



Management Capability Index India 2016 report

Executive summary

September 2016

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About Management Capability Index Survey



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

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

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



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

Individual weightage of the 10 dimensions

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



Definitions of dimensions of MCI

Visionary and strategic leadership



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

Performance leadership



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



Organisational capability

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



Financial management

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

External relationships



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

People leadership



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



Integrity and corporate governance

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



Innovation in products and services

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

Organisational results and comparative performance



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

Application of technology and knowledge



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



Executive summary



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

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

Management Capability Index (India) 2016



Top areas of strength

Organisational results and comparative performance

4.0

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

Financial management

3.9

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

Visionary and strategic leadership

3.8

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

Top areas of concern

Organisational capability

3.4

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

People leadership (relative)

3.6

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



Key findings of the survey



Overview by organisation type

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

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

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

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

Overview by industry type

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

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

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

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

Overview by employee strength

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

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

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

Overview by revenue cap

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

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

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



About AIMA and KPMG

All India Management Association (AIMA)

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

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

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

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

Asian Association of Management Organisations (AAMO)

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

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

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KPMG in India

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KPMG International

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

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

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

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

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

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