

## Are India's Leaders Global?



When talking about the world's top business leaders, Indians generally are doing well at running both multinational companies outside of India, as well as globalizing Indian companies. Vikram Pandit, head of Citibank; Rajat Gupta, the erstwhile Managing Director of McKinsey; Vinod Khosla, one of the most successful venture capitalists in the world; Narayan Murthy, a global citizen and visionary – these are but some of the great names often regaled as proof of India's leadership potential. Amidst the hype, buzz about “brain drain,” “reverse brain drain,” etc., begs the question, “How are India's leaders viewed in the global context?” This issue is pertinent because what works in India doesn't necessarily work outside of India – either in terms of professional work ethos, or leadership styles.

In 2007, Korn/Ferry International along with the International Management Assessment (IMA) group conducted a study of Indian leadership styles where 100 very seasoned CEOs were assessed nationwide and across industry sectors. The study showed that Indian leaders are still more task-focused and action-oriented and less participative or social than their North American counterparts. The traditional leadership styles might impede some senior Indian executives from being effective in a truly “global” context.

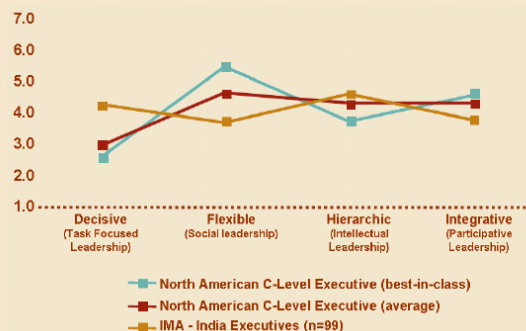
So, whether you are sending your Indian leader abroad, or evaluating NRIs or expats for India-based assignments, having a concrete understanding of their mindset and leadership preferences is essential. In fact, extensive research conducted by Korn/Ferry International shows that 50% of the best leaders' success is based on their “leadership styles” and “behavioural competencies,” and not from their technical skills, experience, or market knowledge alone. So, when seeking new talent or promoting internally for global assignments, it is helpful to get a scientific, research-based perspective on who would “potentially” succeed better.

Indeed, clearly defining parameters that can be used to benchmark and evaluate Indian leaders helps determine the most essential and appropriate leadership characteristics required for any given role. This article examines some of the most pressing scenarios facing Corporate India today – scenarios where the early evaluation of executives' true leadership acumen could maximize their chance for success.

### Leadership

Indian leaders are more directive and hierarchical than their Western counterparts, and less concerned about appearing open to the input of others and building consensus. While this may be effective in an Indian business context, such a leadership style could backfire with international management teams who may need to feel a stronger sense of empowerment to stay motivated and productive.

Leadership Styles of IMA Executives vs. North American Executives



## Managing “Global Scale” – Do NRIs Have an Edge?

Looking at the BPO space in India, you might be surprised to learn that Indian executives working in this segment haven't really seen scale on the order of their counterparts (and competitors) elsewhere. Imagine: the largest of the BPOs in India -- with 30,000+ people in 10+ geographies -- has less than \$1bn in revenue. Compare the leaders of these firms to people who are responsible for more than \$3bn in revenue handling global outsourced operations and you can appreciate the issue of scale. In fact, during a recent global search we were doing, two extremely successful Indian BPO heads were rejected by a client in Australia who voiced concern that they hadn't managed the type of scale needed to succeed, despite having run relatively huge operations and teams.

To fill the gap, it might be assumed that NRIs would be better-equipped to manage global scale and steer Indian companies into global waters than their peers who never have left their native shores. At Korn/Ferry, we have at least two-to-three NRI or PIOs reaching out to us every month looking to return to India. Some want to reconnect with their roots, some want to give back to Indian society after being extremely successful abroad, but the majority see the Indian marketplace as a great career challenge and opportunity<sup>1</sup>.

Unfortunately, not all NRIs succeed when they return to India, and not because they lack the relevant skills or experience. Rather, they fail because they haven't been assessed in terms of how they process information and relate to people and how that then translates into their ability to re-enter the new Indian landscape.

Indeed, Indian companies as well as MNCs in India need to know how to choose the "right NRI" based on their ability to integrate into the specific organization as well as the Indian business culture at large. And this has to be done before they join, rather than after. As a rule of thumb, NRIs who have been away for five to six years are typically more successful at making the transition both professionally and personally. Those who have been away longer generally face significant professional challenges as they are not used to hierarchical decision making, the "don't know when to say 'no' to their boss" culture, or even dealing with "promoter-led companies."

## M&As: Cultural Fit and Leadership Evaluation Key to Success

Let us look at another global phenomenon – mergers and acquisitions (M&A) - involving Indian companies. While we used to only hear about Indian companies being sought after for an acquisition by a multinational giant, the reverse is actually the trend now. According to a recent study done by Tholons, in the Indian IT/BPO segment, there were about 32 M&A deals concluded in April 2008 alone, with a total of \$1.76bn spent, and an average deal size of \$45mn. Just recently, WNS announced acquiring Aviva's BPO back-office operations in India for \$250million+ and HCL BPO announced buying out the financial outsourcing operations of a company in the U.K. What's happening here? In simple terms, Indian companies with global ambitions and huge war chests are looking to scale their operations inorganically in order to reach new markets and clients more quickly.

M&As require the seamless integration of different corporate cultures, and choosing the appropriate leader for the consolidated company is critical to the merger's success, more so even than its financial and operational consolidation. But how many times do you see a failed merger? Unfortunately, too often, as evidenced by the recent exodus of executives at Oracle after the company acquired BEA Systems. It was reported that there was a "culture clash" and the "merger was mismanaged." Could this have been prevented?

Ideally, the best talent from the merging companies would lead the combined entity. Typically, however, the acquiring company leaders stay, the acquired company leadership moves on, and the combined ship is run by the loyalists of the Indian company - those with 25+ years experience there. It is quite rare that the leadership of the acquired company is ever benchmarked against the Indian company's top executives, but this should be done before the M&A is even made official.

I advise CEOs planning an M&A that, in addition to using internal resources and specialized consultants to perform financial and operational due-diligence, they need to do a talent audit of their top management teams to benchmark the target company's leadership team against the acquirer's, and evaluate who is better suited to run the new organization. Sometimes, this even includes benchmarking against talent available externally, as well as against best-in-class global leaders<sup>2</sup>. Taking the time to do so contributes significantly to the success of M&As. In my view, Corporate India will see talent due-diligence being done early on in the M&A process more and more unless they want to continue spending billions of dollars only to lose the intrinsic value of what they paid for - the people.

## India's Glass Ceiling

In terms of "going global," many Indian companies prefer to have their long-time loyalists drive their ventures into new geographies. We all know that there is a so-called "glass ceiling" in most Indian companies, albeit not all. There are also many who have hired "foreign" leaders to oversee operations in geographies where the need for fluency in the local language or tremendous cultural adaptability is immense, for example, in China. So, while Indian companies are fine hiring a Frenchman in France, and a Chinese in China, it is rare to see, say, an American heading an Indian technology company in the U.S. Rather, an experienced "Indian statesman" with a very long tenure at the company would be driving the business there.

I recently spoke to a senior executive at one of India's Tier-1 software development services companies, who is currently based in the U.S. He was a lateral hire from one of the best global management consulting firms in the world. After a short two years in the new company, he is frustrated, stating that what others see about this

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<sup>1</sup> While in the U.S. and EU businesses might be growing 5-7% annually, businesses in India are growing 25-30%. Truly globally-minded executives want emerging markets experience on their resumes.

<sup>2</sup> Korn/Ferry has conducted extensive research to identify the top 20 performers in multiple industries and in any given leadership role and function - across 51 countries (including India) and 14 nationalities - building a database of 1.3 million leadership profiles that is used to establish such best-in-class benchmarks.

company from the outside is very different from what it is going on inside. He said that to move to top management roles, it is necessary to have been in the company for over 20 years! While this approach might be sound in some cases, without properly evaluating the senior Indian exec's ability to work across cultures and inspire others to drive innovation, the potential for failure is very high.

## Assess and Align Your Talent Strategy to Changing Business Strategies

Another thing that Indian companies often overlook is which leadership and behavioural competencies are required of their management team depending on their businesses and market needs at different times. Often, competencies are defined without necessarily correlating to the state of business -- whether the company is going through a boom or a slump -- or the overall business strategy. The reality is that the kind of leadership talent required at any given time is actually a moving target, and needs to be refreshed often enough to accommodate new scenarios. Two competing companies from the same industry don't need the same kind of leaders. Also, the leaders you needed when your business was half its size two years ago is probably not what you need today, and will surely not be what you will need in the future.

I was speaking to several leading global mobile equipment manufacturers in India. One company said that as they are already the leaders in India they need their leadership team to learn how to "innovate." They fear that their leaders might have become "complacent" with their own success, and might not be motivated to think out-of-the-box, since there is no pressure to do so at this point. Another wanted "entrepreneurial talent" and people who would know how to work against the odds - people who could deal with trouble. Similarly, if companies were losing market share to others, their leadership requirements would be very different -- in effect, they would want someone who is a "turnaround strategist."

Many Indian companies have started using psychometric tests and performance assessments. But how many companies in India are assessing their leadership teams to evaluate their "future potential?" Unfortunately, not many. Most performance rating systems are based on "past successes" and good performance is rewarded with greater accountability, responsibility, and compensation. But "past performance" is no guarantee of "future success" -- an astronomical 40% of leaders globally fail within the first 18 months of joining a new organization because most organizations cannot predict someone's future success and ability to deal with new organizational issues, culture, and teams. It is important therefore to know exactly what competencies you want based on your organization's culture and market positioning at any given point of time, which needs to be assessed every two years in today's dynamic environment.

Business leaders are expected to be masters of business forecasting -- predicting their revenues and CAGR over the next five years, annually, quarterly, and even on a monthly basis. So, everyone forecasts their business goals. But has anyone stopped to think about forecasting their talent? Do they really know whether their leadership team can, in fact, achieve those goals, adapt to moving targets, align themselves to global changes, deal with downturn, competition, and even obsolescence? How do you measure the "future potential" of your leadership team? It is becoming a best practice globally to assess the "learning agility" that leaders possess -- i.e., the ability to quickly adapt to fast-changing environments and to innovate and excel under pressure. Considering the global competitiveness and appetites of Indian companies, this is a direction they must head as soon as possible.

## Conclusion

Given the above, what challenges lie ahead? For starters, companies need to start looking at their leadership team from a global standpoint -- putting less emphasis on "loyalty," and more on the specific "competencies" required for the job. Determining whether someone is the most qualified for any given role will be based not only on their knowledge of the product or service, the scale they have handled in the past (and the scale that is expected of their peers), and markets they have served but also on their people skills and emotional intelligence. In the case of an M&A, the best person for the top leadership role might even be someone from the acquired company.

CEOs everywhere are being kept awake at night contemplating their talent issues: How to attract, retain, develop and reward the very best people who will help them continue to deliver greater shareholder value. Being armed with the knowledge of exactly how likely their leaders will rise to future challenges, and how they compare to other available talent -- within the organization, within competing organizations, or even in companies that they would possibly want to acquire, is of the utmost importance. The global Indian leader needs to adapt to changing business scenarios and benchmark themselves with their peers, globally.



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