

LEADERSHIP IMPERATIVES IN THE 2020s

In conversation with D Shivakumar, Director Strategy and BD, Aditya Birla Group

India has seen remarkable changes in the last decade. From being the world's 12th largest economy in 2007, it now ranks 6th, or 3rd in terms of purchasing power parity. If it took 60 years for GDP to touch the USD 1 trillion mark, it just 7 more to double from there – and by 2021, India will be a USD 3 trillion economy. Both industry (31% of GDP, versus 30% globally) and services (54% vs 63%) are today much more closely aligned than ever to world averages in terms of their GDP share. In comparison, agriculture makes up 15% of GDP (world average: 6.4%), but continues to employ 45% of the workforce. Alongside all of this change have come profound shifts in consumer behaviour, in the workforce, in organisational structure and policies, and in leadership styles. Going forward, market cap will be based not just on business performance, but also on corporate governance and sustainability – and increasingly, top managers will be judged on these parameters. D Shivakumar, Director Strategy and Business Development of the Aditya Birla Group, shared his perspectives on a dramatically shifting landscape of opportunity, both in India and globally.

The Indian business landscape has shifted dramatically in the last seven decades...

...the first two decades after Independence saw a state-led push...

...while the 1970s and 1980s saw the rise of national brands.

Liberalisation brought a new focus on quality, and enabled huge capacity creation...

...and since 2010, mobile and digital technologies have helped turn India into a key global market

AN EVOLVING INDIA...

The business landscape: tectonic change

The Indian business landscape itself has shifted dramatically in the last 70 years. The 1950s and 1960s were largely about self-reliance, and the public sector served as the country's economic engine. During this time, the first IIMs and IITs were set up; HMT was India's biggest brand; tea sachets appeared for the first time; and the state-controlled Janata stores were the main distribution channels. Over the course of the 1970s, new national brands emerged, including Rin, Liril, and Swastik. However, apart from the MNCs, few companies engaged in much branding; finished-good quality levels were generally poor; and most firms only had access to below-par technology. The introduction of the colour TV in the 1980s brought a surge in demand for branded goods, but there was a continuing focus on price, and on reverse engineering. The Nirma juggernaut unveiled the potential at the bottom of the pyramid, triggering a 'sachet' revolution, and a shift to vernacular advertising.

As the economy opened up during the 1990s, the focus on quality intensified. For the first time, design started to matter, and product updates every 2-3 years became the new norm. Deregulation enabled huge new capacity creation, triggering price wars. At the same time, TV penetration deepened immensely, while on the corporate front, M&A became the 'flavour of the season', with such conglomerates as the Tata, Birla and Kirloskar groups vastly expanding their empires. Since 2010, a mix of mobile and digital technologies has enabled both the personal digital revolution, and new business models and platforms. Today, India has found a new confidence, and most global companies regard it among their top five markets. Not surprisingly, the BSE Sensex has jumped 49x in market cap since 1998, from Rs 3 trillion to Rs 157 trillion, and 13x in absolute value, from 2,908 to 38,690. Three of the top five companies on the Sensex – Reliance, TCS and HDFC Bank – have replaced stalwarts like Indian Oil, ONGC and MTNL. Many Indians now serve as CEOs and Board members at top MNCs.

ENERGY AND ORGANISATIONAL CULTURE

In conversation with Dr Raman Ramachandran, Chairman and MD, BASF India

CHROs' ability to impact organisational performance is profound. Not only are HR heads tasked with hiring the right people, mapping the organisation's talent to its plans and aspirations, and building performance measurement matrices, but also – more, perhaps, than any other C-suite executive – they must help shape a high-performance culture. As change continually presents itself, whether in response to a new competitor, growth, new IT systems, or a wide variety of other business stressors, the ability to drive a consistent and tangible culture is the only key to sustainability. That culture must itself be predicated on the end-outcome of high performance, in whichever manner one chooses to measure performance. It is then critical to understand, identify, build, and adapt the capabilities, skills, attributes that contribute to a high-performance culture. The quality of leadership also matters immensely in building such a culture. To arrive at a deeper assessment of these aspects of organisational culture and how it affects the business, IMA India asked Dr Raman Ramachandran, Chairman and Managing Director of BASF India, to share some practical lessons on what works and what does not, in this regard.

Businesses fall in one of four 'energy states', which result from the interaction of energy quality and intensity...

ORGANISATIONAL ENERGY: THE FOUR STATES

Organisational energy creates the resulting force to achieve business goals. Companies differ in both the intensity (*the degree to which an organisation has activated its potential energy*) and the quality (*positive or negative*) of energy. The interaction between these two determines an organisation's energy state. When plotted on a 2x2 matrix, organisations in the right-most 'productive zone' (high quality and high intensity) display positivity and urgency, which makes them more productive. Diagonally opposite this is the 'resigned zone' marked by inertia, politics, and frustration. Organisations high on positive energy but low on intensity (the 'comfort zone') prefer the status quo, while those with high intensity but low energy (the 'corrosive zone') are aggressive places, marked by negative competition.

...and they can consciously move from one state to the other

It is possible to adopt strategies that move the organisation to a more productive energy quadrant. Approaches such as 'Winning the Princess' (relying on strong positive emotion to drive change) and 'Slaying the Dragon' (solving or overcoming an existential external threat) can aid the shift away from a 'resigned' or a 'comfortable' energy states, towards a more productive one. The downside risk of *doing nothing* is of falling into an energy trap that triggers either a decline to mediocrity, or a full-blown crisis.

Even in a down-and-out business, aspirational goals can help motivate people

TRANSFORMING BASF'S ORGANISATIONAL ENERGY

Setting ambitious goals

In 2013, when Mr Ramachandran joined BASF India, it was one of the Group's worst-performing companies in the Asia Pacific region. Operating in siloes, it was low on energy and slow on decision-making. It also lacked customer centricity, and had an opaque culture. As a first step, Mr Ramachandran set the ambitious target of making BASF one of the three top-performing companies in the region. Such an aspirational target proved to be a great motivator, and right away, it infused energy in its employees.

PREPARING LEADERS FOR A DISRUPTIVE WORLD

In conversation with Ronald Sequeira, Entrepreneur-in-Residence, Samara Capital

Decades of experience straddling the worlds of HR and Board-level roles, including at companies like GSK, have shaped in Ronald Sequeira a pragmatic vision of what leadership means in today's disruptive and rapidly-evolving corporate world. The traditional notions of 'administrative leadership' need to be replaced with what he calls 'innovation-based leadership.' Leaders need to also have the knack to understand the larger improbable risks that face a business and not just focus on day-to-day managerial tasks and decision-making. Moreover, leaders should be hired for their 'grit' – a combination of effort and perseverance – rather than their background or talent. Finally, to be impactful, leadership requires close collaboration with both government and civil society. The hiring process should not only look for these traits but be driven by line managers who themselves take ownership for it. These learnings can go a long way into building leaders who will leave a mark.

Biases are gradually disappearing

BURSTING THE BUBBLE OF ENTITLEMENT

The psyche that guides talent identification has evolved over the years. Earlier, 'talent pools' were thought to include only the entitled few – whether they came from premium institutes, the metropolitan cities or simply those who spoke good English. Historically, entrepreneurship emanated from with people from privileged backgrounds, often belonging to promoter families. By the 1990s, however, a new breed of entrepreneurs surfaced, including Narayana Murthy and his partners at Infosys. Similarly, looking at the sports world, the composition of the Indian cricket team has changed dramatically. Back in the 1960s, 9 of its 11 players were Mumbaikars but today, there is just one from Mumbai. Clearly, entitlement as a guiding force has started to fade – which is a welcome change when it comes to diversifying the leadership talent pool.

Effort is a more decisive variable than talent in future leaders

A NEW WAY TO LOOK AT THE 'TALENT HUNT'

Hiring decisions are typically based on an evaluation of the candidate's resume and experience but it is more important to look at the person's *drive*. The leaders of tomorrow need to have not just the 'right' but also the will to go above and beyond. When Virat Kohli wins a match after scoring a century, he still goes ahead with his regular 2 am workout. Achievement is really talent times effort 'squared' – and effort is a more critical driver of success than even talent. For instance, if Candidate A scores 10/10 on talent while Candidate B gets 9/10, A might seem a better pick. However, if we take 'effort' into the equation, and A scores 9/10 while B scores 10/10, the equation changes. By squaring the effort score, B comes out ahead. Effort and grit are what explain how, say, Nestle was able to bounce back from its troubles over the 'Maggi ban.' However, to be able to evaluate candidates on such parameters, the hiring process must be owned by line managers, rather than being left to HR.

From 'administrative' to 'innovative' leadership

WHAT MAKES FOR IMPACTFUL LEADERSHIP IN TODAY'S WORLD?

Innovative thinking

Vineet Nayar, HCL's former CEO, argued that what leadership needs today is high doses of innovation and the ability to address rapid disruption, rather than pursuing administrative tasks. For instance, whereas IBM for years took the traditional route of 'owning the service',