

# The Indian CEO

A portrait of excellence

9 | 2007

There is no doubting the economic potential of India. But can its leaders deliver on the country's promise? And what can leaders around the world learn from India's best? >>



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“...to succeed in India, international executives have to view the business landscape from an Indian perspective, recognising that business is seen as a social good.”

## What can we learn from India's CEOs?

*A Hay Group/Bharat Petroleum study reveals that outstanding Indian CEOs have a powerful set of specific competencies. These strengths lie in the areas of socially responsible business acumen, team leadership, inner strength and the ability to manage a complex web of external stakeholders.*

There is no doubting the economic potential of India. But can its leaders deliver on the country's promise? And what can leaders around the world learn from India's best? Gained through dealing with bureaucracy which remains a drag on Indian business, these leadership competencies will become increasingly important. This is because around the world organisations are grappling with the challenges of globalisation and social as well as environmental pressures.

Our research also reveals that the 'interpersonal understanding' of

Indian CEOs – the ability to 'tune in' to others – is markedly lower in outstanding Indian CEOs than in other international leaders. This has to be strengthened for Indian companies to sustain success on the global stage.

So to succeed in India, international executives have to view the business landscape from an Indian perspective, recognising that business is seen as a social good. They can also leverage the undeniable and unique skill sets of Indian leaders. In turn Indian CEOs must recognise specific areas for development.

## The research

*Aiming to determine the competencies needed to be a successful CEO in India, the 18-month Hay Group/ Bharat Petroleum project began in August 2002 under the aegis of India's Public Enterprises Selection Board. It centred on in-depth interviews with 30 outstanding Indian CEOs, covering accounts of recent critical business situations.*

Hay Group has a considerable research heritage, with experience dating back decades.

We have collected over 5.5 million leadership survey responses to assess 516,000 individuals, including 46,000 executives, from 4,675 organisations. Using surveys, panel discussions and in-depth behaviour event interviews, we have built over 1,100 competency models for our clients. Our managerial styles and organisational climate surveys are available in 28 languages.

Through a process of in-depth behavioural event interviews, the Hay Group/ Bharat Petroleum study compared Indian public and private-sector CEOs with each other as well as with a sample of European, American and Asia Pacific leaders from top companies. It also gathered insights from over 100 thought leaders from government, the media and academia, using panel discussions and meetings.

## The market challenge

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Take IBM. Its 54,000 employees in India will soon outnumber the workforce in its home country, the USA.

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One of the fastest growing economies in the world, India is indisputably an engine for growth for many global organisations. Whether they are top manufacturing companies or providers of outsourced business processes, huge numbers of corporations are investing in the country, transferring or building operations, establishing service centres and finding new partners to merge with or acquire.

Take IBM. Its 54,000 employees in India will soon outnumber the workforce in its home country, the USA. What's more, major Indian conglomerates such as the Tata Group and the Aditya Birla Group are making major acquisitive plays that are constantly extending the country's corporate reach.

So, is India living up to its promise? To what extent is its success – or otherwise – dependent on the nature and skill of its business leaders?

With its educated, hard-working population and entrepreneurial spirit, India is an exciting and thriving place to do business. However, CEOs often spend a disproportionate amount of time navigating through the regulatory maze, coming up against the Government, bureaucrats and regulators, thus taking their eyes off the market when they should be managing their organisations.

New research conducted jointly by Hay Group and Bharat Petroleum, which has recently been published as the book 'The Indian CEO: a portrait of excellence', addresses this last question. In this paper we consider the issues around Indian business leaders, looking at the challenges their specific style of leadership presents as well as its characteristics for success. It concludes by suggesting how those looking to succeed in India can manage and marshal their organisation and leadership for maximum gain.

## The Indian CEO: competencies for success

The Hay Group/Bharat Petroleum study shows that the best Indian leaders execute effectively in very challenging situations by using a particular set of competencies that clearly work in the Indian business environment. Whilst not exclusive to Indian business leaders these skills are the core strengths of Indian leadership.

Understanding and learning from these competencies, in the context of the specific issues faced by Indian business leaders, can lead us to a model for future success.

The best Indian CEOs have competencies in four general areas:

- socially responsible business excellence
- energising the team
- managing the environment
- inner strength

There are two or three discrete competencies within each of these areas; and while all leaders showed strength in each area, they did not always display every single competency.

However, Indian leaders do show a striking, single-minded focus on growth, not just in relation to their own company but to the Indian economy as a whole. Their willingness to take risks is founded on their concern for the development of their country. Compared with peers in other countries, Indian leaders show an unusually persistent and pervasive concern for their nation. As a result they focus strongly on goods and services that benefit everyone, such as utilities; or that enhance India's global status – such as high-tech projects.

Furthermore, India's CEOs demonstrate extraordinary energy and persistence in overcoming the challenges they face.

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CEOs must be recognised  
in terms of whether they  
are creating value as  
opposed to extracting  
value from the business

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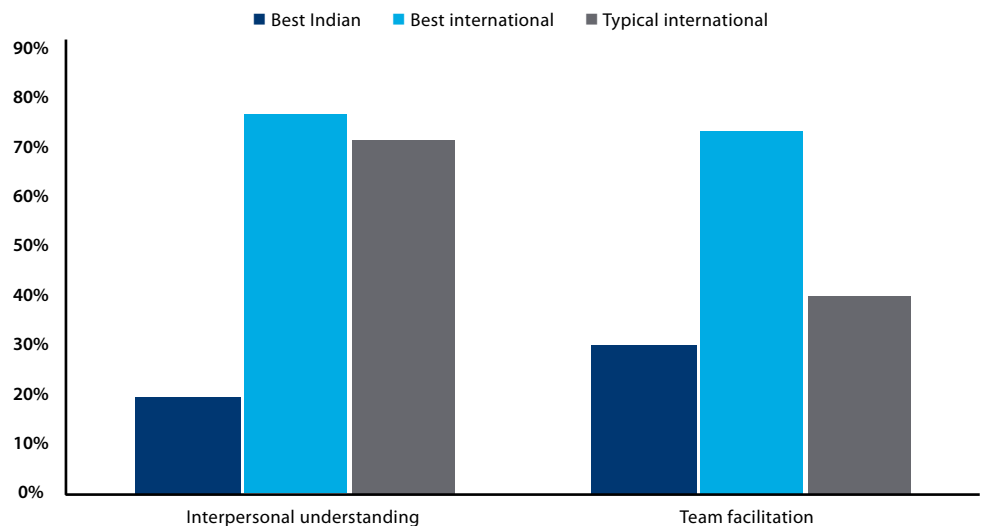
This is an area of strength frequently displayed by the Indian CEO. It manifests itself in business acumen and the ability to make hard decisions about strategy, execution and resource allocation. It is the founding skill for Indian CEOs and contains three specific competencies:

- adaptive thinking: strategic insight into the business and adapting innovative methods and technology to the Indian market
- entrepreneurial drive: unleashing the entrepreneurial spirit to find new growth
- excellence in execution: the ability to bridge the gap between the blueprint and the results.

These competencies are most effective in turnaround and startup situations, where ‘adaptive thinking’ is key. However, if the leader focuses too much on the personal aspects of this competency set, especially during times of incremental improvement, they may risk alienating their team. This is because they may not be spending the required amount of time coaching their teams and creating conditions for team effectiveness.

What our study revealed is that this skill set is least effective in dealing with Government, where business thinking is best set aside. Overall, however, when compared with Hay Group databases of the best international CEOs, outstanding Indian leaders show higher levels of adaptive thinking and entrepreneurial drive, but a lower level of excellence in execution.

#### How many CEOs showed generic competencies related to leading teams?



## Energising the team

The difference between a good leader and a great one is that the latter not only realises the importance of directing the team's current activities, but also of building their capabilities for the future. Indian CEOs demonstrate a clear understanding of this. The specific skills they display in this area include:

- team leadership: inspiring and protecting the team to drive performance
- driving change: personal leadership of the organisation to embed sustainable change
- empowerment with accountability: the ability to delegate so that others can act with accountability.

This focus on leadership is of particular importance in change situations.

In our study, successful Indian leaders showed an unusually consistent and logical pattern of leadership throughout the change process.

The 'empowerment' competency was also used by certain CEOs to help organisations deal with the issue of 'stakeholder management', which we address later in this paper. In such instances, leaders gave authority to teams of experts and then protected them from outside influences. Overall, Indian leaders presented their change agenda in a straightforward manner with much less reliance on personal charisma than western leaders.

However, Indian CEOs exhibited less evidence of interpersonal understanding and team facilitation than their western counterparts. Enhancing these competencies could strengthen their effectiveness.

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CEOs should make it visible to others (walk the talk) that meritocracy is given due respect... only then would people see the relevance of human resource systems such as appraisal, training etc.

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# Managing the environment

This study shows that opacity and unpredictability are major barriers to entry and a hurdle for growth of our enterprises

Rasthrapati Bhavan  
Indian Prime Minister

With both private and public sectors dealing with a complex web of external stakeholders, the ability to effectively manage outside relationships is crucial to success in Indian business. CEOs demonstrated three competencies within this area that help them to deal with the uniquely tough problem they face:

- networking: reaching out to a wide network for ideas and problem-solving
- organisational awareness: understanding how things get decided and done in a particular organisation
- stakeholder influence: the ability to persuade specific stakeholders.

Coming into play primarily when dealing with the Government and the media, these skills are often needed to protect the enterprise from the difficulties and distractions of

‘boundary management’ – the time-consuming concerns of stakeholder groups which we explain later. However such competencies could also focus on other challenges to positive effect.

Indian leaders network in a bold, targeted way which is focused effectively on tackling the specific challenges that they and their organisations face. What’s more, they network without the quasi-social motives of their international counterparts. Their organisational awareness skills are focused mainly on coping with external politics, but could be as effective if they were deployed more within their organisations. Moreover, in India stakeholder influence focuses mainly on influencing government. Overall Indian leaders’ are excellent at managing the environment, but such strength is often dedicated to dealing with the country’s tough ‘boundary management’ issues.

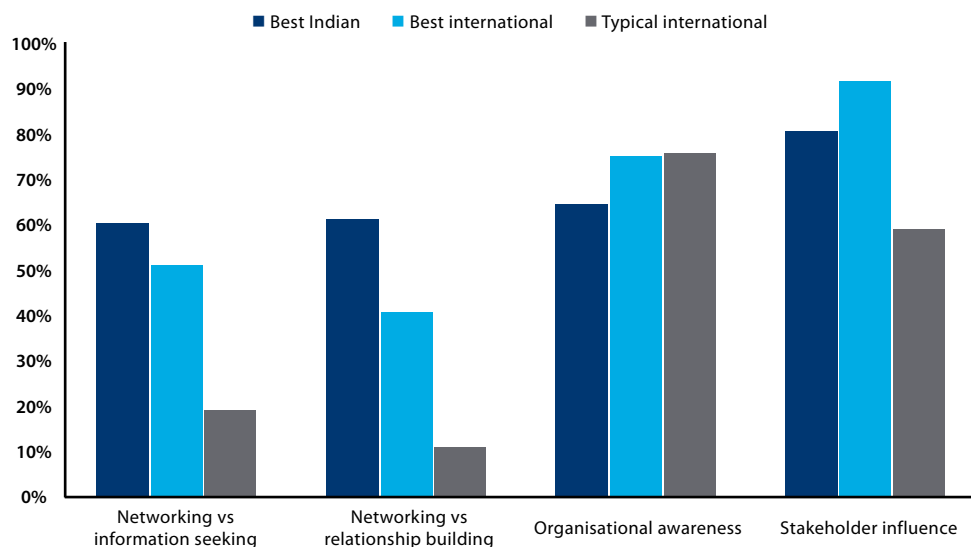
## Inner strength

Inner strength is the leader's moral compass, guiding their most difficult decisions. Within this area the two specific competencies are:

- executive maturity: the emotional wisdom to embody and model the organisation's values
- transcending self: the courageous dedication to 'super-ordinate' goals: 'doing what is right for India'

This quality is crucial in establishing a leader's personal credibility and is underpinned by both religious and non-religious beliefs. Inner strength is especially important in startup and turnaround situations. Indian leaders show a striking level of focus on the greater good of the country and its population as a motivation for difficult or risky decisions. Overall, they excel in this area compared to leaders in other countries and are unique both in the intensity of this quality and its national focus.

How many CEOs showed inner strength competencies?



## Areas for development for Indian business leaders

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The CEO should build passion around the goals of the organisation and bond the team through sustaining values.

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Indian business leaders consistently display strengths of socially responsible business excellence, energising the team, managing the environment and inner strength.

However, the Hay Group/Bharat Petroleum research uncovered some leadership competences that are less in evidence than amongst Western business leaders. If developed by Indian CEOs, these skills would benefit their organisations.

Two factors were identified as inhibiting the ability of CEOs to execute. The first could be termed either 'stakeholder' or 'boundary' management. The second is interpersonal understanding.

At a time when three of the world's most successful companies in the industrial, communications and consumer goods sectors are led by Indians: Arcelor Mittal by L.N. Mittal; Vodafone by Arun Sarin and PepsiCo by Indra Nooyi, this might appear to be a paradox.

However the academics, CEOs, public officials and media professionals we studied were almost unanimous in their view that Indian leaders were characterised by 'great thinking but little execution'. Their views reflect the experience of organisations doing business in India that find their investments take longer than expected to pay back.

### *Stakeholder or boundary management*

Our research highlighted the fact that Indian leaders spend a disproportionate amount of their time coping with regulation and governance as well as dealing with government, quasi-government organisations and NGOs. Whilst public sector organisations suffer this more than those in the private sector, even private-sector companies experience significantly more 'stakeholder management' issues to tackle compared with their overseas peers.

By way of an example, not one of equivalent samples of international and of Chinese CEOs had anything to say about difficulties with government and regulators; whereas 50 per cent of participants in the India study, without prompting, told detailed stories of their problems. Even more mentioned it as an issue.

Leaders are being held back by the sheer number and intricacy of governmental constraints, the lack of clarity, timeliness and predictability in getting permission or license to do anything, and a lack of consistency in enforcing existing laws. Dr. Manmohan Singh, prime minister of India, made a point of addressing this concern in his speech on 18 July, 2007.

The first factor inhibiting execution may be external and beyond their immediate control. However, the second comes from within and could be addressed by the individual and the organisation.

### *Interpersonal understanding*

The social and business context in India sets a great deal of store by IQ. The Indian system is set up to deliver this. Witness, for example, the rigorous entry standards for IITs and IIMs (Institutes of Technology Management).

As a result, outstanding Indian CEOs excel in analytic and strategic thinking. However, Indian leaders' excellence in intelligence and innovation is often matched by shortcomings in 'tuning in' to others.

Seen as a foundational competency for the contemporary business leader, interpersonal understanding is consistently displayed in 75 per cent of behavioural interviews with 'outstanding' CEOs worldwide. Yet only 12 per cent of outstanding Indian business leaders demonstrated such an ability to 'tune in', highlighting an area in which there is clear room for improvement.

Whilst a core group of Indian leaders has been exceptionally successful, the study suggests that as organisations become more complex and the competitive landscape more threatening, Indian leaders will need to balance their formidable intellectual and entrepreneurial skills with the ability to accomplish results through others.

‘Outstanding Indian CEOs excel in analytic and strategic thinking.’

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