEOs (74 per cent out of 1,261 global CEOs surveyed) say their business is aiming to be the disruptor in its sector. What it requires is an environment of trust and openness to allow innovators to operate in a space free from organisational silos and hierarchy.

A continuously learning organisation is another capability that underpins an organisation's ability to deliver strategic objectives. To drive change, there must be a strong appetite for continuous improvement and commitment to learning. A learning organisation can only thrive in a conducive environment where cross -functional boundaries are blurred and exchange of knowledge is free flowing. This needs a fundamental rethinking in the

way an organisation operates, its structure, and management principles.

Most often, organisations prefer to develop a set of capabilities not purely for competitive reasons but because they are close to the organisation's culture. This approach is short-sighted and does not necessarily result high business value. For desired business outcomes, organisations should be ready to shake up traditional models, rethink on the capability development approach, focus on a longer time horizon, and use capability building as a lever for competitive advantage.

Products, services and even business models can all be replicated and even improved by a competitor but, capabilities cannot be copied since it ensures sustainable performance even during the volatile times we work and live in today.

Harshvardhan Neotia
Sr Vice President, AIMA &
Chairman, Ambuja Neotia Group

Organisational capability

Relative weight of dimension

68.6
Organisational capability

100
Rest of dimensions
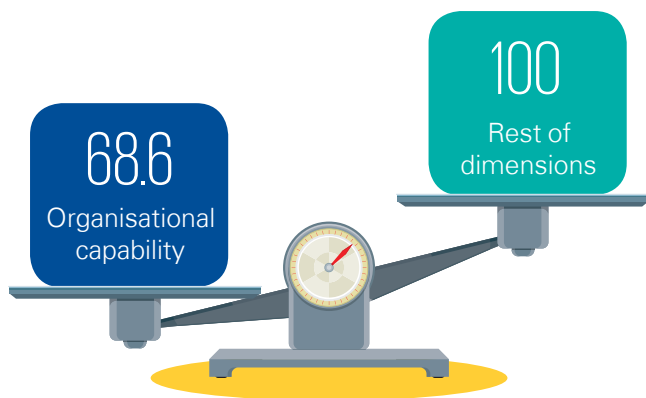
Observations that matter

Building organisational capabilities, such as business acumen or advanced analytics, are a top priority for most organisations.

However, many respondents are not confident if their organisations carry this out effectively. The odds improve for companies where senior leaders are more involved.

The overall MCDI score for organisational capabilities is pegged at 68.6 per cent - among the lowest vis a vis other dimensions. This

score indicates there is both need and scope for organisations to focus on innovation and research with emphasis on continual improvement and learning - both for the individual and organisation. As companies try to scale up their training across more geographies, alternative ways of delivering it will become necessary.

Indian financial and retail sector placed greater importance on immersing businesses into a culture that incorporates organisational capability building, with higher scores in comparison to others. Development of e-commerce, digital payments and net banking highlights the reasons for growth in these two sector.

The relatively lower scores observed in the transport and agricultural industries could be attributed to the fact there is still huge need to organise and develop these sectors.
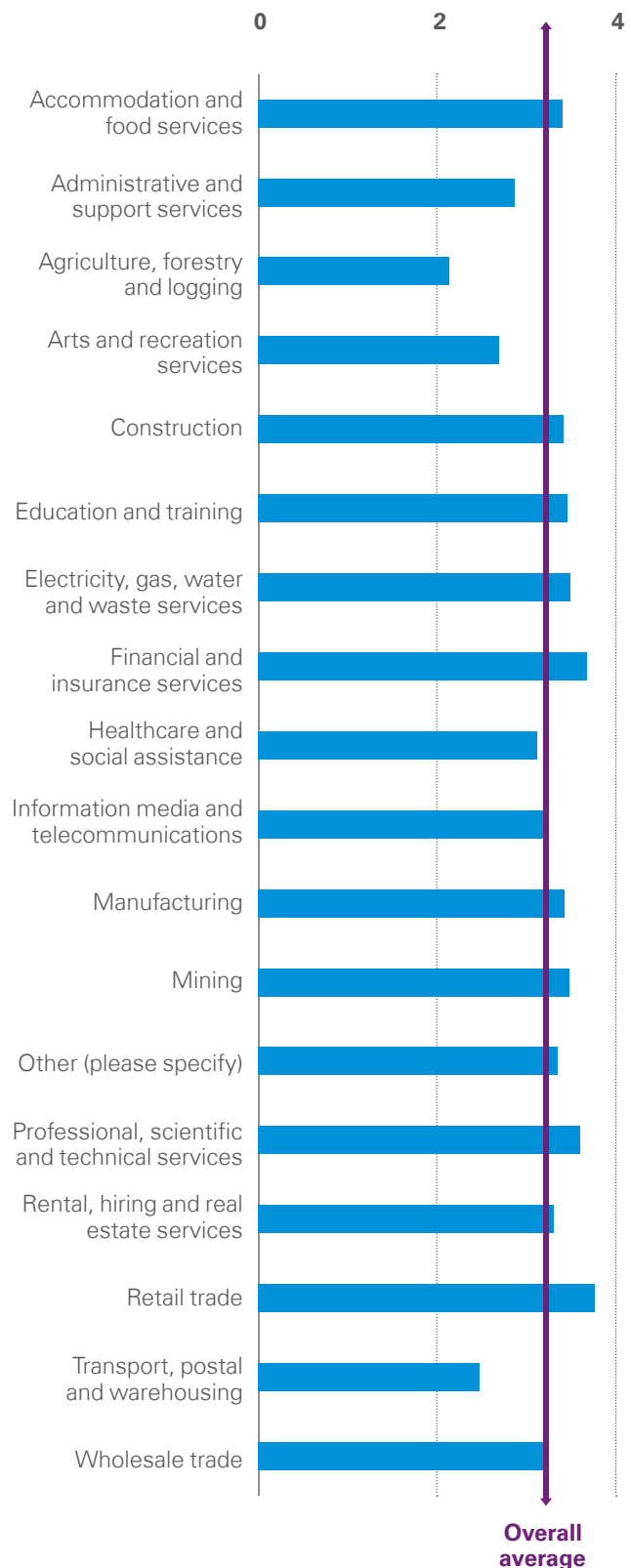
3.5/5 Adequacy of in-house training

3.4/5 Adequacy of external training

Average MCDI scope per industry

Overall average

|	Budding INR100 crore to INR4000 crore	Rising INR4000 crore to INR14000 crore	Leading INR14000 crore to INR60000 crore
Top 2 statements	• Management demonstrates strong commitment to continuous learning for both, the individual and the organisation • Management effectively balances strong efficacious teams with autonomous individuals.	• Management builds organisation capability, a culture of innovation, and a dedication to continuous improvement • Management brings about and maintains an organisation that encourages collaboration between departments, and does not rely solely on hierarchy to achieve its goals.	• Management builds organisation capability, a culture of innovation, and a dedication to continuous improvement • Management demonstrates strong commitment to continuous learning for both individuals and the organisation.
Bottom 2 statements	• Management has a sound understanding of best management practices to achieve organisational goals and objectives • Management brings about and maintains an organisation that encourages collaboration between departments, and does not rely solely on hierarchy to achieve its goals.	• Management effectively balances strong efficacious teams with autonomous individuals • Management has a sound understanding of best management practices to achieve organisational goals and objectives.	• Management brings about and maintains an organisation that encourages collaboration between departments, and does not rely solely on hierarchy to achieve its goals • Management has a sound understanding of best management practices to achieve organisational goals and objectives.
Score by management level	• CEO/Senior: 3.5	• CEO/Senior: 3.2	• CEO/Senior: 3.2

Organisational capability

Score by organisation type

Organisation type	Score
Not for profit/charity	3.5
Government/PSU	3.4
Private	3.2
Public listed	3.5
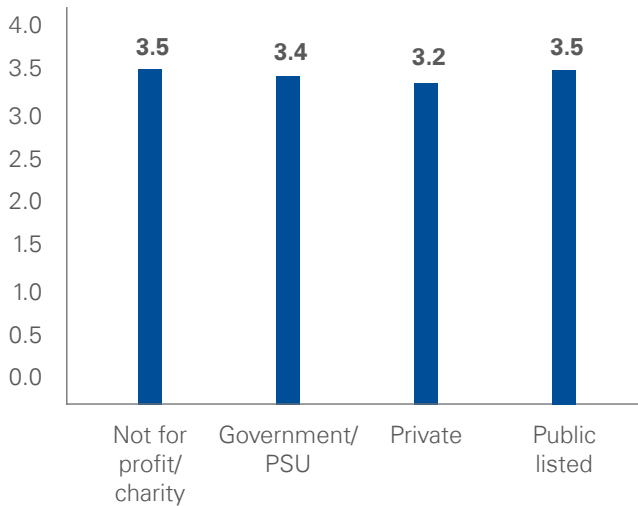
Public listed companies are focusing heavily on developing organisation capabilities followed by government/PSU organisations. Privately held organisations feel an urgent need to place greater importance on building up organisational capabilities.

Score by region

North: **3**

West: **3**

East: **3**

South: **3**

Case study

A global health service company identifies and recognises individuals with high potential to enable their career progression through a focused development plan to increase organisational capabilities.

Working with the leadership academy of the global health service company, by a consortium of professional services firms, the U.K. and international academics, and technology and design experts have created and are now delivering two of the largest ever professional leadership development programmes, available to both clinical and non-clinical staff:

Programme 1: for healthcare colleagues preparing for senior management roles

Programme 2: for senior healthcare colleagues preparing for executive and Board level roles

These programmes are transforming the client's working culture, preparing it to meet challenges across the healthcare system, thereby improving the quality of care for users of the service.

With direct and continuous input from patients, the consortium has created a unique and innovative blended learning experience, combining online, experiential and residential study. The programmes include interactive case studies based on real patient experience, to create a learning environment that directly addresses everyday company leadership needs.

Approximately 900 programme 1 participants (90 per cent pass rate to date) and approximately 2,100 programme 2 participants (87 per cent pass rate to date) have completed or are on the programmes.

The virtual campus has facilitated learning and networking with almost 10 million hits on the site and over 200,000 forum posts so far. The consulting firm was subsequently asked to also design and deliver an additional programme for 50 executive level leaders; supporting participants through international academic placements and visits; corporate and public sector placements; and residential programmes in the U.K.

External relationships

Leader speak

> " The business of business isn't just about creating profits for shareholders — it's also about improving the state of the world and driving stakeholder value
>
> **– Marc Benioff** "

In an increasingly open, connected and social environment; the ways and means through which organisations interact with, and leverages its external stakeholders has become imperative. Gone are the days wherein a business can function successfully by merely engaging with the government, regulators and having a transactional relationship with its customers. The traditional definition of external stakeholders has now transformed, both in its scope and its scale.

The new business ecosystem includes a vibrant media, influential industry associations, vigilant financial institutions, active government and empowered customers.

As more and more of our country's organisations go global – the extent of governmental (both Indian and of international) involvement with respect to environmental issues, financial disclosures, union issues, regulatory compliances, licences, contracts etc. In the age of 24X7 media, the government is now seen taking on an active role in ensuring robust corporate governance and fiduciary prudence.

While acquiring capital or credit for businesses has become significantly easier in India, the movement of macroeconomic trends and its impact on RBI repo rates (and therefore lending rates) have a bearing on an

organisation's access to capital. Financial institution's, like S&P or Moody's or CRISIL analyse and forecast about organisations' and its industries and risk profile have a substantial impact on the lending rates it is charged – thereby affecting any future growth plan of that organisation. This makes relationships with financial institutions, other than just banking firms, critical to any entity.

As is the case with any society, even corporate entities depend on a close ecosystem of industry associations for knowledge sharing, consensus building and to drive collective bargaining of critical regulations and sanctions. Be it CII, FICCI or NASSCOM – each of these bodies provide a collaborative platform through which organisations derive incredible value. In India, wherein lobbying as an industry is not recognised – an organisation's ability to overcome critical regulatory hurdles and provide value to its customers is concomitant on its ability to engage well with the industry associations.

The two biggest influencers and consumers of an organisation's toil are the media (both the traditional and the new age) and the end customers. The two can be spoken of together in view of the great synergies exhibited by the two stakeholders. The media has always been an opinion maker for the customer- but

over the last 10 years as mobility and connectivity increases, the influence of all forms of media has risen. The customers are now the new media as well, posting experiences, opinions and decisions on the social media for greater global consumption. This intense coupling between the two, erstwhile, distinct stakeholders makes it imperative for organisations to engage them with an integrated strategy. A poor customer experience put on any social channel gets picked up by the likes of online news networks (like buzzfeed or mashable), and later gets further coverage on traditional channels.

In an age where no company is too big to fail, and no misstep too small to report - the success of every organisation is based on executing the perfect balancing act amongst the contrasting, yet dovetailing imperatives of all the stakeholders.

Sanjiv Goenka
Past President, AIMA & **Chairman,** RP-Sanjiv Goenka Group

Relative weight of dimension

74.1
External relationships

100
Rest of dimensions
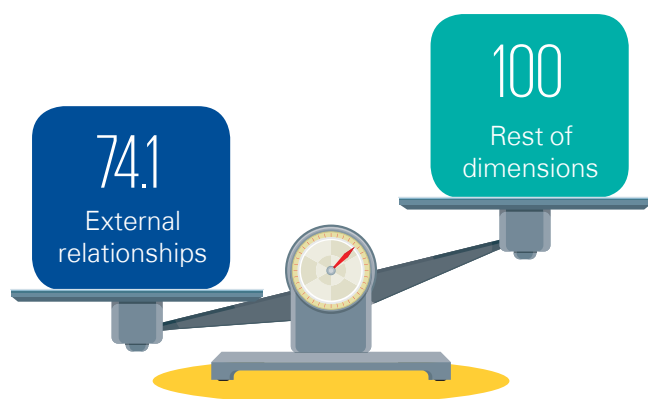
Observations that matter

raditionally, organisations' primary focus was on building new networks and maintaining relationships with their stakeholders. With accelerated pace of disruption, organisations need to foster deeper and more meaningful relationships with all its stakeholders. In addition, they need to further grow their formal and informal networks, both inside and outside the organisation.

The MCDI core for external relationships is pegged at 74.1 per cent with respect to the overall MCDI score – the second highest. There has been an effort to improve on external relationships through myriad ways such as open source talent, industry forums, hiring technical experts and leveraging new age talent partnership models. This has helped organisations to find solutions to some of the burning issues, create innovative ideas that can be implemented and get an understanding of where they stand both in their domestic and international markets.

Industries with wider customer facing portfolios like banking and professional services, followed by retail and wholesale sector have scored high in this dimension. In contrast, the administrative and art industry has scored lower.
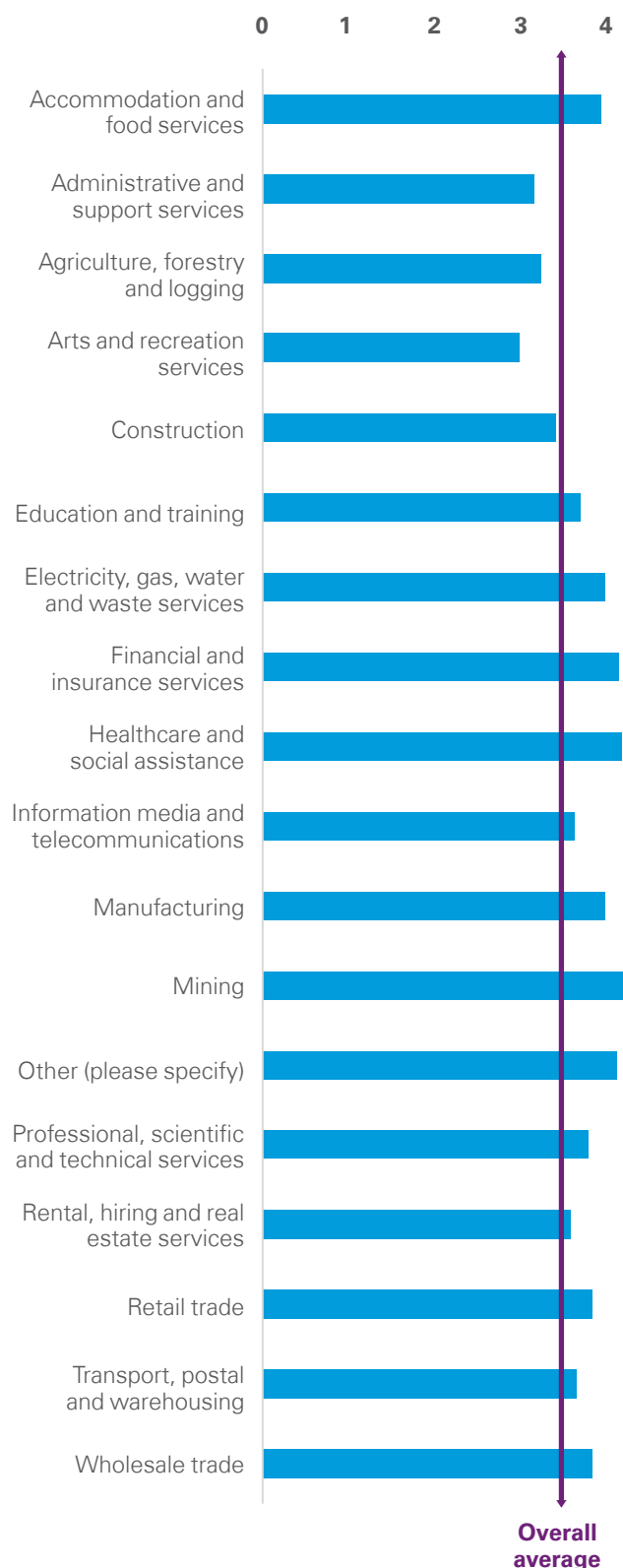
3.6/5 Adequacy of in-house training

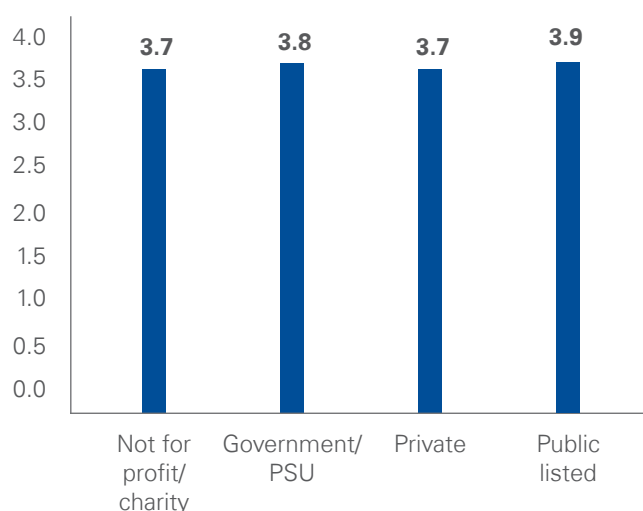**3.4/5** Adequacy of external training

Average MCDI scope per industry

External relationships

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management develops networks and spheres of influence with stakeholders • Management practices effective corporate social responsibility.	• Management develops networks and spheres of influence with stakeholders • Management ensures the organisation has a positive external image through building of effective relationships with all stakeholders including customers and suppliers.	• Management ensures the organisation has a positive external image through building of effective relationships with all stakeholders including customers and suppliers • Management practices effective corporate social responsibility.
Bottom 2 statements	• Management maintains networks and spheres of influence with stakeholders • Management encourages employees to engage with external stakeholders.	• Management maintains networks and spheres of influence with stakeholders • Management encourages employees to engage with external stakeholders	• Management maintains networks and spheres of influence with stakeholders • Management encourages employees to engage with external stakeholders.
Score by management level	• CEO/Senior: 4	• CEO/Senior: 4	• CEO/Senior: 4

Score by organisation type

Privately held and not for profit organisations feel urgent need to improve external relationships vis-à-vis public listed and government/PSU organisations. Scores across the four regions in the country are similar. It is important that organisations, regardless of the size and nature of their business, do not stop short of engaging with a diverse group of external stakeholders. Among other things, this inclusion opens up the possibilities for the organisation to put to use expertise that almost always rests outside of the organisation.

Chart — Score by organisation type:
- Not for profit/charity: 3.7
- Government/PSU: 3.8
- Private: 3.7
- Public listed: 3.9

Score by region

North: **4**

West: **4**

East: **4**

South: **4**

Case study

One of the world's leading fast moving consumer goods organisation networks with a pool of external experts to focus R&D efforts on the next big-bang product. This allows them to access leading talent in research spread across the globe and not just restricting to one set of thinkers and testers for the next product.

Leading mobile application platforms have revolutionised external stakeholder management by having multiple users sign up as partners to develop applications for larger consumption on these very platforms. A user-partner model with consumers has helped these organisations reach out to people at all ends of the world with ease.

A government agency is responsible for practical control and supervision of rail transport in Norway, including railways, tramways, rapid transits, heritage railways and side tracks. The company directs its efforts towards ensuring that rail traffic, cableways, fairgrounds and technical devices in amusement parks are operated in a safe and appropriate manner in the best interests of passengers/ users, companies, employees and the general public and responsible for ensuring that rail operators meet the conditions and requirements set out in rail legislation that governs the traffic. The organisation had undertaken two practices to influence stakeholder management on projects. They conduct interviews with representatives of internal and external stakeholders throughout the course of the project. In addition, conflicts and use of power between stakeholders in the project teams were studied, guiding the project teams to actively manage relations with external stakeholders, thereby reducing the risks of negative media attention and neighbour disputes apart from cost and time overruns that such disputes may cause. Mastering potential conflicts with external stakeholders well has helped resolve challenges concerning both costs and time schedules.

Visionary and strategic leadership

Leader speak

> Prediction is hard, especially about the future.
> — *Ben Bernanke*

We work, live, transact and interact in a world that is transitioning way beyond our imagination and level of comfort, and the pace of change is quite overwhelming.

The global environment turned uncertain a couple of decades ago; it is now also becoming unpredictable. Geopolitics of previous decades work have become less effective; protectionism has replaced laissez faire, policy changes are frequent, technology is altering business models, and walls separating different classes of consumers are increasingly breaking down. As a result, the shelf life of successful strategies, brands and products is constantly reducing; in turn, this is forcing development cycles to become faster, and more iterative and demanding.

Meanwhile, a leader's checklist has grown fuzzier. In the past, he/she achieved objectives through an intricate system of rules, regulations, and measurable results. Previously, such leaders were required to set the organisation's purpose and journey and align teams with the organisation's values while external variables remained broadly similar; now, all this must be done against a backdrop of uncertainty, risk and in real time.

Today's leaders are required to chart a visible course for their organisations, and connected stakeholders, and somehow show that the future looks better.

They must not only formulate a vision of the future, they should be able to frame their context and set the narrative in a way that generates a buy-in with all involved stakeholders.

In this task, CEOs face two challenges. First, the future is becoming increasingly difficult to plot by using data points from the past.

Second, there are conflicting pulls; CEOs are expected to trapeze the tightrope between short-term pressures of performance, and the long-term challenges of viability.

The era of the autocratic leader is also almost over. In today's world of moving parts, leaders must necessarily invest in continuity and be able to build a strong talent pipeline for the future. For this to happen, the ideas and practices of a leader should not be attached and umbilically linked to themselves; they must ideally transcend generations, layers, hierarchies and functions. Leaders and management teams must demonstrate the courage to bring individuals with the best of knowledge, skills and abilities and to develop them as successors. They must build and inspire teams who will create bridges that will lead into the future.

The era of the human leader is here. They must have the ability to admit mistakes. As much as we continue to crave strong, visionary leaders, the willingness to admit mistakes is one of the most important attributes of a leader

in this VUCA (Volatile, uncertain, complex and ambiguous) world; it is a mark of strength, not weakness – as long as it is backed up by decisive action.

To be sure, the crown of leadership is not easy to wear, as those at the helm must be capable of producing results, even in periods of turmoil. They must make the periods of growth count, and still find ways to look sharp during periods of slump. They must somehow be able to sift out the wheat from the shaft and understand very clearly 'what could work' and 'what would not work'.

In the final analysis, leaders must possess the granular and the helicopter view. They must be able to step back and see connections beyond the boundaries of their specific initiative, function, company, or even industry.

That is the price, and the ultimate reward of leadership.

Sunil Kant Munjal
Past President, AIMA &
Chairman, The Hero Enterprise

Relative weight of dimension

72.2
Visionary and strategic leadership

100
Rest of dimensions
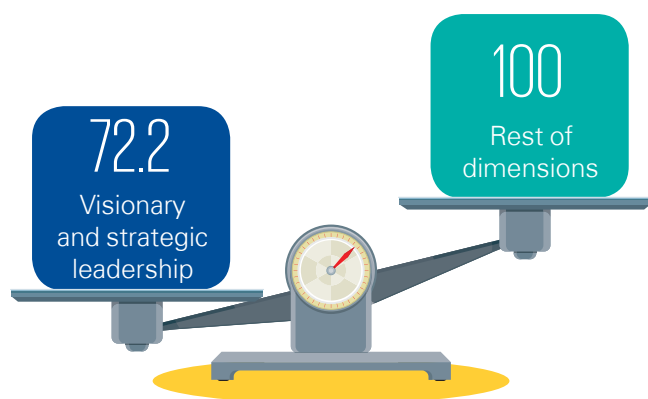
Observations that matter

Visionary and strategic leadership is critical for sustaining businesses in the long-term. It not only impacts the way the business operates, but also the learning culture of the organisation that enables talent to grow and innovate. The overall MCDI score for this dimension is pegged at 72.2 per cent - moderate when compared to other dimensions. This is essentially a call by survey participants urging their management to have stronger leadership vision and strategic thinking.

Participants from banking and financial services industry are most comfortable with their management's capability with respect to visionary and strategic leadership; agriculture, transport and wholesale trade among the least confident.

Industries that lay great focus on the development of leadership that exhibits a global mindset and understands the ever changing needs of the market and businesses are likely to fare higher in this area.

Industries where scores are on the lower side should consider developing leadership behaviour to drive innovative solutions and have a deeper vision and purpose for the organisation.

Average MCDI scope per industry

Overall average
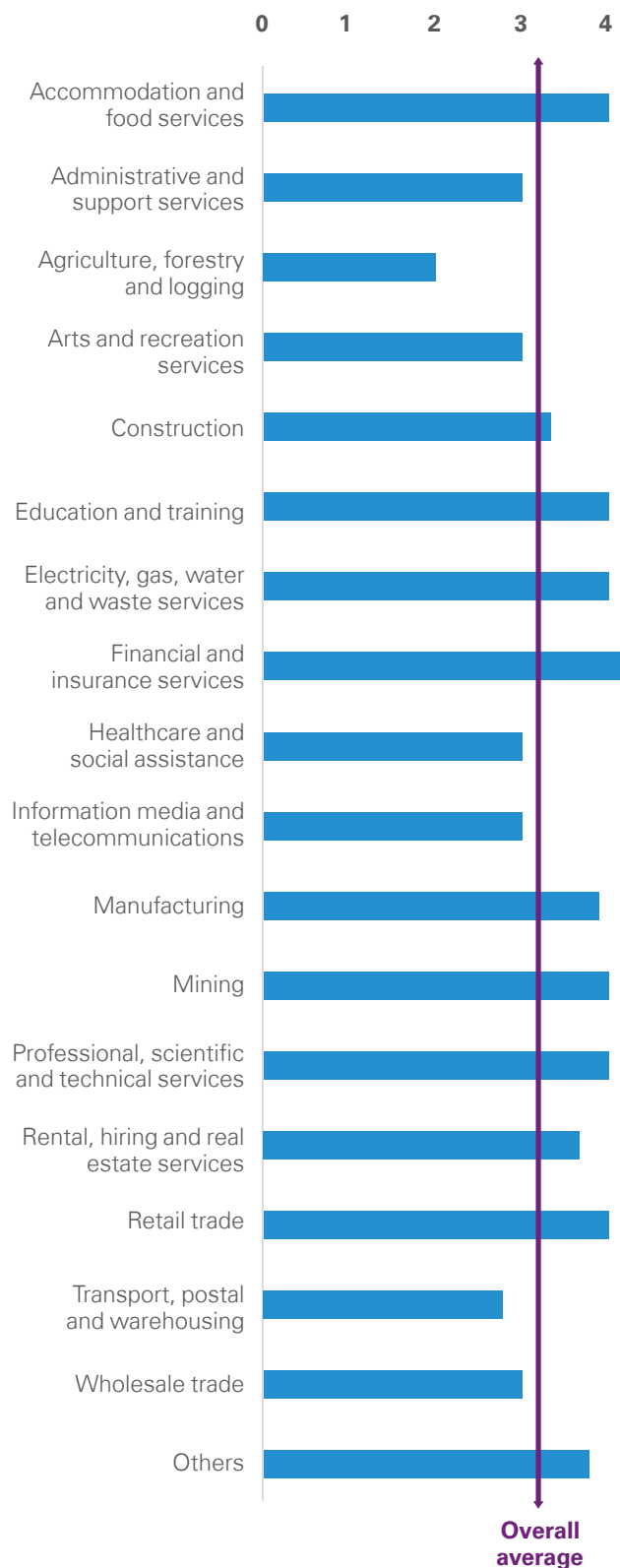
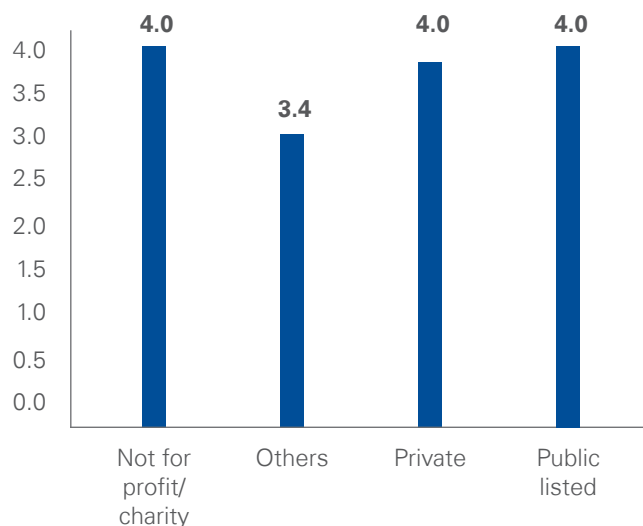# Visionary and strategic leadership

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management demonstrates professional and technical expertise • Management demonstrates business acumen.	• Management demonstrates business acumen • Management articulates a clear and inspiring vision that is well understood.	• Management articulates a clear and inspiring vision that is well understood • Management demonstrates business acumen.
Bottom 2 statements	• Management champions change • Management demonstrates an international perspective, and has a good understanding of global markets and global thinking.	• Management champions change • Management demonstrates an international perspective, and has a good understanding of global markets and global thinking.	• Management champions change • The vision and supporting goals underpin and guide management decisions and behaviours.
Score by management level	• CEO/Senior: 3	• CEO/Senior: 4	• CEO/Senior: 4

Score by organisation type

Bar chart "Score by organisation type" with vertical axis from 0.0 to 4.0:
- Not for profit/charity: **4.0**
- Others: **3.4**
- Private: **4.0**
- Public listed: **4.0**

It is important that organisations today:

- Understand the role of a leader in changing the fortunes of a company.
- Examine leader roles and responsibilities as the chief innovator of the organisation.
- Study the leadership and management style of the CEO.
- Study the personal characteristics and traits of the CEO that contributed to their success.

Visionary leadership in organisations has lead to multiple industries going through major shifts – example being the case of music, smartphone, and PC industry where leadership was focused heavily on innovation and combined the technical vision with the expectations of customers to create products that became a benchmark for the industry. Visionary leadership has the ability to perceive opportunities, see the invisible, and think differently. CEOs are expected to build a culture of innovation and research with emphasis on continual improvement and learning both for the individual and the organisation. In the case of the mentioned industry, the leadership is known to have maintained a 'boundary-less' organisation with effective application of best management practices to achieve organisational goals and objectives

That government/PSU organisations are not lead by founders and could possibly be one of the factors behind participating employees not finding high confidence with the respective organisations'

visionary and strategic leadership. The score however calls for urgent management capability building measures in the leadership development area. Scores are relatively higher from participants in other types of organisations – expressing confidence in the direction in which leadership is headed.

3.38/5	Adequacy of in-house training	3.34/5	Adequacy of external training

Respondents agree that their organisations provide adequate in-house training to build and enhance leadership competencies. Nonetheless, they strongly feel the need for adequate external trainings to equip them with vital skills to practice visionary and strategic leadership.

Score by region

Map of India showing scores by region:
- North: **4**
- Others: **4**
- West: **4**
- East: **3**
- South: **4**

Integrity, trust and corporate governance

Leader speak

> **"** Authenticity and knowing who you are is fundamental to being an effective and long-standing leader
>
> **– Ann Fudge** **"**

In today's dynamic and highly competitive world, it is essential for business to have robust corporate governance to instill confidence among stakeholders. Corporate governance is not an imposition or a burden. Good corporate governance leads to greater long-term value and ensures sustainability. With recent incidents of corporate misconduct, fraud and bribery, organisations need to give high importance to corporate governance.

What is good corporate governance? For many companies, corporate governance is only about ensuring legal compliance. Although this is important, corporate governance goes beyond compliance; it encompasses a much broader theme. Corporate governance should provide the business with a set of practices that are embedded in procedures and processes across the organisation. The essential goal of an effective corporate governance programme is to help managers, employees and agents to work together to pursue its goals and objectives in a manner consistent with its standards for ethical business conduct. Each company faces different sets of challenges and could have a corporate governance mechanism which is optimal from its perspective. However, it is important to ensure that the basic elements of

corporate governance are always embedded in the structure.

Trust is the most crucial element in the organisational and corporate governance context. Trust promotes transparency and accountability within the organisation among employees and on the outside among stakeholders and shareholders. Without trust, there are gaps in oversight and information flow which may lead to decision failure.

Trust is also the basis of business relationships and builds organisation reputation. The reputation of the organisation builds brand and credibility which drive business results.

Trust is underpinned by integrity which is its building block. Integrity has a specific meaning in the governance context. For some, integrity means doing the right thing when no one is watching; whereas for some it means doing the right thing because it is the right thing to do. In organisational and corporate governance framework, integrity means consistency between what a leader and organisation says and what it does. Integrity should ensure principled action when necessary for the good of the company. Needless to say, trust and integrity are components of top-driven cultures where leaders inspire others by setting an example in their day to day work.

When there is a need to choose between easy wins and the right wins, difficult but right decisions set the example for their team members to follow.

With several failure stories in the recent past where organisations could not do well or even fell sharply because of lack of corporate governance, we need to appreciate that trust and integrity are of paramount importance. Organisations need to foster the culture of trust and promote individual integrity to create robust corporate governance and develop organisations for the difficult and uncertain future.

Ashok Chawla
Former Finance Secretary and former Chairman,
Competition Commission of India

Relative weight of dimension

76.8
Integrity, trust and corporate governance
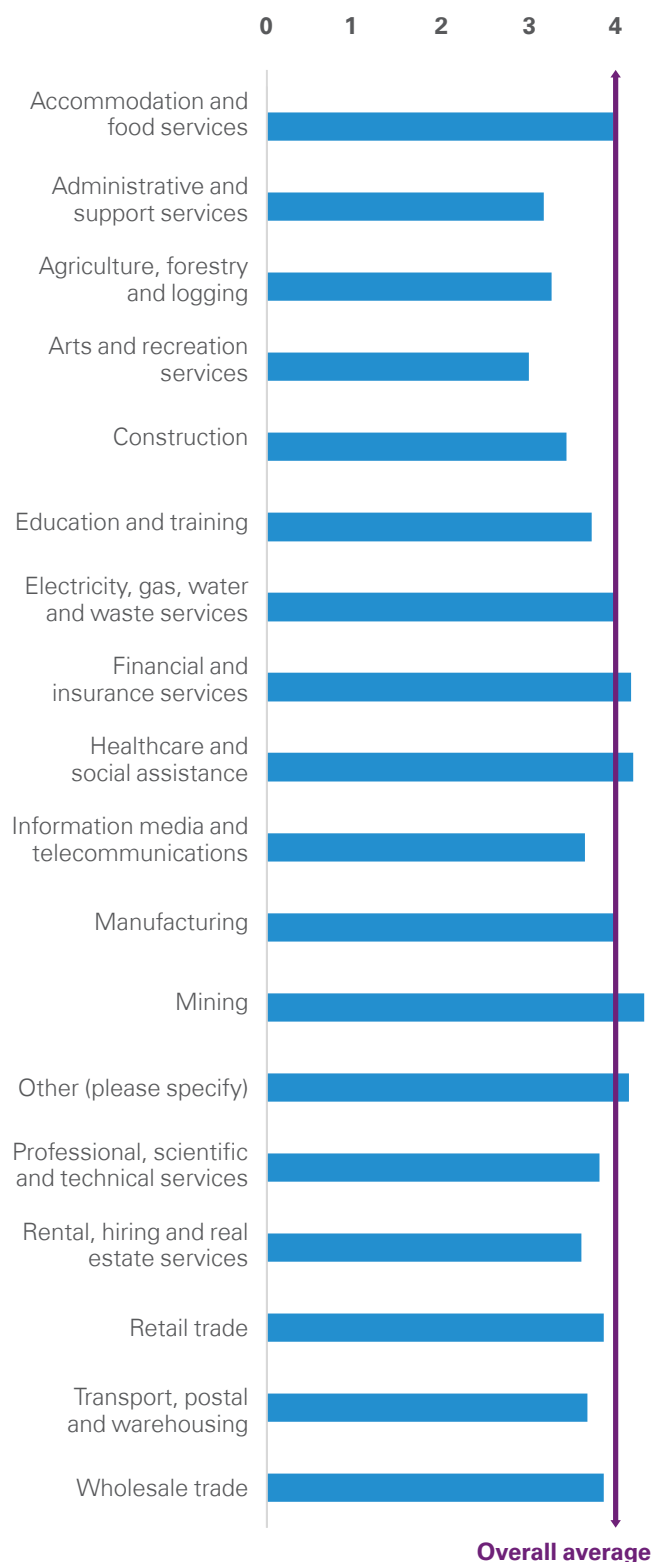
100
Rest of dimensions
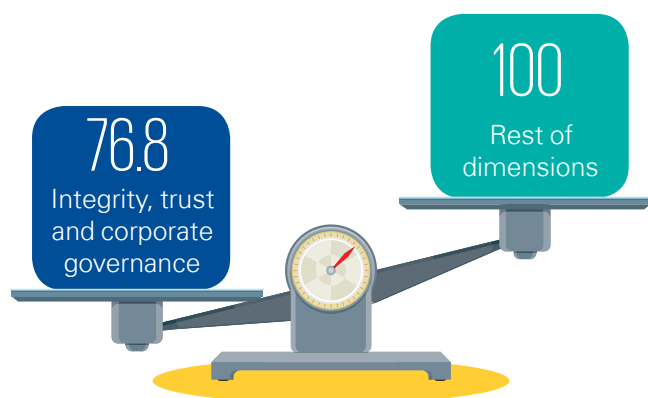
Observations that matter

Integrity coupled with corporate governance is key to defining stakeholder experience and business excellence. Thorough governance infrastructure is required to make decisions that drive business value and provide an integrated way of working with stakeholders to manage risks. Complying to legislative regulations and policies critical to business administration is non-negotiable.

The overall MCDI score for organisational capabilities is pegged at 76 per cent which implies most of the participants feel their organisations are controlled and directed by the well-defined processes and systems. These scores are testament to the increased attention to integrity and corporate governance for enhancing organisational brand image. Banking and financial services, healthcare and mining have the highest scores on this dimension. This can be attributed to the nature of work, strong regulator influence and the cost of a mistake in these industries. The relatively lower scores observed in the administrative, arts and agricultural industries suggest participants from these industry feel there is an urgent need to develop stronger mechanisms.

Invariably, this warrants the need to focus more on ethical principles concerning organisational affairs. In addition, the survey shows that in-house training, especially e-learning, can be used effectively in administering statutory trainings providing easy access and learnability to the end user. External trainings can also be conducted to highlight organisational failure because of the slightest of miscue in not complying with the standards. This would help is developing the seriousness amongst employees with regards to various compliances.

Average MCDI scope per industry

Industry	Score (0–4)
Accommodation and food services	
Administrative and support services	
Agriculture, forestry and logging	
Arts and recreation services	
Construction	
Education and training	
Electricity, gas, water and waste services	
Financial and insurance services	
Healthcare and social assistance	
Information media and telecommunications	
Manufacturing	
Mining	
Other (please specify)	
Professional, scientific and technical services	
Rental, hiring and real estate services	
Retail trade	
Transport, postal and warehousing	
Wholesale trade	

Overall average

3.7/5 Adequacy of in-house training

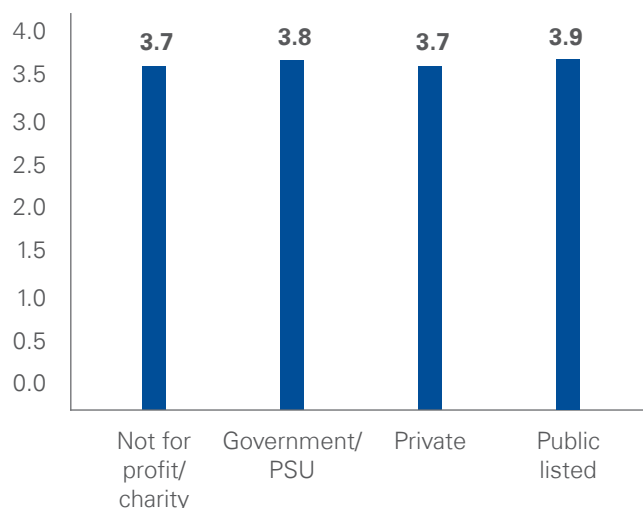**3.3/5** Adequacy of external training

Integrity, trust and corporate governance

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management and employees adhere to legislation, regulations and guidelines in administering the business of the organisation • The organisation practices integrity, honesty and ethical behaviour as is necessary for sustained success.	• Management and employees adhere to legislation, regulations and guidelines in administering the business of the organisation • The organisation practices integrity, honesty and ethical behaviour as is necessary for sustained success.	• Management and employees adhere to legislation, regulations and guidelines in administering the business of the organisation • The organisation practices integrity, honesty and ethical behaviour as is necessary for sustained success.
Bottom 2 statements	• The organisation promotes an established standard of ethical behaviour for directors, management and employees based on a code of conduct • Management and employees follow ethical rules and procedures for making decisions.	• Management is trustworthy, and utilises honesty and integrity • Management and employees follow ethical rules and procedures for making decisions.	• Management and employees follow ethical rules and procedures for making decisions • Management is trustworthy, and utilises honesty and integrity.
Score by management level	• CEO/Senior: 3.7	• CEO/Senior: 3.7	• CEO/Senior: 4

Score by organisation type

Not for profit/charity	Government/PSU	Private	Public listed
3.7	3.8	3.7	3.9

Results from participant organisations based across the country are similar. However, public listed entities and government/PSU organisations are more confident of their management capabilities in this area vis-à-vis privately held and not for profit organisations. This could be a direct result of market regulators (and value of brand for shareholders) and government vigilance efforts towards helping organisations practice corporate governance. It is imperative to set in place these systems and practices in order to achieve and sustain organisational growth.

Score by region

North: **4**

West: **4**

East: **4**

South: **4**

Case study

A leading public sector organisation championed some initiatives for public service reconfiguration and reform to highlight the many faceted issues of public service ethics and the different approaches that governments have taken to rebuilding public trust and enhancing public service ethics in times of rapid change. These efforts for rebuilding an ethical public service are scrutinised according to the four criterias for effectively leading change. Changes of public service values are also analysed as well as their implications for public servants. Effectively, applied leadership is identified as the pillar of ethical practice – emphasising the need for quality leadership development through on the job experience. Although legislation and codification are seen as necessary for building an ethical infrastructure that can help employees out of encountered dilemmas, the way forward is seen as nurturing an environment of trust and vigilance in which ethics are promoted through exemplary behaviour of leaders and employees alike.

An electronic commerce and cloud computing company nominated and created Corporate Governance Committee Charter. This charter governs the operations of the Nominating and Corporate Governance Committee (the Committee) of the Board of Directors. The Committee is appointed by the board and consists of at least two directors. The purpose of the committee is to review and assess the composition of the board, assist in identifying potential new candidates for director roles, recommend candidates for election as directors, and provide a leadership role with respect to corporate governance of the company.

A soft drink manufacturer is committed to sound principles of corporate governance. The board is elected by the shareowners to oversee their interest in the long-term health and the overall success of the business and its financial strength. The board serves as the ultimate decision-making body of the company, except for those matters reserved to or shared with the shareowners. The board selects and oversees the members of senior management, who are charged by the board with conducting the business of the company.

Focus on getting results

Leader speak

> Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.
>
> *– Jack Welch*

Bertie Forbes once said – "Business is like an automobile – it has to be driven to get results". Nothing rings in truer than this statement in today's day and age. Organisations are under constant scrutiny to showcase better performance and deliver business outcomes aligned to the expectations of their shareholders. This expectation gets cascaded throughout the length and breadth of organisations thereby making – 'getting results' a larger shared goal or a collective responsibility across the organisations at all levels.

Consequently, organisations are not only investing time, effort and capital in ensuring they have the right mix of resources, processes and capabilities but are also increasingly focused on hiring the right talent with the right attitude to ensure that this collective goal is continuously achieved and sustained. There is an increased focus in ensuring clarity at all levels on the 'larger strategic road map' as well as the 'immediate expectations' from individual employees regarding their roles and responsibilities. This clarity helps them translate thoughts into actions which give the desired results.

Technology has improved monitoring and measuring of business performance in real time which can now happen even remotely. Organisations across the globe are focused on ensuring they are using the right metrics to measure business performance. The definition of 'right' metrics in this regard changes from organisation to organisation but the essence remains the same, which is, 'being able to see direct link between individual unit and business performance'. To enable this, there is also a fundamental shift in the way performance measurement systems are operating globally.

Redundant, time-consuming processes are being replaced by smart, technology enabled dashboards and information systems that enable quick informed decision-making and course correction where necessary. The people agenda is now strictly influenced by business goals and outcomes as is every other business function.

In today's VUCA environment, leaders are increasingly focused on ensuring they have the right kind of talent mix that is equipped to deal with the opportunities as well as challenges that the fast changing business ecosystem throws at them. Organisations no longer can be hesitant in dipping into the pool of the 'gig workforce' where necessary to ensure that the right expertise is available for servicing both internal as well as external demands.

The traditional relationship between an employer and an employee has undergone a fundamental shift. Successful organisations increasingly show a preference to reach out and 'rent' skills and expertise at a premium in an 'on-demand' fashion rather than maintaining a bulky reserve pool of experts. Conversely, a large proportion of the workforce too is no longer seeking a long-term engagement with a single employer and prefers a larger control over their work time by offering their skills and services per their convenience. The business landscape today is expecting superior performance like never before and organisations along with their leaders have to step up to this challenge in order to succeed and sustain.

In summary, talent, resources and processes are all being revisited fundamentally to ensure there is a sharper linkage between investments, efforts and outcomes. Focus on getting results has never been sharper.

Sanjay Kirloskar
Vice President, AIMA & Chairman & MD,
Kirloskar Brothers Ltd.

Relative weight of dimension

72.9
Focus on getting results

100
Rest of dimensions
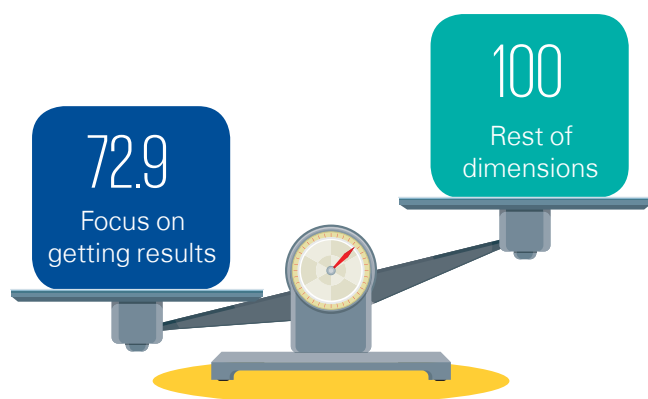
Observations that matter

Focus on getting results consistently measures and monitors business performance. It is imperative that employees recognise the significance of performance results as a crucial measure of achievement for any organisation.

The overall MCDI score for focus on getting results is pegged at 72.9 per cent - the third highest. This score demonstrates that most of the participants feel their organisations are driven to achieve the strategic objectives and business growth on yearly basis. Accommodation and food services and banking and financial services respondents were more confident or their management capabilities when compared to the likes of administrative and support services and agriculture, forestry and logging. Organisations with participants scoring low on this dimension need to further sharpen their focus on result oriented deliverables – be it solutioning, service or manufacturing. Training scores reflect that in-house trainings are more effective vis-à-vis external trainings for strengthening result orientation.
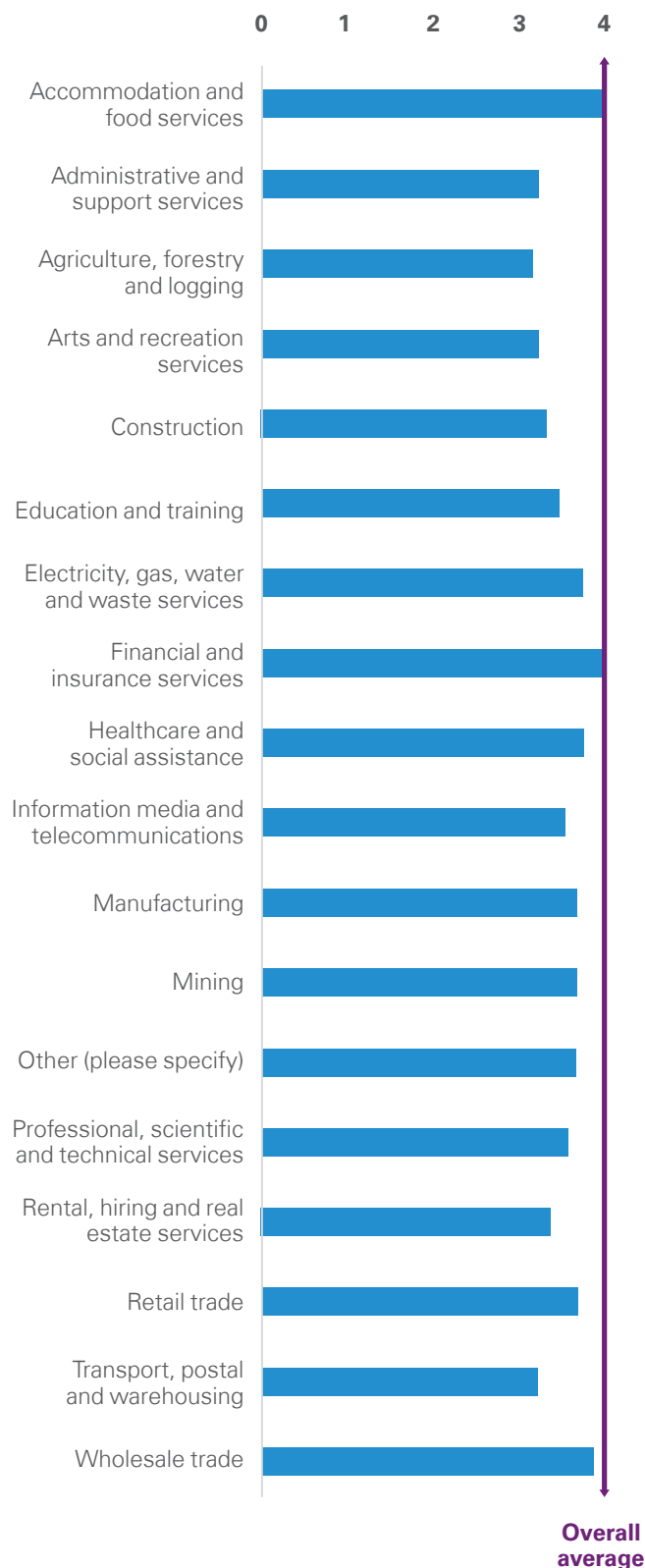
3.8/5 Adequacy of in-house training

**3.3/5** Adequacy of external training

Average MCDI scope per industry

Overall average

Focus on getting results

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management builds on previous successes and lessons • Management establishes the desired results clearly.	• Management establishes the desired results clearly • Management builds on previous successes and lessons.	• Management establishes the desired results clearly • Management has a clear strategy and activities to achieve desired results.
Bottom 2 statements	• Management monitors progress and makes adjustments when needed • Management encourages others in the organisation to see desired results clearly.	• Management has appropriate and effective metrics to measure desired results • Management encourages others in the organisation to see desired results clearly.	• Management provides frequent feedback to teams • Management encourages others in the organisation to see desired results clearly.
Score by management level	• CEO/Senior: 3.7	• CEO/Senior: 3.7	• CEO/Senior: 3.6

Score by organisation type
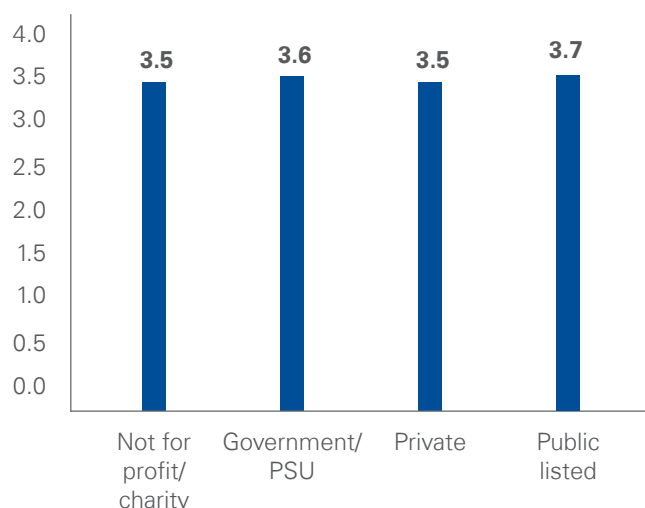
While the focus of public listed organisations on results is understandably driven by market pressures, it is still important to not look at results only from a quarterly or short-term perspective. Organisations that add long-term value to shareholders are the ones differentiated from others as great organisations. It is encouraging to see increased sense of accountability from participants across the pool of government and PSU organisations. Participants from privately held firms and not for profit firms felt an urgent need to improve result orientation in their organisations by encouraging the management to rope in mechanisms to evaluate, monitor and sustain focus on results. It is interesting to note that organisations based out of west India were relatively more confident of their management capabilities around focus on results.

Score by region

North: **3**

West: **4**

East: **3**

South: **3**

Case study

A privately held, medium sized manufacturer of industrial products selling primarily through local distribution channels to large manufacturing companies was looking at a mandate to e-energise the business, and develop a strong plan that could ensure the following: Company will resume its growth and gain share from its competitors, company will grow its profits – the shareholders do not wish to sacrifice profit to gain sales or market share, company will develop a clearer sales process as the channel strategy clarifies itself and company will improve to a point where it can claim that it legitimately delivers superior customer service.

To achieve the said results, sales employees were required to submit a plan and be governed by it. At the same time, active use was made throughout the organisation of a number of team effectiveness profiles. The company hired and trained several key managers. As an outcome, company sales have risen beyond targeted results. The various Peak Performance2 sales and team performance principles has become foundational to the company's DNA.

Market realities can cause stalled sales growth but vision, leadership and a consistent development plan can serve as a catalyst to propel growth. Superior relationships in the company are a source of hidden profits. The company discovered that there were huge improvements in communication resulting from an elevated understanding of the differences of people's styles. These improvements spilled over into downstream relationships and this, in turn, helped sales and profits grow.

Financial leadership

Leader speak

> Finance is not merely about making money. It's about achieving our deep goals and protecting the fruits of our labour. It's about stewardship and, therefore, about achieving the good society.
>
> *– Robert J. Shiller*

Financial leaders must embody the values of their organisation and become genuine business partners. And an organisation's growth needs to be multi-faceted and aligned to its vision and strategy. Increase in headcount should be commensurate with the rises in revenue and overall profitability. People, process and technology need to be strategically aligned with the organisation's vision and goals.

Financial leadership goes beyond excellent number crunching. The financial leader is one of the most important players in the business from a strategic point of view. A key responsibility of a financial leader is to unlock synergy between functional responsibilities and financial resources of any business. He or she needs to make the organisation capable of responding to ever-changing expectations from its own departments, external markets, shareholders and other stakeholders.

Another crucial aspect of financial leadership is the ability to have a pulse of the market the company is operating in.

These are tall demands. They may be categorised as follows.

Be insightful – A financial leader should provide appropriate guidance, information and knowledge to enable the business to take strategic decisions. Financial leaders should have an extremely high degree of awareness of the numbers and KPIs. Continuous analysis of business KPIs, adding and changing the metrics and generating relevant insights is an essential job of a financial leader.

Be efficient – Financial leaders should continuously focus on building efficiencies in processes and the system to increase the profitability for the organisation.

Build financial acumen in others – Ensure that the 'knowing the numbers' is built into the organisational DNA. Make sure that relevant numbers and KPIs are communicated and monitored effectively at all levels in the organisation. With greater accountabilities being moved to junior levels and leaner organisational structures, financial leaders should focus on building the financial acumen at all levels as a core competency required for many of the future jobs.

Be aware of technology – The finance function is at the forefront of technological transformation. With digitalisation, emergence of Fintech jobs and integration with social media, the boundaries between Finance, IT and Marketing roles are fading swiftly. A financial leader should be well aware about the technological advances, understand their impact on the business and explore the technological transformation at the right time.

Arun M. Kumar
Chairman and CEO,
KPMG in India

Relative weight of dimension

71.2 Financial leadership
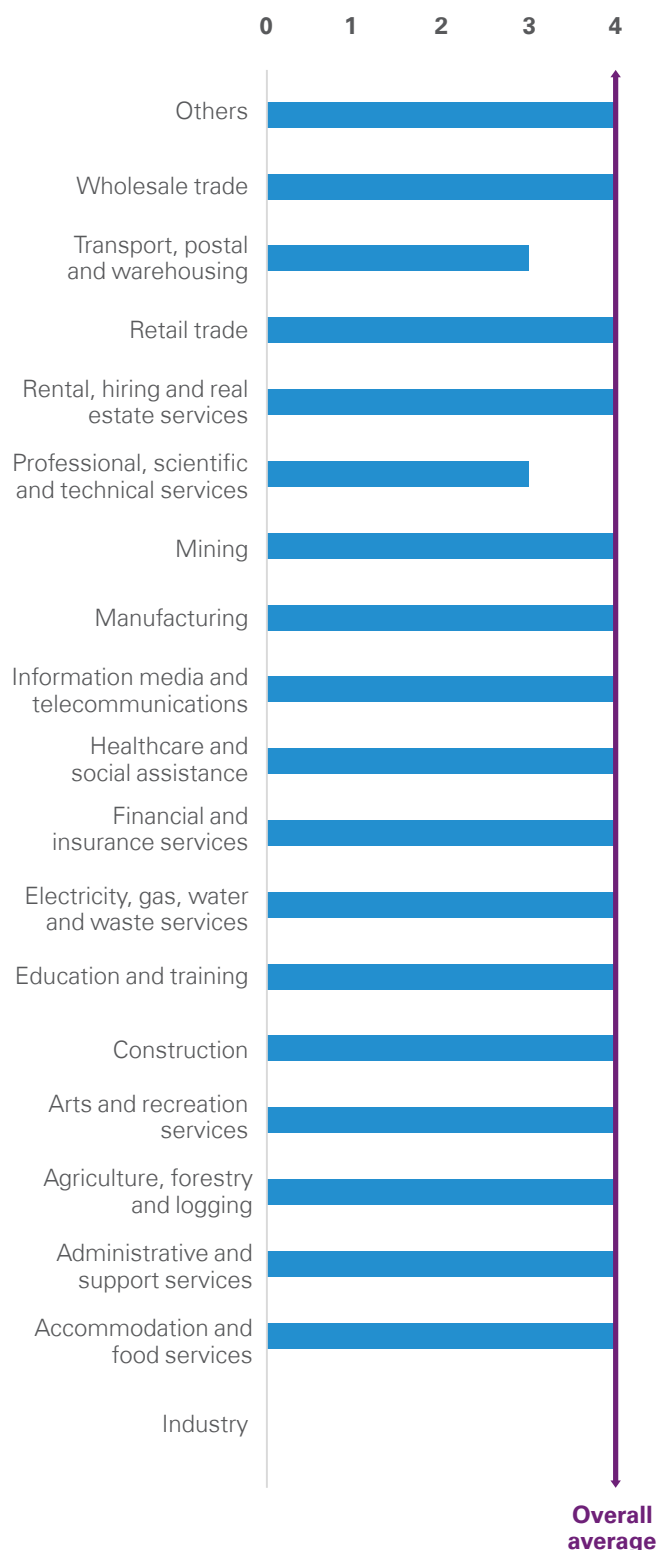
100 Rest of dimensions
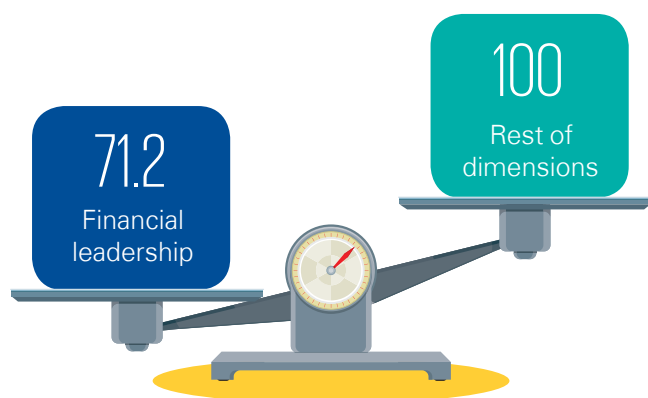
Observations that matter

Financial prudence, both short and long-term is vital for the sustenance, growth and profitable future of an organisation. It further helps in contextualising the strategic planning process and operational effectiveness. Consistent and transparent in-house financial systems help in strengthening the foundations of success for the organisation.

The overall MCDI score for financial leadership is pegged at 71.2 per cent - moderate vis-à-visother dimensions. Most of the industries like the wholesale trade, retail trade, rental and hiring, scientific , mining, media, manufacturing, healthcare are adequately confident of this dimension. In the age of disruption, teams are more integrated and interconnected through technological advancements of the financial services. Leaders are continually adopting more efficient and effective financial management practices in order to accomplish the strategic as well as pecuniary objectives of the organisation. On the other hand, transport, postal and warehousing and professional, scientific and technical services industries are relatively less confident about the scale of effective financial management.

Interestingly, participants from government and PSU organisations have found it most urgent to improve financial leadership capabilities.
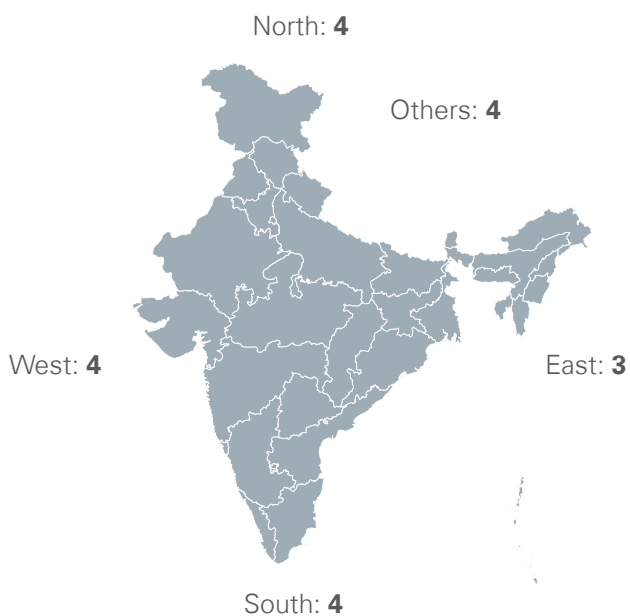
3.40/5 Adequacy of in-house training

3.24/5 Adequacy of external training
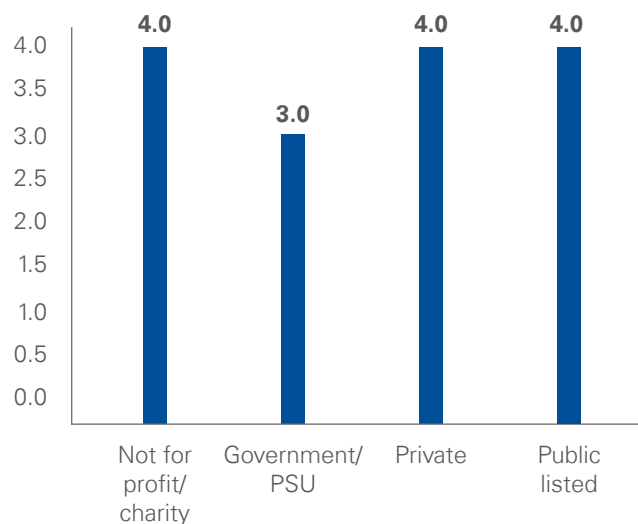
Average MCDI scope per industry

Others
Wholesale trade
Transport, postal and warehousing
Retail trade
Rental, hiring and real estate services
Professional, scientific and technical services
Mining
Manufacturing
Information media and telecommunications
Healthcare and social assistance
Financial and insurance services
Electricity, gas, water and waste services
Education and training
Construction
Arts and recreation services
Agriculture, forestry and logging
Administrative and support services
Accommodation and food services
Industry

Overall average

Financial leadership

Score by region

North: **4**

Others: **4**

West: **4**

East: **3**

South: **4**

Score by organisation type

	4.0		4.0	4.0

- Not for profit/charity: 4.0
- Government/PSU: 3.0
- Private: 4.0
- Public listed: 4.0

Traditional organisation
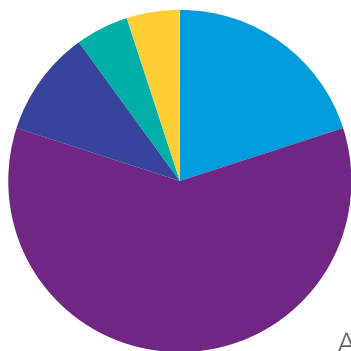
Future organisation
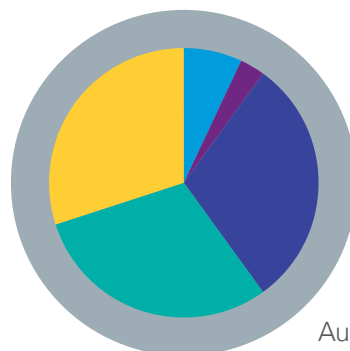
Automation

Additional value-add activities

+ Increased business partnering

- Transactional activities (automation)

....

Greater value, fewer people, and lower costs

- ■ Transactional processes
- ■ Process management
- ■ Budget and planning
- ■ Financial risk/controls
- ■ Budget and planning

Cost

High

Low

Business partnering

High

Low

Value

High

Low

Cost

High

Low

Business partnering

High

Low

Value

High

Low

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management ensures effective financial planning, accounting, cash flow management, investment, financial reporting; and liaisons with financial institutions • Management develops and commits to plans and goals that support sound growth and continuous performance improvement.	• Management ensures effective financial planning, accounting, cash flow management, investment, financial reporting; and liaisons with financial institutions. • Management implements sound and effective internal control systems through supervision and internal audit and hierarchy.	• Management ensures effective financial planning, accounting, cash flow management, investment, financial reporting; and liaisons with financial institutions • Management hires experienced accounting and financial personnel for its financial management.
Bottom 2 statements	• Management leads and manages the organisation to consistently achieve or exceed these goals • Management hires experienced accounting and financial personnel for its financial management.	• Management develops and commits to plans and goals that support sound growth and continuous performance improvement • Management leads and manages the organisation to consistently achieve or exceed these goals.	• Management leads and manages the organisation to consistently achieve or exceed these goals • Management develops and commits to plans and goals that support sound growth and continuous performance improvement.
Score by management level	• CEO/Senior: 3.4	• CEO/Senior: 3.7	• CEO/Senior: 4

People leadership and (self) development

Leader speak

> Leadership is about inspiring people to do things they never thought they could.
>
> *– Steve Jobs*

Yes, you read it right, an employee first leader. Way back in 2010 I wrote about how with 'Employees First and Customers Second' approach an organisation can transform itself. While the tricks of the trade might remain same but one question which I did not answer at that time was, how a manager can become an 'employee first leader'?

It is true that after a point, most managers become incremental in thought, slow in action and uninspiring in vision while they are expected to be visionaries, be able to see the big picture and drive the organisation towards excellence. In this VUCA world with economic volatility, increasingly diverse and shrinking workforces, and shareholder expectations are creating demands and challenges unimaginable, leaders are not only expected to execute business strategy but also ensure employee commitment and engagement. A poor manager on the other hand can deflate the best intentions, disable the most enthusiastic people and freeze the hottest ideas. Hence, it is important to view employees as human first,

communicate not only about work but share the vision and empower them to ensure the organisation achieves the desired results. More importantly, if you are transitioning from being a manager to a leader, never forget that people are much more likely to respond to a leader who comes across as real, who

is perceived as a flesh-and-blood individual, complete with flaws and even some doubts or fears.

My three mantras of transitioning into an employee first leader

- Take a chance- Life is about taking chances, unafraid of consequences and instilling this courage in your teams at the same time. Everyone in your team will have an innate need to carve their niche and succeed in life and if they believe that their leader is instrumental in their success story, the motivation to give all, exceeds expectations. Take a chance by trusting more, when leaders show commitment to their people's growth, they are motivated to reciprocate, expressing their gratitude or loyalty by going the extra mile.

- Think impossible - When you look at life through the lens of what is possible, you will continue making the same mistakes. Make new mistakes, think the impossible and wait for the time when impossible becomes possible. Create discomfort with your present, then define a path with risks for your future. The joy of experimentation, enhanced by the courage to fail, and stand up again will make your transition much quicker than others.

- Inspire- Nobody wants to be managed, hence, inspire your team to do the impossible every day. Leaders should recognise,

honour and celebrate people's contributions and commitment.

Failure should not be looked down upon and should be made part of the culture so that your people do not hesitate to experiment and try out new things. Many employees in the workplace will tell you that their leaders have stopped being teachers. Successful leaders never stop teaching because they are always self-motivated to learn themselves

Finally, it boils down to - Where does a leader depart from being a manager?

The opportunity to take a lead is always on the bends. The role of a leader in such a scenario is to find opportunities in risks and to enthuse and empower their team to chase them fearlessly and have faith.

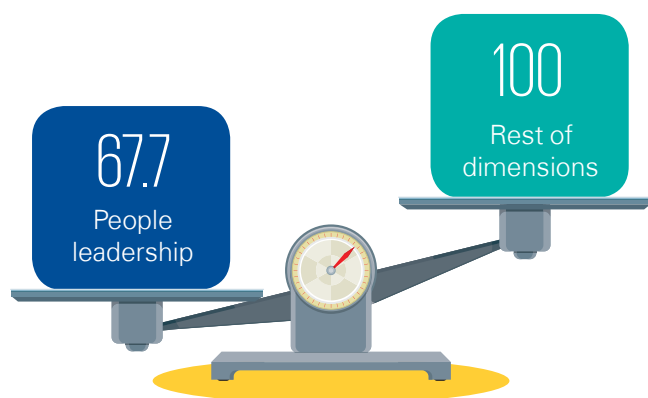Yes, in the end, it is all about keeping the faith.

Vineet Nayar
Founder Chairman of Sampark Foundation **and Former CEO** of HCL Technologies

Relative weight of dimension

67.7
People leadership

100
Rest of dimensions
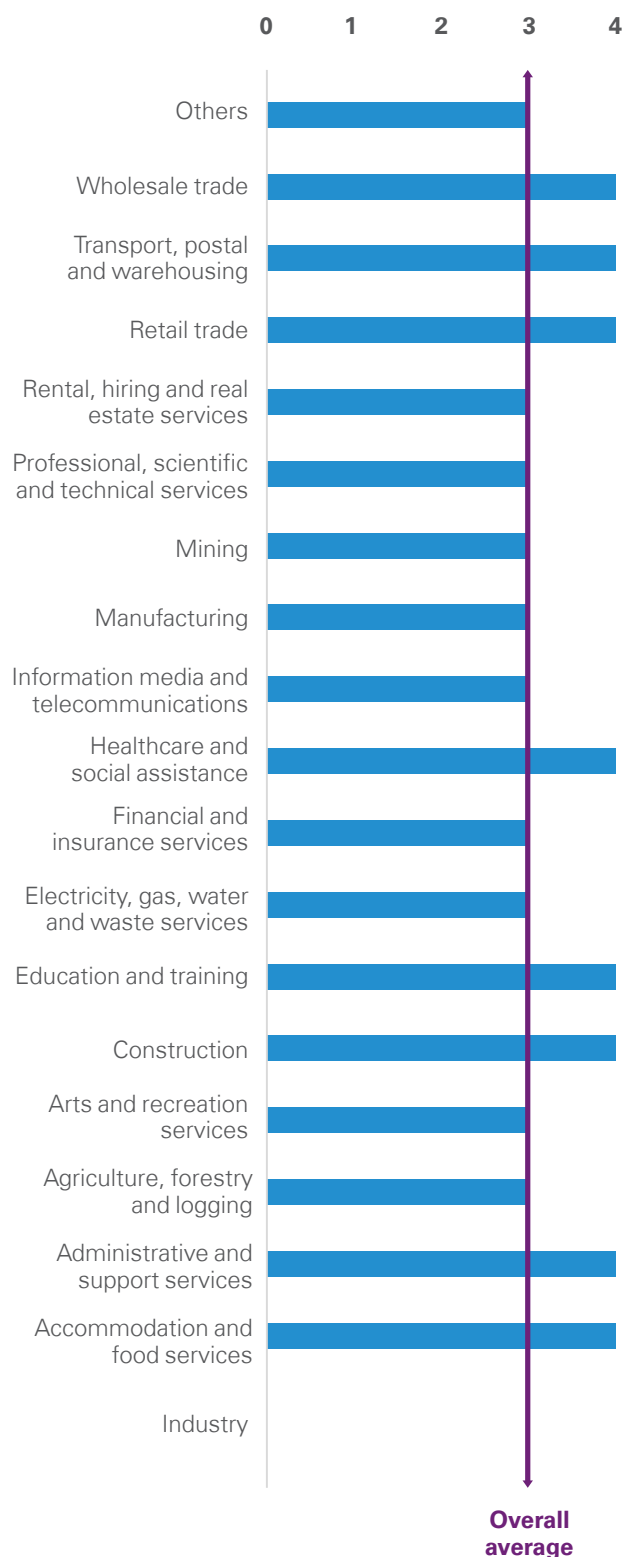
Observations that matter

People leadership plays an essential role in developing an engaging and collaborative culture in an organisation. It supports achievement of business goals by managing human capital and laying down robust HR strategies. Strategic human resource management emphasises the importance of organisation design, culture and individual vis-à-vis team development. It helps to address capability needs by ensuring that the organisation has skilled, competent and a committed workforce to achieve sustainable competitive advantage..

The overall MCDI score for people leadership is pegged at 67.7 per cent - among the lowest, indicating that organisations feel this is an urgent area of improvement.

Industries like the wholesale trade, transport, retail trade, healthcare, education, construction, administrative and food industry exceed the current average. Results emphasise on the need for people leadership in this fast-paced growth environment. Talent is an organisation's differentiating factor. People leadership requires coherent strategy, nurturing talent and effective talent management. Other industries like mining, manufacturing have achieved market average.

However, they still need to create strong and inclusive HR strategies to create future-ready talent.

3.24/5 Adequacy of in-house training

3.20/5 Adequacy of external training

Average MCDI scope per industry

	0	1	2	3	4

Others
Wholesale trade
Transport, postal and warehousing
Retail trade
Rental, hiring and real estate services
Professional, scientific and technical services
Mining
Manufacturing
Information media and telecommunications
Healthcare and social assistance
Financial and insurance services
Electricity, gas, water and waste services
Education and training
Construction
Arts and recreation services
Agriculture, forestry and logging
Administrative and support services
Accommodation and food services
Industry

Overall average

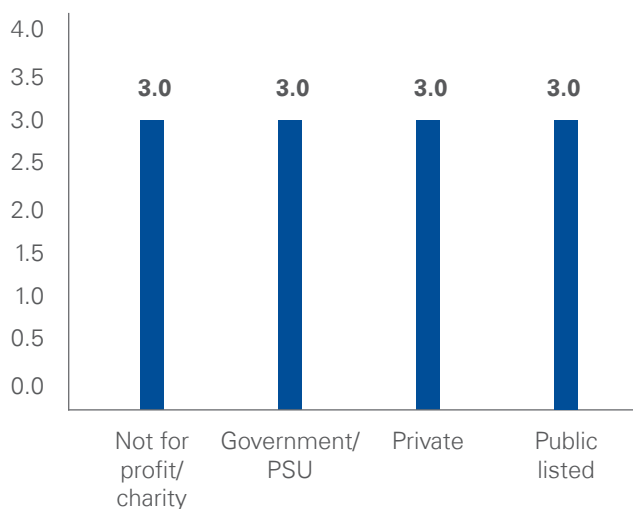# People leadership and (self) development

Among the typical people leadership issues that organisations face are:

- Issues that face organisations today are often not HR, but leadership

- Promoters, especially first time entrepreneurs are often accused of micromanagement and adopting an autocratic style of decision-making

- Conversations reflect the way you receive the subject and respond

- Ability to delegate would be an important differentiator in the way a promoter is perceived by the employees

- Delegation and information flow is largely restricted to close comrades/family members

- Trust/loyalty is usually recognised more than competency

- Ability to attract competent people largely remains a challenge at the beginning. Recruiters/ staffing organisations can offer assistance in sourcing/screening

- Bringing in too many people together at the same time may create resentment amongst existing employees and further impede the creation of a performance driven culture.

However, self-awareness among people leaders is key to resolving some of the above mentioned hindrances. This includes:

- Self-awareness – You recognise your own emotions and how they affect your thoughts and behaviour, know your strengths and weaknesses, and have self-confidence.

- Self-management – You are able to control impulsive feelings and behaviours, manage your emotions in healthy ways, take initiative, follow through on commitments, and adapt to changing circumstances.

- Social awareness – You can understand the emotions, needs, and concerns of other people, pick up on emotional cues, feel comfortable socially, and recognise the power dynamics in a group or organisation.

- Relationship management – You know how to develop and maintain good relationships, communicate clearly, inspire and influence others, work well in a team, and manage conflict.

Score by organisation type

Score by region

North: **3**

Others: **4**

West: **3**

East: **3**

South: **3**

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management efforts generally get other managers' support • Management creates a high-performance team.	• Management efforts generally get other managers' support • Management collaborates and fosters teamwork.	• Management efforts generally get other managers' support • Management creates a high-performance team
Bottom 2 statements	• Management involves others when making decisions • Management efforts generally get employee support.	• Management provides effective feedback for development of others • Human resource planning is an integral part of the annual business planning process.	• Management involves others when making decisions • Management efforts generally get employee support.
Score by management level	• CEO/Senior: 3	• CEO/Senior: 4	• CEO/Senior: 3

Performance leadership

Leader speak

Performance measurement is one of the most difficult things in an organisation. Every employee works to be treated fairly and be judged fairly. It is never easy to get performance appraisals 100 per cent right even with the best process and even with tleaders with the best intentions. There is a subjective element in every appraisal and one must keep that in mind when we discuss this topic.

What is a good performance? To me given a set if economic factors, a good performance is one where the company and the individual are competitive and deliver results better than competition. This is easy to measure where we have industry data on growth and profits. This is easy for teams with quantitative targets. How do we judge support functions like legal, HR, finance, supply chain, etc. on performance?

A good performance is always a combination of number targets and softer behaviours. The measurement of numbers is an easy task once the numbers are set. The behaviour judgement is the difficult part. While the numbers are self-explanatory, I have always looked at the attitude of the employee, does he or she have a winning mindset, does the person care for the company above all else, does the employee help others out in the spirit of the company winning and does the employee take pride in being part of the company? The hallmark of a great employee is loyalty to the company before loyalty to the boss.

A good function must be an enabling and a supporting function for the business. Does the function respond quickly to the issues raised with them? Or, does it hide behind rules and regulations? A lot of a functions' behaviour comes from the leader and the way the function has worked historically or has been used historically. Most finance departments see their role as protectors of company wealth and profit. Most audit departments see themselves as guardians of the policies in a company. I would judge every function on its ability to support the company to get higher revenue and profit from its customer base. If functions in a company are internally focused, then that company will never be customer centric. I have in the companies where I was the leader developed a responsiveness index for every function as seen by the employees of the company. Having an internal responsiveness measurement system helps raise awareness of which department is the weakest link in the value delivery chain.

I have followed the following to ensure better performance in the companies that I led:

- Every year have all MBOs or KRAs shared by each team member with the team, and specifically ask for the help they need to achieve their objectives. This helps create a common agenda for the leadership team

- I have always shared my objectives with the full organisation and also signaled progress versus my objectives every quarter and in every employee town hall meeting.

- I have also done a quarterly catch up with each direct report to see how he/she is progressing versus the objectives. This ensures that there is clear communication both ways on performance hits and misses and hence takes away the surprise at the end of the year.

- I always ask the leaders to rate his/her own people and see if he/she rates himself/herself higher than his team or lower than his/her team. Leaders who rate themselves higher than their subordinates have an enormous ego and believe that they are the reason for the team's delivery. These leaders are dangerous. The role of a leader is to build team capability.

- No one teaches us to be fair, we learn fairness through the family values we have grown up with and the role models we see at work. This is the most important aspect of being a performance focused leader – fairness!
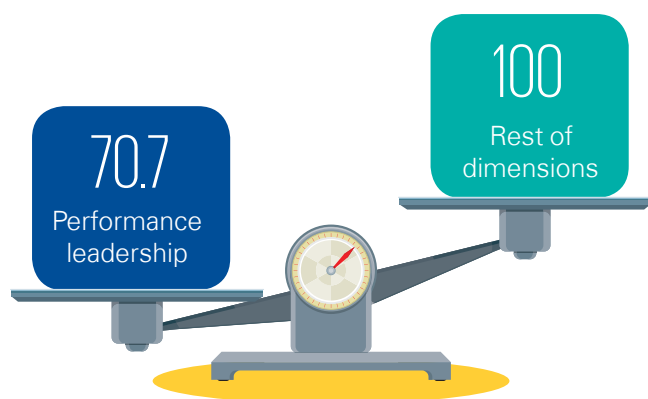
D Shivakumar

Past President, AIMA & Group Executive President, Corporate Strategy & Business Development, Aditya Birla Management Corpn Pvt Ltd

Relative weight of dimension

70.7 Performance leadership

100 Rest of dimensions

Observations that matter

Performance leadership ensures an achievement oriented environment that consistently challenges its team members to be driven to accomplish high standards of success.

Performance leaders gain the edge by developing the fundamental roles of their management and leadership teams to extremely high levels of effectiveness, basically 'working smarter' to create conditions for success. It also builds on the principle that leaders shall inspire the environment, stimulate the coworkers by encouraging creativity and innovation as well as acting as a coach and mentor to all his/her subordinates.

The overall MCDI score for performance leadership is pegged at 70.7 per cent - Moderate or low vis-à-vis other dimensions – indicating urgency among participants to develop this management capability.

Industries like retail trade, mining, banking and financial services, utilities and accommodation and food services exceed the current average. These industries focus on adaptability to change, risk mitigation and consistently striving for performance excellence. Other industries like agriculture, forestry and logging and arts and recreation services need to change the way they operate in order to perform better and can take learnings from the leading companies.
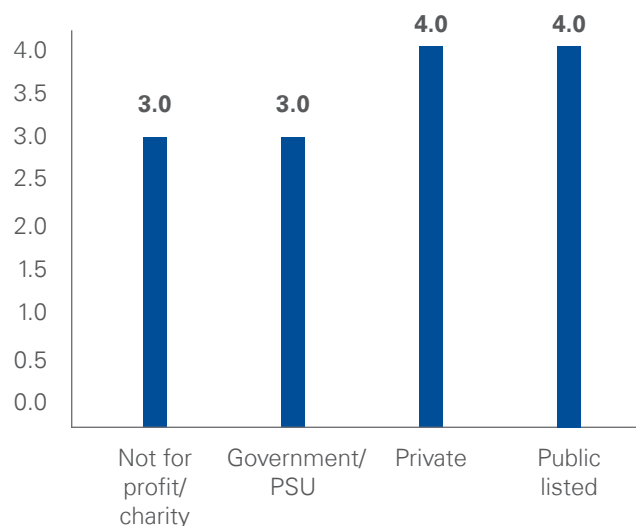
3.28/5 Adequacy of in-house training

3.35/5 Adequacy of external training
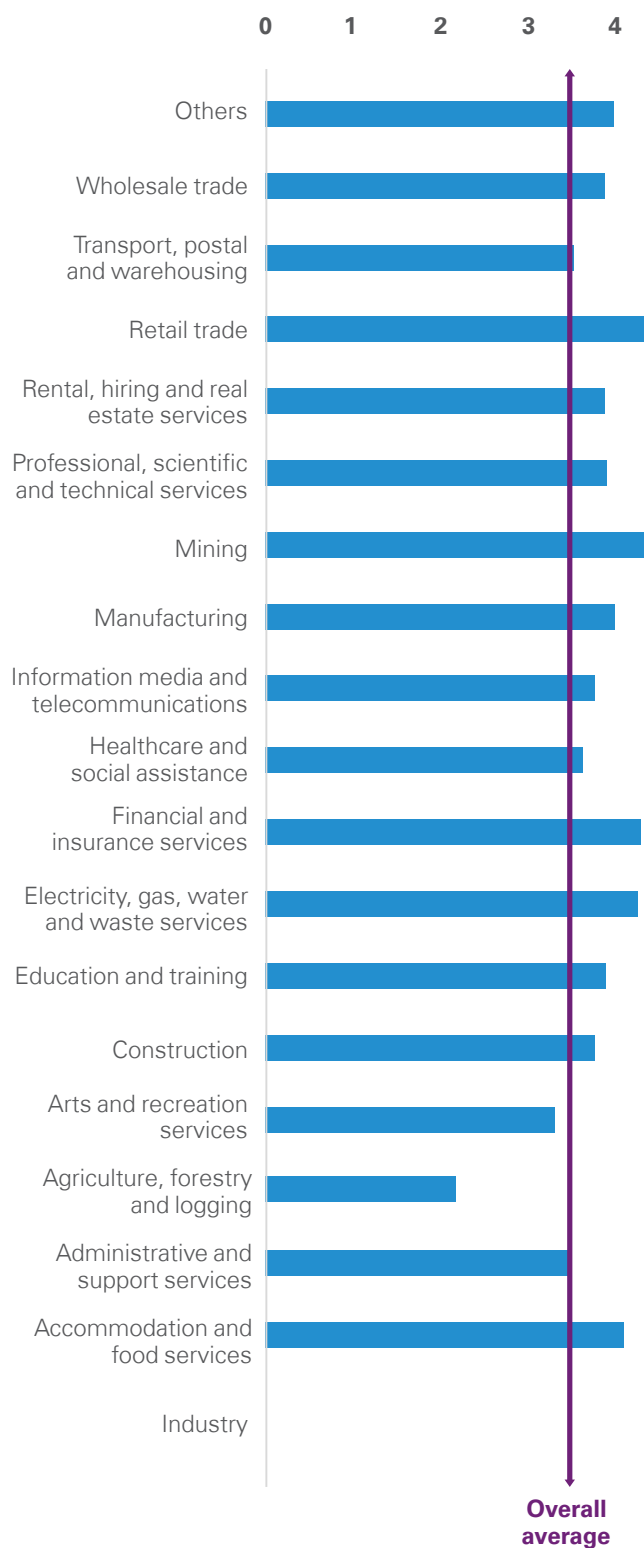
Score by organisation type

Respondents believe that the in-house training provided by their company on performance leadership is less adequate in comparison to learning opportunities outside of the organisation. External trainings are very important in creating leaders capable of transforming the business and develop achievement oriented environment to encourage their employees to exploit their fullest potential to achieve organisational goals and objectives

Score by region

North: **4**

Others: **4**

West: **4**

East: **3**

South: **4**

Performance leadership

Average MCDI scope per industry

Chart: Average MCDI scope per industry (scale 0–4), with an "Overall average" line marked at approximately 3.5.

Industry	Average MCDI scope
Others	~4
Wholesale trade	~3.6
Transport, postal and warehousing	~3.5
Retail trade	~4
Rental, hiring and real estate services	~3.6
Professional, scientific and technical services	~3.6
Mining	~4
Manufacturing	~3.6
Information media and telecommunications	~3.5
Healthcare and social assistance	~3.5
Financial and insurance services	~4
Electricity, gas, water and waste services	~4
Education and training	~3.6
Construction	~3.5
Arts and recreation services	~3
Agriculture, forestry and logging	~2
Administrative and support services	~3.5
Accommodation and food services	~4

Successful organisations focus on three imperatives: aligning strategy & people; developing excellent leaders; and building excellent teams, when we look at what successful leaders personally do to succeed, we find that they concentrate on building their capacity around what we call five key facets of leadership:

- Focus - Effective leaders stay focused on the outcomes they wish to create, and do not get too invested with the methods used to achieve them.

- Authenticity - Leaders who are authentic attract followers, even leaders who are viewed as being highly driven and often difficult to work for.

- Courage - The challenges facing leaders today are immense, and require great courage to overcome. Leaders are constantly being challenged by others, be it their own team, customers, the public or stakeholders.

- Empathy - Effective leaders know how to listen empathetically. Thus, legitimising others' input.

- Timing - The one facet that can make or break a leader is in knowing when to make critical decisions.

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management ensures the organisation is goal, performance, and achievement-focused • Management consistently meets the organisation's performance goals, and has a performance track record of growth and continually-improving performance.	• Management ensures the organisation is goal, performance, and achievement- focused • Management enables the organisation to perform consistently better than its competitors or other comparable organisations.	• Management ensures the organisation is goal, performance, and achievement- focused • Management consistently meets the organisation's performance goals, and has a performance track record of growth and continually-improving performance.
Bottom 2 statements	• Management pursues excellence in performance leadership • Management enables the organisation to perform consistently better than its competitors or other comparable organisations.	• Management demonstrates the ability and attitude to lead and champion the achievement of challenging goals and change • Management pursues excellence in performance leadership.	• Management analyses issues, anticipates and solves problems • Management demonstrates the ability and attitude to lead and champion the achievement of challenging goals and change.
Score by management level	• CEO/Senior: 3.5	• CEO/Senior: 3.8	• CEO/Senior: 3.7

Case study

Supporting leadership in its organisational vision to meet its performance goals at a state government authority.

To achieve the Minister's vision for a streamlined, customer focused and high performing organisation, this firm recognised the need to empower staff and develop conversational ability. For leaders particularly, it identified an opportunity to enhance their ability to have effective conversations which develop others, promote teamwork, improve performance and lead ongoing change across the organisation. They developed a comprehensive 'Conversations for Performance' programme undertaken by all leader levels from frontline leaders to general managers and directors across the state. Over its duration, the programme was contextualised to align with more than seven organisational priorities and changes, including the client's Leadership Framework', 'My High Performance Plan' and 'Upward Feedback', as well two major re-structures and the organisation's name change. The initiative included structured communications and multi-level evaluation, a blend of face-to-face and online learning. The programme consistently received highly positive feedback from leaders and programme sponsors. Research results from focus groups and regular evaluations showed an increase in leaders' confidence (self-belief) and competence (knowledge and skill), to have the right conversation effectively.

Innovation and adaptability

Leader speak

> *You can't build an adaptable organisation without adaptable people and individuals change only when they have to, or when they want to.*
>
> *– Gary Hamel*

Every institution, whether political, economic, business or even non-profit, is vulnerable to decline. There is no certainty that the most powerful will inevitably remain at the top, be perpetually successful. In the face of this reality, leaders and captains of business are often confronted with the need for solutions to stave off decline or to reverse course. Decline is largely self-inflicted caused due to inaction, lack of focus or errors of judgements and if one was to study organisations who had to tackle such situations, the common theme seems to be that they were the most desperate to change when they were the least capable to. In a world where business across industries is being constantly disrupted in non-traditional ways, innovation has to be a constant focus of organisations who wish to succeed.

The word innovation, however, gets notoriously more attention than the word adaptability while the latter by definition makes an essential ingredient of the former. It is not hard to find stories or case studies of companies that fail to innovate or adapt. Here again, the corporate world tends to use the words interchangeably. But it is important to differentiate adaptability as a necessary precondition for innovation as a process and even as an outcome.

Innovation involves creating value in non-traditional ways. For organisations, this means leveraging new resources or new processes to create value in form of products or services.

Adaptability is often misunderstood as being reactive, as a survival measure that is taken after the change in environment has taken effect. In truth, the environment is constantly changing. Organisations need to be adaptable in the present and innovate their way forward. This is the message that needs to form the fabric of management thought going forward.

While traditional businesses have created value by producing goods & services and have realised profits by exploiting the marginal cost of manufacturing an extra unit, the advent of a platform economy has reduced the marginal cost to almost negligible. This opens the market to immense possibilities for value creation, while curtailing the avenues for profit generation. And while large organisations struggle with an inertia of 'a way of doing things', it is constantly becoming difficult to create shareholder value.

At the same time, it is not hard to discover small start-ups challenging business models of powerful organisations backed by billions. The social capital that an organisation possesses becomes much more critical than the physical or financial capital. And this is where the values of risk taking, tolerance of failure, acceptance to change, etc. become critical. This involves creating an ecosystem of safe spaces in the organisations for constant experimentation.

We have to reimagine how we understand and evaluate individual and organisational performance to create a balanced view. It is no longer only about the number of successes or the growth rate, neither is it about the number of failures accomplished. It has to be about value creation, and not only revenue generation. These three ingredients can come together to form an organisation where innovation thrives – safe zones for experimentation, change underpinned by a constant urgency to anticipate and adapt and performance defined by value creation. Organisations need to proactively focus on building these elements into their management thought. There is no room for complacency or the time to watch the world pass by. Innovation is paramount and should not be an afterthought that occurs only when survival is threatened. Organisations should continuously initiate bold actions, ignite change and stimulate innovation to survive and thrive.

Preetha Reddy
Past President, AIMA &
Vice Chairperson, Apollo Hospitals

Relative weight of dimension

69
Innovation and adaptability
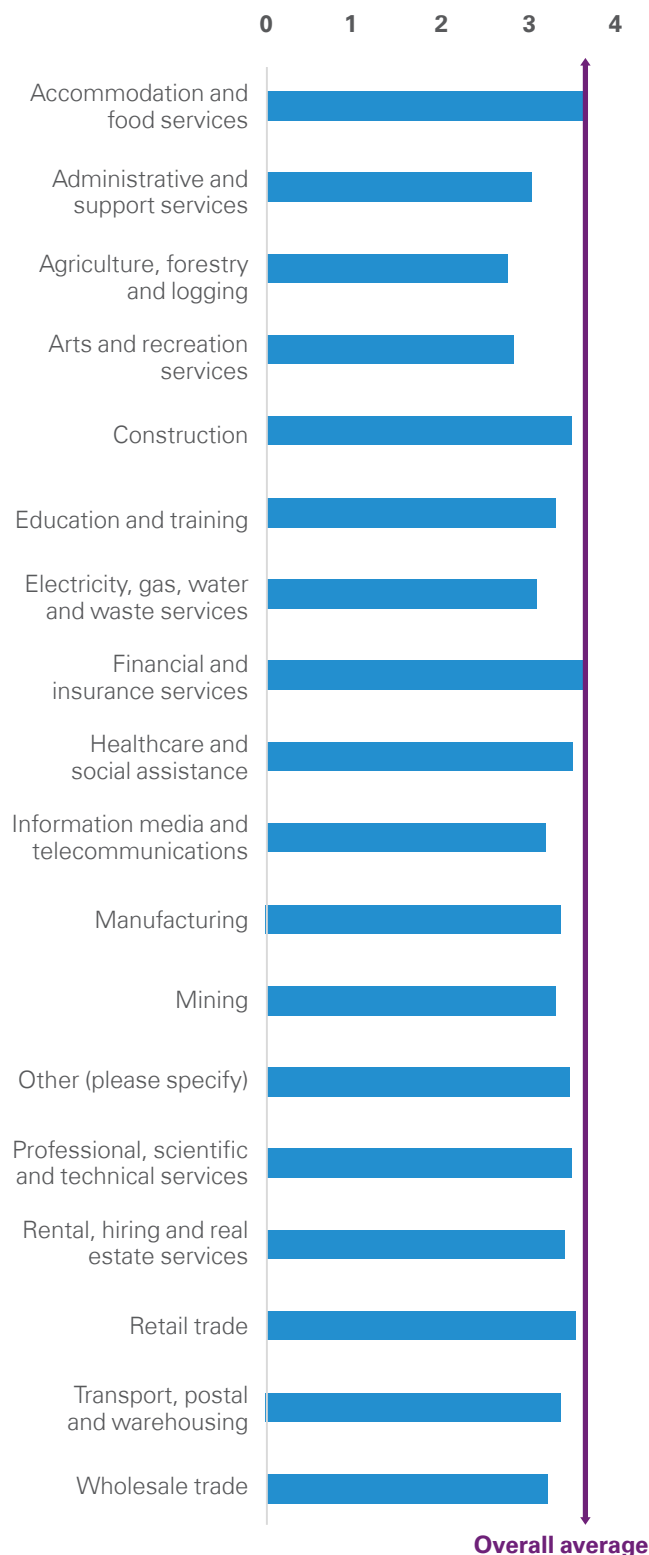
100
Rest of dimensions
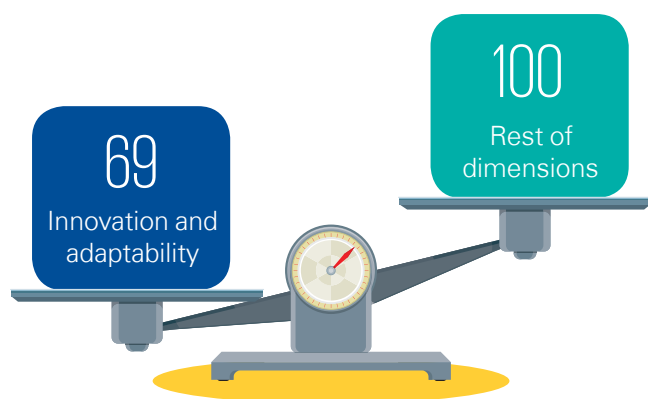
Observations that matter

Innovation is an important aspect of the organisation's culture. Management and employees create a climate to encourage continuous innovation in products and services which leads the business to new dimensions of performance and create new values for business customers and shareholders. An organisation's ability to foster a culture of innovation and adaptability is often closely tied to an organisation's change effort. The most successful organisations are more flexible, efficient, and adaptable.

The overall MCDI score for external relationships is pegged at 69 per cent with respect to the overall MCDI score. There seems to be an urgent need to improve innovation and adaptability through technological advancement, culture of learning, redefining motivation in creating a mindset to ready to accept changes.

Industries like finance and insurance, trade and food services are taking continuous cultural and change management initiatives. They are putting efforts to create higher-quality prototypes of a collaborative structure. Whereas industries like agriculture, arts and recreation services need to shift from step-by-step processing to working cross-functionally. They must study problems and put forward well-developed solutions. Evolving an organisation to become more innovative and change-friendly requires a structured effort to update culture and the systems and agreements that support its functions. As companies try to scale up their training across more geographies, alternative ways of delivering it will become necessary.

Average MCDI scope per industry

Industry	
Accommodation and food services	
Administrative and support services	
Agriculture, forestry and logging	
Arts and recreation services	
Construction	
Education and training	
Electricity, gas, water and waste services	
Financial and insurance services	
Healthcare and social assistance	
Information media and telecommunications	
Manufacturing	
Mining	
Other (please specify)	
Professional, scientific and technical services	
Rental, hiring and real estate services	
Retail trade	
Transport, postal and warehousing	
Wholesale trade	

Overall average

3.3/5 Adequacy of in-house training
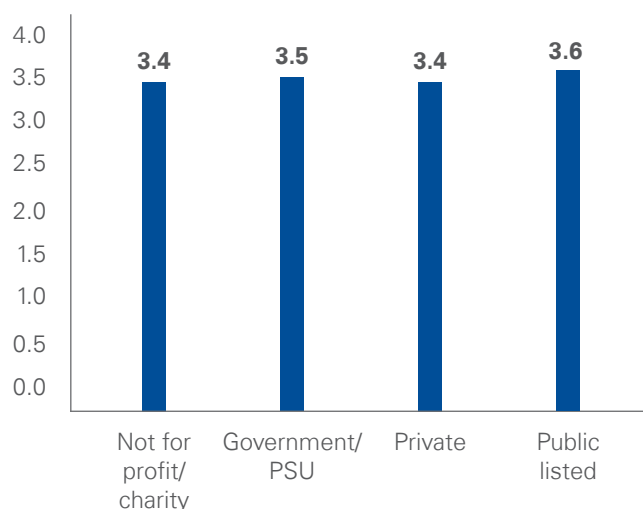
3.3/5 Adequacy of external training

Innovation and adaptability

	Budding INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management seeks ideas from the external market as part of an innovation process • Management and employees create the climate to encourage continuous innovation in products and services.	• Management seeks ideas from the external market as part of an innovation process • Management and employees recognise innovation as an important aspect of business. Innovation is part of the organisation's culture.	• Management and employees create the climate to encourage continuous innovation in products and services • Management seeks ideas from the external market as part of an innovation process.
Bottom 2 statements	• Management quickly responds to innovation opportunities • Management frequently incorporates customers' views and priorities into the innovation process.	• Management quickly responds to innovation opportunities • Management is effective at finding ways to commercialise ideas with regard to innovation.	• Management and employees support each other in risk taking in innovation • Management quickly responds to innovation opportunities.
Score by management level	• CEO/Senior: 3.4	• CEO/Senior: 3.2	• CEO/Senior: 3.6

Score by organisation type

Bar chart: Not for profit/charity 3.4, Government/PSU 3.5, Private 3.4, Public listed 3.6

Public listed companies are focusing heavily on innovation and cultural change management followed by private organisations. Region-wise scores are also on the lower side. It is important to take different initiatives like building adaptability and resilience, accelerating decision-making and learning process, develop team skills in rigorous experimentation across the country.

Score by region

North: **4**

West: **3**

East: **3**

South: **3**

Case study

Determinants	
• Culture	• Models
• Context	• Experiment
• Climate	• Exploration
• Structure	• Training
• Empowerment	• IF Strategy
• Resources	• Communication

Innovation → Continuous

Innovation → Radical

Model of innovation followed by SMEs

Small and medium enterprises (SMEs) which had adopted a culture of continuous improvement will build a culture of innovation beyond the culture of continuous improvement to achieve increased competitiveness. Continuous Improvement (CI) may be defined as an evolutionary incremental process which leads to a better way to compete and that adds value to the existing processes and encompasses the entire work force of the organisation. Innovative companies as characterised by creative people developing new products and services under a continuously changing environment. It defines a concept called Total Innovation Management (TIM) which concerns itself not only with product development but with implementing creativity across all aspects of an organisation.

Radical innovation refers to products and processes that result from advances in knowledge whereas incremental innovation refers to the continual process of improvement of techniques. For stronger competitive position, cost and quality, SMEs should become more innovative. Continuous improvement and innovation are actually integrated in an evolutionary process that can turn innovation into successful innovation and business excellence. Although, CI can simplify or streamline a process, it never asks whether the path selected was the right one. Hence, it is necessary to progress from CI to effective business innovation. The model developed and tested which proves that businesses with a culture of CI could more readily adopt an innovation culture.

Application of knowledge and technology

Leader speak

> Every once in a while, a newtechnology, an old problem, and a big idea turn into an innovation.
>
> *– Dean Kamen*

Digital transformation, an era of rapid and constant development of new technologies, has opened up opportunities for employees all over the globe. While technology today comes with its own set of challenges, millions today leverage technology for business growth, transformation of customer experiences and productivity enhancement at the workplace.

The digital era has fundamentally changed the way in which we operate today. With an exponential growth in the scope, scale and complexity of technology, it has now become easily accessible to a wider mass of individuals. Such kind of availability has led to a thriving digital culture, becoming a source of competitive advantages across all business functions – recruitment, performance management, training, learning and development, sales, marketing, sourcing, finance, manufacturing, logistics, and many more. The traditional way of working has now been eroded and technology providers no longer solely work with IT departments. In fact, it is multi-functional, non-exclusive and available to businesses of all sizes, across the globe.

Robust technology today has paved the way for innovation, cost-effectiveness and collaboration between functions by way of cloud technology, automation of rocesses, big data analytics, artificial intelligence, machine learning and so much more. The

relentless use of technology in a dynamic business environment has allowed organisations to improve their business agility, helped them with cost-effective business solutions, enhanced their customer experiences and created innovative products and solutions. Using integrated data insights that enable stronger decision-making has helped organisations align their business goals with technology initiatives.

Today organisations worldwide are leveraging technology to increase the 'human factor' and are capitalising more on their people. By investing in the right kind of technology, organisations are in turn investing in their people - by building a strong knowledge base to develop, up-skill and retain their talent. Organisations need to focus on creating the right synergies by establishing the perfect balance between talent and technology and adopting the right tools and partners while planning the deployment of technology.

As organisations continue to transform their businesses through digital technologies, the focus should be on improving customer experiences, maximising relationships, driving operational efficiency and innovation, but also preparing for risks and contingencies that technology may offer. Organisations today should implement a strategic technology road map that not only focuses

on delivering maximum value to the organisation but should also include effective risk management and mitigation processes.

Although one could argue that technology has done more damage than benefit to individuals, technology today, has opened a world of possibilities that few could have imagined.

It is important for organisations to act now and allow themselves to stay ahead of competition by strengthening their productivity and deploying the right set of technology forces. Leveraging advanced technology to support employees at work is a transition in itself. Organisations that hit the nail right on the head, will be able to attract, engage, retain the best talent and grow exponentially.

Sanjeev Bhikchandani
Founder & Vice Chairman,
Info Edge (India) Pvt Ltd

Relative weight of dimension

76.8
Application of knowledge and technology

100
Rest of dimensions
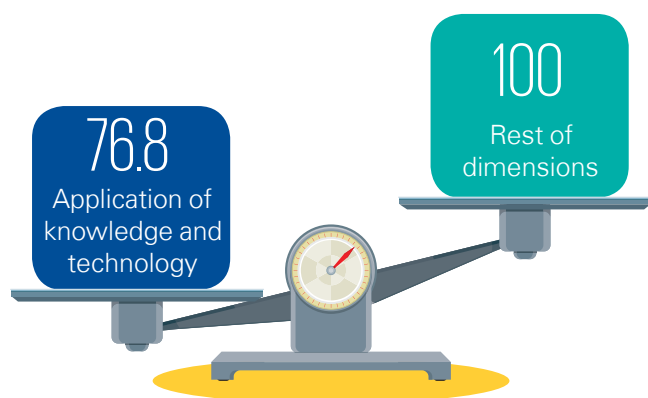
Observations that matter

Knowledge management and technology have graduated from being a differentiator in the market to a bare essential for survival. The process of creating, structuring, disseminating and applying knowledge as well as tapping into right technology across the value chain to enhance organisational performance is now a trademark aspiration of almost all organisations.

The overall MCDI score for application of technology and knowledge is pegged at 68 per cent - moderate vis-à-vis other dimensions. There seems to be an urgent need among participants to improve solutioning for product, process or service issues, identifying and accessing technical capability to fill internal gaps and identifying new growth opportunities for business.

Banking and financial services, followed by transport showed highest participant confidence, while the opposite occurred for the real estate and recreation service industry. Today, technology is speeding up the growth of the auto sector and increasingly gaining prominence in this area. Technology and knowledge transfer between academia and the industrial sector is of major importance for small and medium-sized companies with their often limited resources for pursuing R&D projects.
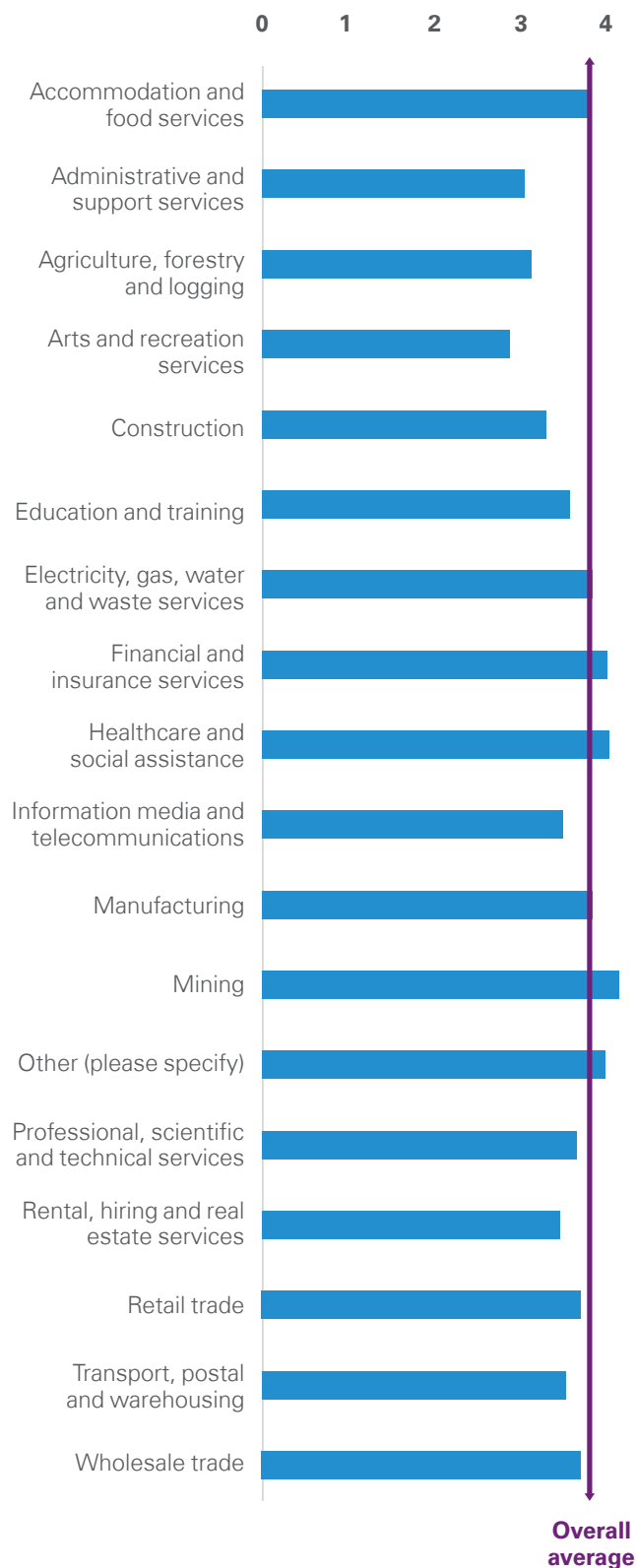
3.6/5 Adequacy of in-house training

3.2/5 Adequacy of external training
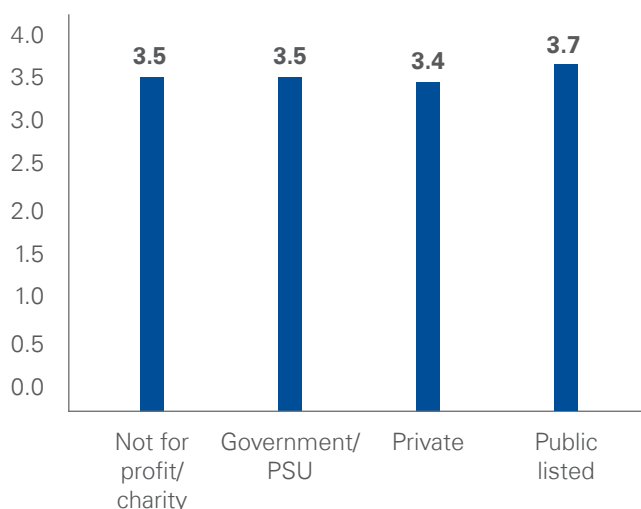
Average MCDI scope per industry

Accommodation and food services
Administrative and support services
Agriculture, forestry and logging
Arts and recreation services
Construction
Education and training
Electricity, gas, water and waste services
Financial and insurance services
Healthcare and social assistance
Information media and telecommunications
Manufacturing
Mining
Other (please specify)
Professional, scientific and technical services
Rental, hiring and real estate services
Retail trade
Transport, postal and warehousing
Wholesale trade

Overall average

Application of knowledge and technology

|	**Budding** INR100 crore to INR4000 crore	**Rising** INR4000 crore to INR14000 crore	**Leading** INR14000 crore to INR60000 crore
Top 2 statements	• Management understands the need to actively protect information/data in the organisation • Management understands the value and application of technical knowledge and expertise in organisations.	• Management understands the need to actively protect information/data in the organisation • Management understands the value and application of technical knowledge and expertise in organisations.	• Management understands the need to actively protect information/data in the organisation • Management understands the value and application of technical knowledge and expertise in organisations.
Bottom 2 statements	• Management applies effective knowledge and information management • Management practices knowledge management and promotes a learning organisational culture.	• Management applies effective knowledge and information management • Management practices knowledge management and promotes a learning organisational culture.	• Management applies effective knowledge and information management • Management practices knowledge management and promotes a learning organisational culture.
Score by management level	• CEO/Senior: 3.6	• CEO/Senior: 3.5	• CEO/Senior: 3.7

Score by organisation type

Organisation type	Score
Not for profit/charity	3.5
Government/PSU	3.5
Private	3.4
Public listed	3.7

Public listed companies lead the participant confidence in this dimension too with government/PSU faring better than privately held organisations on account of newly found government focus on integrating technology into the day to day working of these organisations. Participants from across the country expressed growing confidence in this dimension with east India based organisations expressing maximum urgency to improve the management capabilities around technology and knowledge.

Score by region

North: **4**

West: **4**

East: **3**

South: **4**
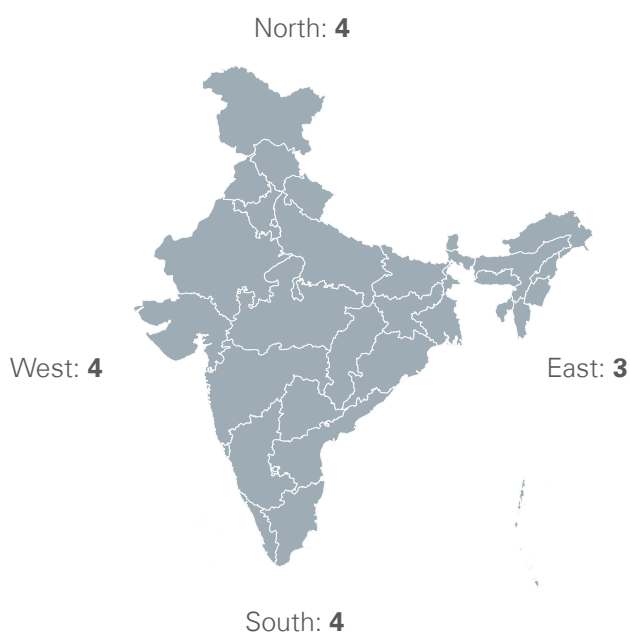
Case study

The object behind the implementation of knowledge management in a global ITe organisation was to support direction and routines including: (a) expert systems, (b) decision support systems. An expert system is software that attempts to provide an answer to a problem, or clarify uncertainties where normally one or more human experts would need to be consulted. Expert systems are most common in a specific problem domain, and is a traditional application and/or subfield of artificial intelligence. A wide variety of methods can be used to simulate the performance of the expert however, common to most or all are 1) the creation of a knowledge base which uses some knowledge representation formalism to capture the subject matter expert's knowledge and 2) a process of gathering that knowledge from the subject matter experts and codifying it according to the formalism, which is called knowledge engineering.

A Decision Support System (DSS) is a class of information systems (including but not limited to computerized systems) that support business and organisational decision-making activities. A properly designed DSS is an interactive software-based system intended to help decision makers compile useful information from a combination of raw data, documents, personal knowledge, or business models to identify and solve problems and make decisions. Typical information that a decision support application might gather and present are: inventories of all of your current information assets (including legacy and relational data sources, cubes, data warehouses, and data marts), comparative sales figures between one week and the next, projected revenue figures based on new product sales assumptions. This is now a common practice of leveraging AI and other budding technologies to the effect of result-oriented knowledge management.

Way forward

01 Develop resilient careers, not just jobs. Employers are likely to shift from consumers of work to builders of talent through people leadership.

02 Honest about information, transparent communication of the organisation's vision and clear articulation of the company's values and code of conduct. Chatbots to help understand complex requests, personalise responses, and improve interactions over time
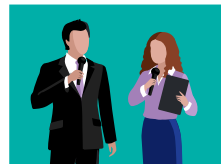
03 Streamline corporate governance models. Increasing board accountability for sustained value creation rather than bettering short-term earnings

04 Continuously evaluate the effectiveness of different learning and development initiatives, multiple paths for raising and testing innovative ideas and adapt them to your current business needs.

05 Re-evaluate business models to understand the changes required to compete in the digital age and are actively seeking innovative processes to respond to rapid disruption.
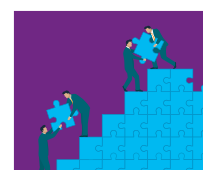
06 Less focus on hierarchical reporting, more on teamwork, rise of social collaboration, invest in individualised employee development planning and getting stakeholder engagement at the front-end of the strategic planning process.

07 Organisations to focus on achieving high standards for integrity and ethical practices and embed the same in the culture of the organisation.

08 Investment in information and human resource technology such as HR Information System, HR analytics, big data, cognitive automation, Augmented reality (AR), Virtual reality (VR) for increasing productivity and reducing costs.
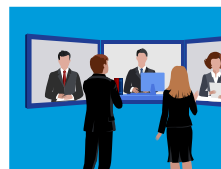
09 More sophisticated and reliable measures for employee effectiveness. Invest in assigning mentors and developing coaching programmes for your critical workforce.
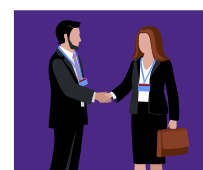
10 Setting uncompromisable standards, structured interview process and focus on building a robust talent pipeline to ensure leadership positions are filled at the right time. New trend is to ask your best-networked people to spend more time sourcing great hires instead of placing the burden of hiring on a specific set of employees.

Annexure: About the survey

The AIMA-KPMG Management Capability Development Index (MCDI) survey included a set of 83 statements spread across 10 dimensions. The respondents were asked to rate these statements on a six point Likert scale. We received more than 600 responses out of which 511 responses formed the basis of the findings in this report. The scores for each statement were calculated on the scale of 0 to 5 and consolidated for each dimension and finally converted to the 100 per cent index. Following table summarises the scores for all 83 statements across all 10 dimensions.

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

A	Visionary and strategic leadership	3.6 (7.2%)
1	Management articulates a clear and inspiring vision that is well understood	3.7
2	Management actively fosters and encourages ownership of the vision by the staff	3.6
3	The vision and supporting goals underpin and guide management decisions and behaviours	3.6
4	Management plans with a view to grow the business while meeting the needs of shareholders/owners	3.6
5	Management demonstrates an international perspective, and has a good understanding of global markets	3.5
6	Management establishes stretch goals for itself and the organisation	3.6
7	Management demonstrates professional and technical expertise	3.7
8	Management demonstrates business acumen	3.8
9	Management champions change	3.4

B	Performance leadership	3.5 (70%)
1	Management ensures the organisation is goal, performance, and achievement-focused	3.8
2	Management demonstrates the ability and attitude to lead and champion the achievement of challenging goals	3.5
3	Management balances risk with achievement, not risk avoidance (management is not risk averse)	3.5
4	Management consistently meets the organisation's performance goals	3.6
5	Management analyses issues, anticipates and solves problems	3.4
6	Management establishes stretch goals for itself and the organisation	3.6
7	Management ensures effective performance planning, and is organised and effective at performance planning	3.5
8	Management pursues excellence in performance leadership	3.4

C	People leadership and (self) development	3.4 (68%)
1	Management attracts, retains, develops, motivates and leads an effective team	3.5
2	Human resource planning is an integral part of the annual business planning process	3.3
3	The vision and supporting goals underpin and guide management decisions and behaviours	3.4
4	Management empowers and allows people to grow, and their range of skills	3.4
5	Management respects and maintains a culture, supportive and inclusive of employees, their values and their diversity	3.5
6	Management collaborates and fosters teamwork	3.4
7	Management communicates powerfully and broadly to people in the organisation	3.5
8	Management provides effective feedback for development of others	3.3
9	Management provides rewards and recognition for loyalty and performance	3.5
10	Management acts in the team's best interest	3.4
11	Management creates a high-performance team	3.6
12	Management involves others when making decisions	3.0
13	Management efforts generally get employee support	3.1
14	Management efforts generally get other managers' support	3.6
15	Management is motivated by the success of the people	3.3
16	Management practices critical reflection and self-development	3.3

D	Financial leadership	3.6 (72%)
1	Management develops and commits to plans and goals that support sound growth	3.5
2	Management leads and manages the organisation to consistently achieve or exceed these goals	3.4
3	Management ensures effective financial planning, accounting and liaisons with financial institutions	3.7
4	Management hires experienced accounting and financial personnel for its financial management	3.6
5	Management implements sound and effective internal control systems through supervision	3.6

E	Organisational capability	3.4 (68%)
1	Management builds organisation capability, a culture of innovation, and a dedication to continuous improvement	3.5
2	Management brings about and maintains an organisation that encourages collaboration between departments	3.3
3	Management effectively balances strong effective teams with autonomous individuals	3.4
4	Management has a sound understanding of best management practices to achieve organisational goals	3.3
5	Management demonstrates strong commitment to continuous learning for both individuals	3.5

F	Application of technology and knowledge	3.6 (72%)
1	Management exploits information technology to bring about a knowledge-driven organisation	3.6
2	Management understands the impact of technology on organisations and on processes	3.6
3	Management understands the value and application of technical knowledge and expertise in organisations	3.8
4	Management applies effective knowledge and information management	3.4
5	Management practices knowledge management and promotes a learning organisational culture	3.4
6	Management understands the need to actively protect information/data in the organisation	3.8

G	External relationships	3.7 (74%)
1	Management develops networks and spheres of influence with stakeholders	3.8
2	Management maintains networks and spheres of influence with stakeholders	3.7
3	Management ensures the organisation has a positive external image through building of effective relationships	3.8
4	Management ensures the organisation has a positive external image through the fulfillment of community	3.7
5	Management practices effective corporate social responsibility	3.7
6	Management encourages employees to engage with external stakeholders	3.5

H	Integrity, trust and corporate governance	3.8 (76%)
1	Management and employees understand ethical principles when making decisions with reference	3.9
2	Management and employees follow ethical rules and procedures for making decisions	3.7
3	Management and employees adhere to legislation, regulations and guidelines	3.9
4	The organisation promotes an established standard of ethical behaviour	3.7
5	The organisation practices integrity, honesty and ethical behaviour as is necessary for sustained success	3.9
6	Management is trustworthy, and utilises honesty and integrity	3.8

I	Innovation and adaptability	3.5 (70%)
1	Management and employees create the climate to encourage continuous innovation in products and services	3.7
2	Management and employees recognise innovation as an important aspect of business	3.5
3	Management and employees recognise that innovation leads the business to new dimensions of performance	3.6
4	Management and employees practise innovation to create new values for business customers	3.5
5	Management and employees practise innovation to expand the market and increase market share	3.6
6	Management and employees support each other in risk taking in innovation	3.3
7	Management frequently incorporates customers' views and priorities into the innovation process	3.3
8	Management seeks ideas from the external market as part of an innovation process	3.7
9	Management is effective at finding ways to commercialise ideas with regard to innovation	3.5
10	Management quickly responds to innovation opportunities	3.3

J	Focus on getting results	3.6 (72%)
1	Management establishes the desired results clearly	3.7
2	Management has a clear strategy and activities to achieve desired results	3.7
3	Management builds on previous successes and lessons	3.6
4	Management provides frequent feedback to teams	3.6
5	Management monitors progress and makes adjustments when needed	3.6
6	Management has appropriate and effective metrics to measure desired results	3.6
7	Management encourages others in the organisation to see desired results clearly	3.6

About AIMA and AAMO

All India Management Association (AIMA)

The All India Management Association (AIMA) is the apex body for management in India with over 30,000 members through 67 Local Management Associations affiliated to it. AIMA was formed over 60 years ago and is a non-lobbying, not for profit organisation, working closely with industry, Government, academia and students, to further the cause of the management profession in India.

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

The association is represented on a number of policy making bodies of the Government of India and national associations including All India Council for Technical Education (AICTE), which is the apex regulatory body for professional education in the country under the Ministry of Human Resource Development; National Board of Accreditation (NBA); Association of Indian Management Schools, Hyderabad; National Productivity Council, New Delhi.

AIMA also brings to the Indian managers, the best management practices and techniques through numerous foreign collaborations with professional bodies and institutions. AIMA is a member of the Asian Association of Management Organisations (AAMO) and works closely with several international institutions like University of California – Berkeley, USA; The World Bank; St Gallen Foundation, Switzerland; The Imperial College, UK; Horasis: The Global Visions Community, Switzerland etc in organising international conferences and management development programmes.

Asian Association of Management Organisations (AAMO)

Asian Association of Management Organizations (AAMO) is a partnership of National Management Organizations (NMO) in the Asian Region whose purpose is to share and actively leverage resources to enhance the achievement of their respective missions.

AAMO is an independent, non-political and not-for- profit association of NMOs, which promotes, facilitates and supports the development of professional management in the Asia Pacific Region. The current 11 members of AAMO include Australia, Hong Kong, India, Macau, Malaysia, Nepal, New Zealand, Pakistan, Philippines, Sri Lanka and Korea.
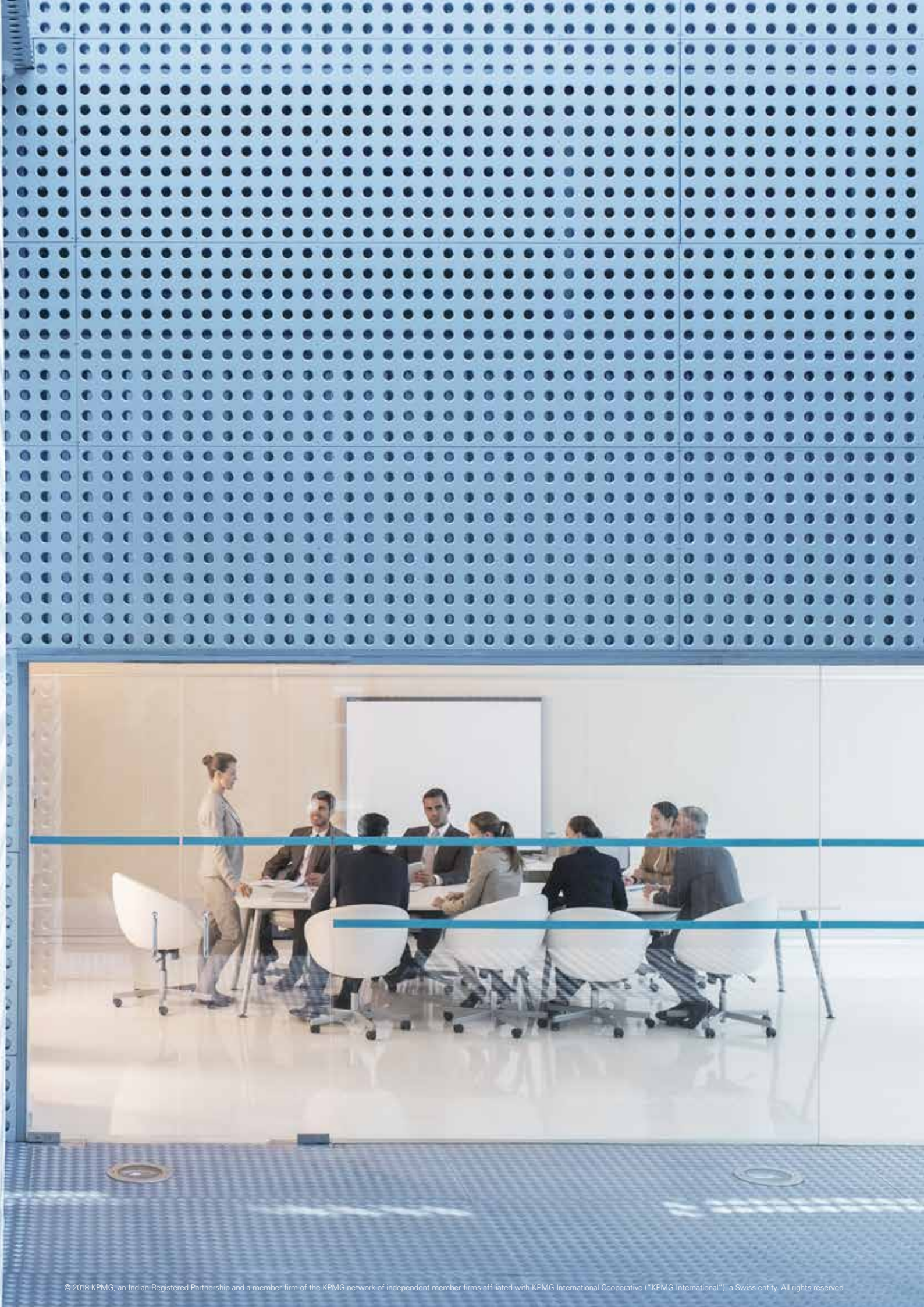
About KPMG in India

KPMG in India, a professional services firm, is the Indian member firm affiliated with KPMG International and was established in September 1993. Our professionals leverage the global network of firms, providing detailed knowledge of local laws, regulations, markets and competition. KPMG has offices across India in Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Jaipur, Kochi, Kolkata, Mumbai, Noida, Pune, Vadodara and Vijayawada.

KPMG in India offers services to national and international clients in India across sectors. We strive to provide rapid, performance-based, industry-focussed and technology-enabled services, which reflect a shared knowledge of global and local industries and our experience of the Indian business environment.

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