

LEADERSHIP AND BUSINESS EXCELLENCE



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UN imposition of tariffs on goods from China and Korea and counter measures by China has put the process of globalization in a state of flux. Every country has started looking inwards to decide on steps to protect its interests for a brighter future. Achieving targets of sustainable development goals depends more on private sector involvement than only the governments. A combination of challenge of de-globalization and SDGs targets has put greater demands from the private sector. Effectiveness of corporate leadership has become more important – and it has to support innovation and enterprise.

What Does Outcome of DAVOS 2018 Emphasise?

i) Growth, Growth and more Growth

Global leaders are focused on higher growth at the global level; and our leadership is focused on higher growth at national level. The silver lining was that the CEOs at World Economic Forum, Annual Meeting, 2018 at Davos (in January 2018) expressed hope and one of them said “Look at how the mood changes. A year ago, it was doom and gloom. Now the Sun is shining. It is time to stop talking and start doing”. The mood was very upbeat, with a strong consensus that the synchronized economic advance we are seeing around the globe is real. A WEF Survey of 1,300 executives captured the bullishness, with 57% convinced the economy will improve over the next 12 months – the most upbeat reading since the survey began 7 years ago (in 2011).

ii) What could go wrong?

The prevailing optimism was also accompanied by a number of worries which is the healthy sign to guard against any over-optimism.

- The financial risks associated with massive liquidity and high debt levels.
- Threats to cyber security – “We need a Digital Geneva Convention” as one technology leader suggested. Cyber security is the foremost concern with companies locked in an arms race to stay ahead of highly sophisticated cyber criminals.
- Intensifying geo-politics that may spark small shocks or worse, large mis-judgements that can lead to conflict. As one senior technology executive said: “There has never been a time when the macro economic outlook and the geo-political outlook have been so disconnected.” However on the Indian scene the Finance Minister has emphasized that the budget proposals are ensuring that ‘good politics’ is ‘good economics’.

iii) Power politics

Global leaders made strong statements on job-creating investment. China's ambitious Belt and Road Initiative, which could drive investment across Eurasia at a level 12 times that of the post – World War-II Marshall Plan, dominated conversations on what will likely be a

renewed global push for more and better infrastructure. All this jostling for investment and influence, however also increase anxiety that was the big fear last year – an outbreak of renewed protectionism and trade tensions – could become real in 2018. And, with US and China confronting each other this has become real threat.

Davos opened with the announcement of new US tariffs on solar panels and washing machines, mostly from China and South Korea, and concerns about the future of the North American Free Trade Agreement (NAFTA). This just shows that entrepreneurship and innovative spirit which helped manufacturers in China and South Korea (and could also become against India if our enterprise becomes more competitive) – could be neglected.

iv) Get Ready for even more Intensive Wave of Corporate Transformation

A review of leading business organizations and interviews with a significant number of CEOs of many large and well performing corporates, from telecom to pharma to banking to energy and more, gave a convincing clue that the radical restructuring of portfolios that have been observed in the recent past is just a prologue. The driver is a quest for new engines of growth. One extreme example was a company that is considering shifting its core business to something entirely new – and at the same time moving its headquarters to a completely new geography.

v) The Next Innovation Imperative will be Social Innovation

Business's role will be critical here. The tech giants are fast learning that low cost and convincing are not sufficient and major companies in India like Tech Mahendra, TCS, Infosys, WIPRO etc are no exception. There is sharp criticism over their market dominance, use of data, privacy policies and the like. “Society is demanding that companies both public and private, serve a social purpose.” Even in a large number of applications for the Golden Peacock Awards for CSR the leading technology companies have strongly reflected on this message.

Two societal changes remain unchanged from last year's WEF: 're-skilling workers' to keep with technology advances; and ensuring that 'the gains from growth are more widely shared'.

Adding to these is a need to radically re-think education systems to meet the life-long learning requirements of the 21st Century. As automation, robotics, and artificial intelligence are entering on a larger scale in the market place, the education system needs to be re-oriented to focus on functional and operational aspects and ensure that man-machine interface in the artificial intelligence domain is introduced smoothly.

vi) Talent as a CEO's Priority

The new directions in entrepreneurship and market place have taken a heavy toll of HR Department to re-think the organizational practice.

The critical importance of recruiting, developing, and managing one's human capital is a significant aspect. Building leadership, succession planning and lowering attrition rate also need innovation in HR practices. McKinsey and Company has reported that in their conversation they found that people agreed with their concept to engage CEOs on talent, to focus attention on the "crucial 2%" that drive disproportionate value (and not always at the top of the organization chart), and to deploy challenge as thoughtfully as they do with capital. Getting this right will be crucial to building enduring institutions that can survive and thrive in turbulent time. This is clearly a big effort on innovation in HR practices.

vii) Innovation and Supremacy of Tech Companies

Innovation has led to disruptive technologies taking centre-stage. These disruptive technologies are bringing in factor-change in productivity levels and thereby the competitiveness rather than incremental improvements. The operational changes that are accompanied with disruptive technologies require a fundamental and fast pace change in companies. Larger and established companies always have the conflict of approach of the Board and the senior management wherein the Board is skeptical of changes at a fast pace as their financial situation does not always permit such radical changes and they have to report profits to the shareholders. The senior management responsible for operational systems is always open to change and wants things to move at a fast pace.

It is, therefore, observed that the start-ups and the MSMEs which are small organizations or entrepreneur-based set-up can play a prominent role in technology innovation and enterprise. The government is focusing on the concept of start-up based techno-innovation for which a number of incentives have been offered and there is a hope that the MSMEs will deliver. The budget speech of the Finance Minister and his repeated interviews on television indicate that taxes received from MSMEs form 75% of tax collection from the industries. The large industries contribute to only 22% of taxes to the government. MSMEs contribute to 37% of GDP; 40% of exports and 45% of employment in industrial sector.

viii) Fear of Techlash

When we talk of innovation and entrepreneurship the major concern is around the idea of a "techlash" or backlash against tech companies driven by fear that they are becoming too large and monopolistic. At one level is the basic concern that tech companies are just out-competing incumbents, but beyond that there is a sense that large tech companies are dictating terms to the market place, not taking privacy concern seriously enough, and are unfocused on the social implications of technology. May be, to some degree this is driven by jealousy at the success these new tech businesses have enjoyed and the natural discomfort that comes with disruption. But, also there is a real concern as well with what is happening to our society with these changes, and a sense that not all of it is good.

The dialogue at the Davos Conference and the Budget announcements point out to complexities of various issues and concerns and we witness serious discussions on the media, social channels and public.

Leadership Development as a Competitive Advantage

As the Global Convention was conducted in Dubai during April 17-18, 2018, I have taken example out of the McKinsey Study on Development in the Middle East. Dubai-based Majid Al Futtaim Group has its roots in the asset-heavy world of real estate. Since opening its first Mall in 1995, the group has become a leading developer and operator of shopping malls in the Middle East. It owns VOX Cinemas, the regions'

largest movie -theater chain; several leisure and entertainment centers; and the Carrefour Franchise in 38 countries.

Yet, CEO Alain Bejjani, believed the long-term success of the business depends on its ability to develop not only compelling retail and entertainment destinations but also effective leaders. "If we want to succeed in business we have to succeed in our people agenda."

You need to move from having a rigid schedule or timeline for talent; you hire someone, they go through training or leadership development, there are anniversaries throughout the year at which you review performance, have a performance dialogue, and do 360s. These activities need to happen. But what is, important is, how these activities are driven and the mind-set behind them. Search for talent is a continuous process – and pathway to leadership development is equally important.

If you look at the business community today, the amount of investment in leadership is not going up; it's going down. Yet the bigger issue is leadership, not technical skill set.

Companies have a whole generation (or generations) of business executives that are now living through a transformation. They are living in a world where the customer is becoming much more demanding, much more informed. In many cases, customers are better informed than the executives themselves about their own business because of digital technology. They are living in a world where the customer expectations are not shaped any more by the industry. Companies need to be better than the sources of inspiration, who was setting these standards for the customer. Remember, the digital economy empowers customers more and makes industry to provide better quality at less cost.

The reality is that whatever we know, whatever experience we have is going to be obsolete in three to five years. So, experience is overrated. What is important is the capabilities that you develop in your business; to support talent during their tenure with you, so they can face the challenges of today and tomorrow, and steer the business in the right way.

Redefining Leadership

Majid Al Futtaim, have developed their own model of leadership. They define that Leadership is not just about leading others. One of the most difficult and daunting tasks is leading yourself. It's a duty we have, first, towards ourselves and then towards our business and towards our people, to support them in their leadership journey and development.

Attracting and Retaining the Right Talent

The applicant companies to Golden Peacock Award for Training for the year 2018 reflected that leading companies are focusing on attracting the right talent and training them to become the leaders of future for the company. The associated challenge is of retaining such a talent. The applications indicated that for lateral entry they were searching out people of higher talent and they were also developing programmes after identification of gaps so that they could develop the talent that their employees have. Coincidentally in the book *Leading Organizations*, McKinsey senior partner Scott Keller and Mary Meaney have emphasized that the best workers do the best and the most work. But many companies do an awful job of finding and keeping them. The authors have also mentioned that the ten most basic issues facing corporate leader are: attracting and retaining talent, developing the talent you have, managing performance, creating leadership teams, making decisions, recognizing to capture value quickly, reducing overhead costs for the long-term, making culture a competitive

advantage, leading transformational change, and transitioning to new leadership role.

The authors have also deliberated on the basis of their study as to why is talent important.

Superior Talent is up to Eight Times More Productive: A recent study of more than 600,000 researchers, entertainers, politicians, and athletes found that high performers are 400% more productive than average ones. Studies of businesses now only show similar result but also reveal that the gap rises with a job's complexity. In highly complex occupation – the information and interaction – intensive work of managers, software developers, and the like – high performers are 800% more productive.

One gets even more remarkable results comparing the productivity of the top and bottom 1%. For unskilled and semi-skilled jobs, the top 1% are three times more productive; for jobs of middling complexity (say, technicians and supervisors), 12 times more. One person in the top 1% is worth 12 in the bottom 1%. For high – complexity jobs, the differential is so big it cannot be quantified.

The late Steve Jobs of Apple summed up talent's importance with this advice: “go after the cream of the cream.” Management Guru Jim Collins concurred: “the single biggest constraint on the success of any organization is the ability to get and to hang on to enough of the right people.

Great Talent is Scarce: The term “War for Talent” was coined by McKinsey's Steven Hankin in 1997 and popularized by the book of that name in 2001. It refers to the increasingly fierce competition to attract and retain employees at a time when too few workers are available to replace the baby boomers now departing the workforce in advance economies.

A McKinsey Global Institute study suggests that employers in Europe and North America will require 16 million to 18 million more college educated workers in 2020 than are going to be available. Companies may not be able to fill one in ten roles they need, much less fill them with top talent. Yet in advance economies, up to 95 million workers could lack the skills required for employment. Developing economies will face a shortfall of 45 million workers with secondary – school education and vocational training.

A study conducted by NASSCOM in India, about ten years back, has shown that only 25% of graduating students are employable. That means 75% do not have the skills necessary for employment. Ten years later in a study done recently the leading Job Hunter has identified that only 23.7% of thousands of applications received by them meet the expectations of the employers. So for every 100 applications that are scrutinized only 24 meet the basic criteria for selection. In other words, over the ten year period the situation of employability of graduate workers in India has not changed in percentage terms rather it has become marginally inadequate. Similar study on skilled and semi-skilled workers is not available from professional job hunters.

Most Companies do not get it Right: Since business leaders know that talent is valuable and scarce, you might assume they would know how to find it. The McKinsey Survey indicated that 82% of companies do not believe they recruit highly talented people. For companies that do, only 7% think they can keep it. Companies go through cycles of initiatives to improve their talent processes. Yet they reap only incremental improvements, and the vast majority of leaders report that their companies neither recruit highly talented people nor believe that their current strategies will work. It is necessary to Focus on the 5% who

deliver 95% of the Value. Digital Strategies

The current growth mantra in India is digital economy or in other words going digital. Everyone from the Prime Minister down to the last man is fully convinced that going digital is the only way in India to improve accountability, transparency and outcomes. Every government organisation and private industry is moving towards digitization of processes so as to achieve the best results. One has to really consider that most digital strategies worldwide do not reflect how digital is changing economic fundamentals, industry dynamics, or what it means to compete. Companies should watch out for various pitfalls that experts have carefully identified for moving towards digital economy. These are: fuzzy definitions; misunderstanding the economics of digital; overlooking ecosystems; over indexing on the usual suspects; and missing the duality of digital. One must remember digital is driving winners-takes-all economics. When scale and network effects dominate markets, economic value rises to the top. It is no longer distributed across the usual (large) number of participants. Digital rewards first movers and some superfast followers.

McKinsey and Company has observed that a surprisingly large number underestimate the increasing momentum of digitization, the behavioural changes and technology driving it.

A surprisingly large number underestimate the increasing momentum of digitization, the behavioral changes and technology driving it, and, perhaps most of all, the scale of disruption bearing down on them. Many companies are still locked into strategy-development processes that churn along on annual cycles. Only 8 percent of companies we surveyed recently said their current business model would remain economically viable if their industry keeps digitizing at its current course and speed. How can this be, at a moment when virtually every company in the world is worried about its digital future? In other words, why are so many digital strategies failing? The answer has to be with the magnitude of the disruptive economic force digital has become and its incompatibility with traditional economic, strategic, and operating models.

Various pitfalls that often let down on digital strategies need to be dealt with great urgency. As digital disruption accelerates we often hear a sense of urgency among executives – but it really not reaches the level of specificity needed to address the disconnect that are identified as pitfalls.

Big Data and Business Value

Big data has become important topic for discussion, especially when it comes to creating business leaders. The concept is often described as complex requiring a specialized skill set, business environment and tools. This creates significant barriers for businesses to effectively harness the power of big data and drive innovation. Organisations that are able to effectively leverage big data by demystifying it often lead their competitors.

The vast amount of data available is overwhelmingly greater than one can capture and analyse. Big data is complementary to traditional business data landscape. Gaining access to the right incites is a matter of asking the right question.

Another challenge is the capacity to process big data analytics. In an environment constantly re-shaping by the speed of information and technology development, businesses must find different ways to adopt accordingly. Big data can play a decisive role in identifying opportunities to completely shift the business, impacting various areas from processes, operations, customers and suppliers, to strategic vision and future directions. Certain careful considerations need to be

made. Firstly, cases resulting in wrong data co-relations could potentially lead to incorrect conclusions negatively impacting business decisions. Secondly, the data origins and reliability represent a serious risk that should be minimized and mitigated whenever possible. Finally, even though huge volumes of data are being generated, only a small portion is actually accessible. Very often companies depend on various expert groups that are only in the business of big data.

Corporate Leader will Develop an Agile Organisation

The dominant traditional organization (designed primarily for stability) is a static, siloed, structural hierarchy – goals and decisions rights flow down the hierarchy, with the most powerful governance bodies at the top (i.e. The Top Team). It operates through linear planning and control in order to capture value for shareholders. The skeleton structure is strong but often rigid and slow moving.

In contrast, an agile organization (described for both stability and dynamism) is a network of teams within the people-centered culture that operates in rapid learning and fast decision cycles which are enabled by technology, and this is guided by a powerful common purpose to co-create value for all stakeholders. Such an agile operating model has the ability to quickly and efficiently reconfigure strategy, structure, processes, people, and technology toward value-creating and value-protecting opportunities. An agile organization thus adds velocity and adaptability to stability, creating a critical source of

competitive advantage in volatile, uncertain, complex, and ambiguous conditions.

In order to design, build, implement, and support new technologies, agile organizations integrate a range of next-generation technology development and delivery practices into the business. Business and technology employees form cross-functional teams, accountable for developing, testing, deploying, and maintaining new products and processes. Some organizations are born agile; where as in second category leadership achieves agility; and in the third category agility is thrust upon them. It is necessary for the leadership to create an environment that organizations become agile so that they balance stability and dynamism and stay ahead of competition.

Conclusion

The next wave of success in the industry in the global markets will come through flexible, dynamic and effective leadership. 'Globalization' is under threat and this is a testing time for global corporate leadership to establish new standards and new eco-systems of working so that even if the global economy moves from present 'globalization' stage to 'de-globalization' stage the overall fabric of business is not disturbed and private and public companies remain stable, dynamic and forward looking contributing to achieving Targets of Sustainable Development Goals', and ensuring distributed and inclusive global growth. ■

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