

Leadership for India Inc: Practical Concepts and Constructs
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Week - 07
Leadership Development and Succession
Lecture - 31
Enablement as Development

Hi Friends, welcome to the NPTEL course, Leadership for India Inc: Practical Concepts and Constructs. We are in week 7 beginning the discussion of Leadership Development and Succession. In this lecture, we will focus on Enablement as Development.

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Need for Leaders

Even firms that have strong leaders at the helm require a large bench of proven and potential leaders to drive growth. The ability of a leader to nurture several potential leaders determines the total leadership potential of a firm. This, in turn, is the primary enabler for companies to have sustainable growth and also achieve corporate perpetuity.



- Leadership is not merely about vision, strategy, structure, and execution but more specifically about inspiring others to become leaders.
- As considered earlier, an important leadership competency and process is the ability to align and inspire the broader organizational team.
- The ability of a leader to build a team of equally good (or even better) leaders is the singular enabler of apex leadership.
- The strength of a firm on leadership succession determines the ability to perform to the fullest potential.

Despite companies having leaders who fulfil broad parameters of leadership capabilities, an alchemy of leadership is required to achieve collective organizational competency to the fullest mark, and translate it into commensurate corporate performance. This lecture discusses how leaders can nurture an enabling environment for leadership.



There is not an organization which requires only one leader. Every organization needs more than one leader. Even firms that have strong leaders at the helm require a large bench of proven and potential leaders to drive growth. The ability of a leader to nurture several potential leaders determines the total leadership potential of a firm.

This in turn is the primary enabler for companies to have sustainable growth and also achieve corporate perpetuity eventually. Leadership is not merely about vision, strategy, structure and execution but more specifically it is about inspiring others to become leaders.

As considered earlier, an important leadership competency and process is the ability to align and inspire the broader organizational team. The ability of a leader to build a team of equally good or even better leaders is the singular enabler of apex leadership. The strength of a firm on leadership succession determines the ability to perform to the fullest potential for the organization.

Despite companies having leaders who fulfill broad parameters of leadership capabilities, and alchemy of leadership is required to achieve collective organizational competency to the fullest mark, this is required to be translated also into commensurate corporate performance. This lecture discusses how leaders can nurture an enabling environment for leadership.

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Leadership is multidimensional

Leadership is multi-dimensional. Some dimensions are quantitative and commercial. Some are qualitative and cerebral. Some others are aspirational and reputational. Following is a grid.

Revenue	Profit	Market Share	Market Capitalization
Vision	Strategy	Structure	Execution
Safety	Health	Environment	Ethics

Success on all the twelve dimensions cannot be done by just one leader. It needs a team of leaders, helmed by an apex leader. Each apex leader will have the ability and passion to groom leaders into the leadership team. All successful apex leaders have one common factor—the ability to build a strong leadership bench that can offer candidate leaders for succession into the apex role.



Leadership is multidimensional. There are several dimensions that have been discussed in the previous lectures. I will try to classify them into three clusters. One set of leadership dimensions relate to the quantitative and commercial factors revenue, profit, market share, market capitalization which are measurable, which are visible and tangible and also have financial implications or the quantitative aspects.

Then there are certain aspects which are cerebral. There are certain aspects which are qualitative relatively and also cerebral. These are vision, strategy, structure and execution. And there are certain activities of leaders which are aspirational and reputational. These are those relating to safety, health, environment and ethics. Success

on all these 12 dimensions cannot be carried out or achieved by just one leader. It needs a team of leader's helmed by an apex leader.

Each apex leader will have the ability and passion to groom leaders into the leadership team. All successful apex leaders have one common factor without doubt; the ability to build a strong leadership bench that can offer candidate leaders for succession into the apex role.

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Leadership Transitions

Leadership in strong and successful companies is an institutionalized phenomenon rather than a uniquely personal identity, despite having strong Chief Executive Officers. Leadership transitions work well in such companies.



The leadership transitions shown above are reflective of leadership strength across generations in the groups and firms mentioned. The groups and companies illustrate how such corporations continued to grow through successive leadership transitions. Clearly, the ability of a leader to nurture several potential leaders is the primary enabler for companies to benefit from the total leadership potential.



Let us look at the leadership transition that have happened in the past in certain big companies, certain great companies. In the Tata group, we had JRD Tata being succeeded by Ratan Tata. In Ashok Leyland, we had seen this stalwart R J Shahaney getting succeeded by another stalwart R Seshasayee. In ITC, Y C Deveshwar was succeeded by Sanjiv Puri.

In Mahindra and Mahindra, the patriot Keshub Mahindra was succeeded by Anand Mahindra. In L&T, that is Larsen and Toubro, AM Naik was succeeded by SNS, SN Subramaniam. In HDFC, the founder HC Parekh was succeeded by Deepak Parekh. These leadership transitions which continue to happen even in contemporary times in the very same organizations as also other organizations are reflective of the leadership strength across generations in these groups and also in the firms that have been mentioned.

These firms and groups illustrate how corporations continue to grow through successive leadership transitions. Clearly, the ability of a leader to nurture several potential leaders is the primary enabler for companies to benefit from the total leadership potential that exists in an organization.

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An enabling Framework for Leadership Development

The more the number of competent leaders developed in a firm the greater the growth potential of the firm.



Six Process Parameters Enable Leadership Development	
Business Canvas	The depth and breadth of a business determines the numbers in the leadership bench
Self-governance	By placing leadership talent ahead of business development, corporations govern themselves better
Leader & Longevity	Wise leaders staying on for long does not necessarily impact leadership development adversely <u>but</u> leadership perpetuity that is not backed by wisdom harms leadership development
Courting Young	Catching potential leaders young pays off in the long run
Integrated Differentiation	People need to be coalesced into a team but also need to be differentiated based on competencies and performance
Rights and Responsibilities	Leaders must have decision rights along with execution accountabilities

Leaders can nurture an environment that supports leadership development through the above six important process parameters.



Generally, the more the number of competent leaders that are developed in a firm the greater would be the growth potential of the firm. There are 6 process parameters that enable leadership development. One; business canvas; the depth and the breadth of a business determines the numbers in the leadership bench.

If a company runs based only on one product and one simple manufacturing line marketing to one single group of customers the challenges of leadership; obviously, are small; however, if the same company has got several product lines and several manufacturing lines and has both national and international marketing then the depth and breadth becomes substantially larger and provides great canvas for leadership development.

Second principle is self governance; by placing leadership talent ahead of business development, corporations govern themselves better. Leader and longevity; this is one of the most important principles, wise leaders staying on for long does not necessarily impact leadership development adversely, but leadership perpetuity that is not backed by

wisdom harms leadership development. It is not necessary that we should have a rapid turnover of leaders.

There is no harm in certain companies have leaders stay on the course and stay at the helm for several years, that does not harm the company. Probably in certain cases it has helped the companies very much. However, if leaders stick on without commensurate increase in ether wisdom, knowledge of performance then there could be a problem for that particular company.

Courting young, is another important principle catching potential leaders' young pays off in the long run. Integrated differentiation - all members of leadership team need to be coalesced into one strong, cohesive, seamless organization. At the same time, there must be methodologies and benchmarks to differentiate high performance from low performance, high potential leaders from low potential leaders, that is also important.

Rights and responsibilities; leaders must have decision rights, but must fully understand the accountabilities that come with these decision rights. Leaders can nurture an environment that supports leadership development through the above 6 important process parameters.

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Business Canvas: Performance Leaders

Leadership is required at all levels—functional, business or corporate—with the mix being dependent on the scale and scope of the corporation. It is the availability of leaders that determines and drives the business canvas.

The growth or diversification of a corporation tends to be a function of the number of leaders in the corporation, who can be counted upon to deliver.

Strong leaders typically seek excellence and recognition by developing their functions, businesses, and the companies they head to higher levels.

My experience is that organizing a company in terms of value-driving functions or, even better, as clear and focused businesses enables such leaders 'own' them and drive their performance.

The organizations that are listed above for continued performance excellence across several generations of leaders have benefitted from such structural and strategic clarity.

Hindustan Unilever, for example, is notable for devolving profit-centre leadership onto young aspirants to develop the overall leadership talent in the company.



Let us look at performance leaders. Leadership is required at all levels; functional, business or corporate with the mix being dependent on the scale and scope of the

corporation. It is the availability of leaders that determines and drives the business canvas. Assuming, that finances are not a constraint. Assuming also, that owners do not want to limit the growth of the company.

The more the leaders a company has, the greater would be the businesses that would be explored by the company. Therefore, the growth and diversification of a corporation tends to be a function of the number of leaders in the corporation, who can be counted upon to deliver.

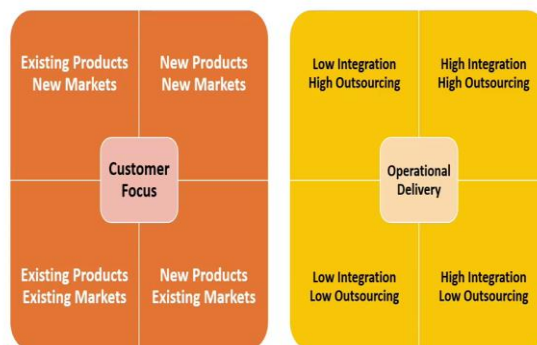
Performance leaders are very important. Strong leaders typically seek excellence and recognition by developing their functions, their businesses, and the companies they head to higher levels. My experience is that organizing a company in terms of value driving functions are even better, as clear and focused business groups enables such leaders own those business groups and drive them to their highest level of performance.

The organizations that are listed earlier for continued performance excellence across several generation of leaders do indicate that they have benefited from such structured and strategic clarity. Hindustan Unilever, the leader in the FMCG category is notable for devolving profits into leadership on to young aspirants to develop the overall leadership talent in the company.

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Business Canvas: Four Dimensions

Business canvas is determined by a combination of products and markets on one hand, and a combination of integration and outsourcing on the other, as depicted below.



From the above, 16 combinations of product strategy and manufacturing strategy are called for to achieve different kinds of leadership enablement. Leadership skills also must accordingly vary.



But what do leaders do, and what are the challenges they face, and what are the opportunities they have? When we say business canvas, how do we define? We have seen in one of the earliest lectures, how the firm can be defined in terms of several architectural layers.

Product market being one, production, product being another etcetera. For the purpose of this lecture, let us focus on two important aspects; one is a customer focus and the other is operation delivery. If we have existing products and existing markets that is one type of customer focus.

Being satisfied with the customers whom the company has and meeting their needs with the current products. The same customers if they are provided with the new products would have a different kind of customer focus for the company. Existing products being offered to new customers add additional customer focus to the company whereas, new products and new markets completely diversifies the firm in terms of the products and markets.

The other aspect of business canvas is operational delivery. If you classify a firm in terms of its integration level, that is low or high and its out sourcing level again low or high, we can have again four classifications; low integration low outsourcing firms, high integration low outsourcing firms, low integration high outsourcing firms, and high integration and high outsourcing firms.

Total we have the 16 combinations of product strategy and manufacturing strategy which could happen in any firm, and these could require different kinds of leadership enablement. Leadership skills also must accordingly vary.

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Business Canvas: Product-Market Dimensions

Growth canvas is determined by a combination of products and markets on one hand, and a combination of integration and outsourcing on the other, with appropriate leadership skills, as depicted below.

SN	Product Canvas	Production Canvas	Nature of the Company	Ideal Leader Skills
1	Existing Products Existing Markets	Low Integration Low Outsourcing	Lean Product-Lean Production	Standardization, Cost
2	Existing Products Existing Markets	High Integration Low Outsourcing	Lean Product-Own Production	Management for Return of Investment (RoI)
3	Existing Products Existing Markets	Low Integration High Outsourcing	Lean Product-Other Production	Supply Chain Management (SCM)
4	Existing Products Existing Markets	High Integration High Outsourcing	Lean Product-High Production	Throughput Management
5	New Products Existing Markets	Low Integration Low Outsourcing	Broad Product-Lean Production	Innovation, Marketing, Cost
6	New Products Existing Markets	High Integration Low Outsourcing	Broad Product-Own Production	Innovation, Marketing, RoI
7	New Products Existing Markets	Low Integration High Outsourcing	Broad Product-Other Production	Innovation, Marketing, SCM
8	New Products Existing Markets	High Integration High Outsourcing	Broad Product-High Production	High Throughput Innovation

The above 8 combinations of product strategy and manufacturing strategy call for different shades of standardization, cost, supply chain, marketing, innovation and throughput management.



We have business canvas that is defined in terms of product market dimensions. There are 8 combinations that are possible. We are taking from the previous slide and then juxtaposing them in terms of the product canvas and production canvas being next to each other.

If we have four categories of existing products and existing markets with different levels of operational delivery, that is low integration and low outsourcing, high integration and low outsourcing, low integration and high outsourcing, and high integration and high outsourcing then the nature of the company would significantly differ. For the first case it will be a lean product and lean production system and the ideal leader skills would be standardization and cost competence.

In the second case, we will have lean product-own production. That is everything is under the control of the company, then you have to manage for the return on investment. In the third category, we have the production canvas of low integration-high outsourcing supporting existing products and existing markets. In this case the nature of the company is lean product-external production and the ideal leader skills should be supply chain management to oriented skills.

In the fourth category, where in existing products and existing markets are supported by high integration-high outsourcing, you need a lean product-high production architecture and the requirement is of throughput management. Let us shift the canvas to new

products and existing markets, again in four categories of delivery levels one low integration low out sourcing, high integration low outsourcing, low integration high outsourcing and high integration high outsourcing.

In each of these cases, you will have broad product range as the primary driver, because you are dealing with new products, but the production structure and the production delivery will change from lean production to own production to other production to high production.

Correspondingly, the ideal leader skills will be changing from innovation, marketing, and cost in the 1st case, that is case number 5 to innovation marketing and ROI in the 6th case, innovation marketing and supply chain management in this 7th case and high throughput innovation in the 8th case.

So, you can see that the product market configuration in terms of existing products and existing markets or new products and new markets supported by different levels of production structure could generate a different nature in the company and call for different leader skills as the ideal requirement for such a company.

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Business Canvas: Lean-Broad Dimensions

The breadth of product line-up and the coverage of market segments determine the growth potential. Taking off from the previous two product-market anchors, additional parameters could enhance business growth as below.

SN	Product Canvas	Production Canvas	Nature of the Company	Ideal Leader Skills
1	Existing Products New Markets	Low Integration Low Outsourcing	Lean Product-Broad Market- Lean Production	Standardization, Marketing, Cost
2	Existing Products New Markets	High Integration Low Outsourcing	Lean Product-Broad Market- Own Production	Marketing, Management for Rol
3	Existing Products New Markets	Low Integration High Outsourcing	Lean Product-Broad Market- Other Production	Marketing, Supply Chain Management (SCM)
4	Existing Products New Markets	High Integration High Outsourcing	Lean Product-Broad Market- High Production	Marketing, Throughput Management
5	New Products New Markets	Low Integration Low Outsourcing	Broad Product-Broad Market-Lean Production	Diversification, Innovation, Marketing, Cost
6	New Products New Markets	High Integration Low Outsourcing	Broad Product-Broad Market-Own Production	Diversification, Innovation, Marketing, Rol
7	New Products New Markets	Low Integration High Outsourcing	Broad Product-Broad Market-Other Production	Diversification, Innovation, Marketing, SCM
8	New Products New Markets	High Integration High Outsourcing	Broad Product-Broad Market-High Production	Diversification, High Throughput Innovation

Like the previous 8 combinations, the above 8 combinations of product strategy and manufacturing strategy call for different shades of standardization, cost, supply chain, marketing, innovation and throughput management.



Let us look at another aspect also brought in. You have existing products new markets as well as new products new markets in 4 cases, duly supported by the production canvas. Let us say that the market canvas is brought in a significant manner, because we are

bringing in new markets. In the previous case, we looked at existing products and existing markets, here we are bringing in new markets as well, in which case, the nature of the company will change to lean product, broad market and lean production.

So, the concept of broad market comes in each of the configurations which we have discussed. That means, that the ideal leader skills would focus on standardization, marketing, cost, marketing comes significantly in several of the classifications we have said.

And finally, when you have new products and new markets being supported by high integration and high outsourcing production system, it means that the company is really having a very broad product canvas, very broad market canvas and a high production requirement. Diversification, high throughput innovation would be the flag bearers for leadership in that particular category.

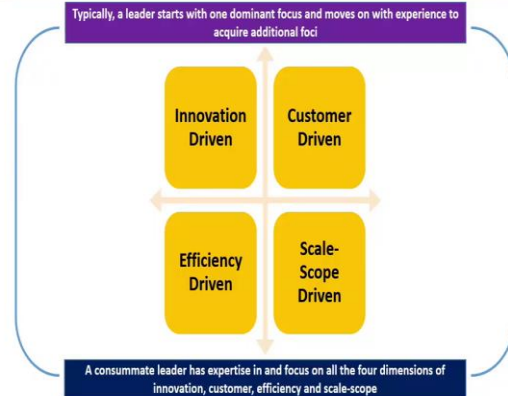
So, these above 8 combinations of product strategy and manufacturing strategy and the market spread call for different shades of standardization, cost, supply chain, marketing innovation and throughput management. This is on a broad level actually depending on the product, that is being sold, that is the nature of the product. Then all of these parameters could be further influenced by the characteristics of the product and also the characteristics of the market segments.

The simple point that is being made in an apparently complex business canvas approach is that, we should understand product, market and the production system thoroughly, to understand the leader skills that are the most appropriate for that nature of the company. That is the point that is being made here.

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Business Canvas: Enablement

The sixteen combinations of business canvas, differing company profiles, and different leader skills require that the apex leader and the boards must create different enabling environments for different contexts. Broadly, four different foci can be considered as requiring special attention by them.



To create enabling environment, apex leaders must enable and empower leaders to go beyond their zones of comfort and take on new challenges – be it new products, new markets, new processes or new plants.



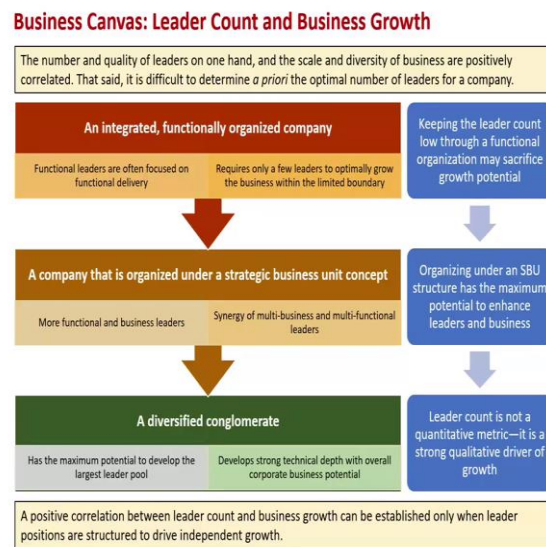
And to enable this business canvas function effectively, we need certain core drivers, and the drivers are innovation, customer, efficiency, and scale and scope. Typically, a leader starts with one dominant focus in his life of leadership and moves on with experience to acquire additional foci.

A consummate leader has expertise in and focus on all of these 4 dimensions, innovation, customer, efficiency, and scale and scope, simultaneously. To create this enabling environment, apex leaders must also enable and empower leaders to go beyond their zones of comfort and take on new challenges, be it new products, new markets, new processes or new plants.

As an example, if your CXO leader in charge of R&D, he is excellent in innovation driven activities which he must be the R&D head, you must also encourage him to be customer focused, customer centric.

You should also understand the art of making him appreciate the need for manufacturing efficiency in whatever product innovation he is doing. And, as a leader you must also sensitize other leaders in terms of the benefits of scale and scope and the challenges of handling scale and scope. So, consummate leadership requires innovation, customer centricity, efficiency, and scale and scope.

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I said earlier that the more leaders you have the greater the business growth that could happen. The number and quality of leaders on one hand and this scale and diversity of business are positively correlated. That said, it is difficult to determine a priori that is before the start of the leadership process, the optimal number of leaders for a company. Let us say the company is an integrated company, functionally organized company wherein the functional leaders are often focused on functional delivery.

Then, that requires only a few leaders to optimally grow the business within the limited boundary. If you recall one of my earlier examples of the pharmaceutical company, when it is a functionally driven organization catering to manufacture of one product line and one market, it required just a simple functional organization.

However, as it became diversified and as became oriented towards strategic business units, it required more functional and business leaders at the synergy of multi businesses and multi functions became important. And if you look at a diversified conglomerate, that is a grouping of companies, that conglomerate would have the maximum potential to develop the largest leader pool and also develop the strongest possible technical and commercial depth.

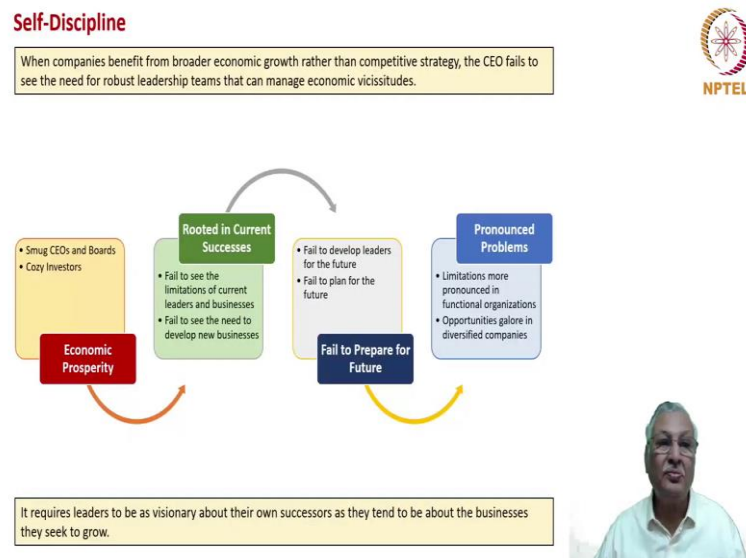
That is how the leader count and business growth get related to each other in the business setting. Keeping the leader count low through a functional organization may sacrifice the growth potential for a growing firm. Just because we have been successful with the

functional organization and just because the management costs are lower with a function organization it would be somewhat incorrect to limit the growth of the company by depending on the functional organization.

We should at the earliest possible time frame release this organization structure in terms of an SBU organization structure, so that there is more empowerment, more potential, and more opportunities to drive businesses on multiple lines. Leader count is not a quantitative metric. It should only be seen as a strong qualitative driver of growth.

Because there could be a system, wherein fewer leaders are qualitatively much more effective than a system where we may have many leaders but qualitatively, they are not as effective as the first system. And this correlation can be established only when leadership positions are structured in a manner that independent growth can be related to those leadership positions and assessed.

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It is also important for leaders to distinguish between growth due to company factors, due to the leadership factors and growth due to normal economic considerations. If you have a company which is operated in an economically connected environment, let us say, you are building aero bridges for airports.

If the economy keeps on building more airports and airports performance would require aero bridges, the performance of the company in terms of increasing the aero bridge

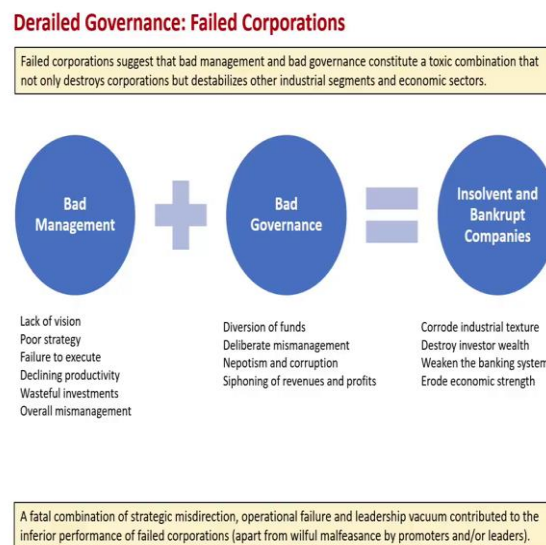
production need not necessarily be due to the leadership capability, it is just because economic prosperity is driving all round growth.

So, when companies grow because of economic prosperity, the CEOs could become smug, and the boards could also become little complacent and investors would be cozy. However, if the leadership is so rooted in this current successes that they cannot see what is happening in the businesses, the limitations of the current businesses and the opportunities and challenges of economic volatility, then there could be problem coming.

And such leaders fail to prepare for the future, and they fail to develop leaders for the future, and they fail to plan for the future. And the problems will be very pronounced in such organizations. On the other hand, if the company is making extraordinary efforts all by itself to diversify its product lines, to get into newer markets, to manage growth, to drive growth independent of the economic downturns or upturns then such a company would offer great leadership positions, great leadership opportunities.

It requires therefore, the leaders to be as visionary about their own successors taking on newer business roles than they tend to be about the businesses they are themselves at present growing. That is, they have to have this self discipline to look beyond their successes and also analyze their successes as being autopilot successes or carefully orchestrated and aggressively driven successes by them.

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At times governance fails in spite of having leaders. There are many failed corporations which have gone to the insolvency and bankruptcy code, and many of those companies are huge companies. These failed corporations suggest that bad management and bad governance constitute a toxic combination, that not only destroys corporations but destabilizes other industrial segments and economic factors.

If large companies go down under because of nonperformance and inability to return the debts taken, then the banking sector itself is destabilized. So, we need to ensure that bad management is avoided at any cost. Bad management is characterized by lack of vision, poor strategy, failure to execute, declining productivity, wasteful investments, overall management.

Bad governance is characterized by diversion of funds, deliberate mismanagement, nepotism and corruption, siphoning of revenues and profits. And this together results in solvent and bankrupt companies. Insolvent and bankrupt companies corrode the industrial structure as also dilute the economic strengths which we as a nation process, they destroy huge amounts of investor wealth and weaken the banking system.

Therefore, a fatal combination of strategic misdirection, operational failure, and leadership vacuum could be seen to be contributing to these types of insolvent and bankrupt companies. And in several cases, there could also be willful malfeasance by promoters and leaders. So, the quality of leader, the ethical governance of the leaders and the developmental aspects of the leaders are very important.

If an apex leader is charged with developing good cadre of leaders, it would not be possible for the apex leader to run amuck with the various kinds of points we have raised just.

Now, on the other hand, if the board is very cautious and has good oversight on the leadership team and if the leadership is ethical confirming to the governance principles, then there is much greater chance of corporations weathering all kinds of storms; economic or non economic and taking forward the company.

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Self-Governance: Admired Corporations

On the other hand, the most admired corporations reflect the ability to handle economic vicissitudes through leadership depth.

The most admired corporations are essentially driven by innovation, competitiveness and globalization, which require, as well as provide, the perfect opportunity for leadership development.

Typically put forth leadership talent ahead of business development	Institutionalize a virtuous cycle of corporate growth and leadership development	Diversification strategy provides a pull effect for leadership development	Integrated companies may have to rely on external talent to an extent for leadership diversity
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For example, General Electric had an even, natural edge with structured business evaluation processes and leadership development institutions that synchronized with conglomerate culture. On the other hand, integrated companies (for example, Microsoft) had to rely on external talent to an extent to top up leadership to handle the impact of the Internet and cloud computing.



There are many admired companies which have very good features. The most admired corporations are essentially driven by innovation, competitiveness and globalization. These require as well as provide the perfect opportunity for leadership development. Typically, such companies put leadership talent requirement ahead of business development requirement.

That is organization is considered the first step before a business can be developed. They also institutionalize virtual cycle of corporate growth and leadership development. They link leadership development and corporate growth substantially. They also pursue when it is appropriate a diversification strategy which provides pull force for leadership development.

But not all companies can be diversified, not all companies can have high scale and scope. Integrated companies have to make do with the leadership talent that is available within. But such integrated companies also have to break free of the cocoon at some point of time. They have to then rely on external talent to an extent for leadership diversity.


There are companies globally, such as general electric who had natural edge in terms of leadership development because the company put in place from Jack Welch times, structured business evaluation process and leadership development institutions and they synchronized with the conglomerate culture.

On the other hand, integrated companies such as Microsoft had to rely on external talent to an extent to top up leadership, so that they could handle the impact of the internet and cloud computing.

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Fortune Top 10 Admired Corporations

For an astounding 13th straight year (Fortune 2020 Survey), Apple claimed the top spot in Fortune's annual ranking of corporate reputation, based on a survey of almost 3,800 executives, directors, and analysts. The Top 10 Top Admired Corporations, as per the Survey, are:



Source: <https://fortune.com/worlds-most-admired-companies/>

The Top 10 Admired companies belong to diverse sectors – technology, media, financial, beverages, retail and consulting. The traditional sectors such as energy, automobiles, and engineering rank lower, although figured in the Top 50 Admired List.



Fortune conducts survey of top admired companies in the United States. The fortune 2020 survey, states that Apple has for the 13th time claimed the top spot in the Fortune's annual ranking of corporate reputation, based on a survey of almost 3800 executives, directors, and analysts.

The top 10 admired corporations, as per the survey or you can see the logos and identify the company's Apple, Amazon, Microsoft, Walt Disney, Berkshire, Starbucks, Alphabet parent of Google, JP Morgan Chase in the investment banking, Costco wholesale and Salesforce. And intuitively as well as from your experience you know that each of these companies is a great company.

The top 10 admired companies belong to diverse sectors: technology, media, financial, beverages, retail and consulting. The traditional sectors such as energy, automobiles, and engineering are not in the top 10 admired list, they rank lower; however, they are amongst the top 50.

This shift also indicates, the shift that is taking place in favour of technology, in favour of digital in the overall corporate strength as well as also in the market cap and

reputational factors that are arising from the way these companies are managing themselves and the way these companies are driving the digital transformation.

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Leader Longevity

Leadership development has no alternative prescription when orderly growth of corporations is desired. There could, however, be several effective ways of achieving leadership development.

Leadership development requires the leader to look beyond him or her to power future growth.



The process of leadership development, in fact, needs to be assiduously instituted in corporations, integrated or diversified.

Both types of companies have their issues: integrated firms need external leadership induction while diversified firms may have to be moderated on internal competition within businesses

Many leaders respond to this by not upsetting the leadership applecart, and gaining also in the short term by perpetuating themselves

Leadership perpetuation, often built on the past or present successes of the current leaders, is a disabling threat to sustainable growth of a corporation.

Leader longevity becomes an even greater constraint in firms that have founders and business families as their controlling leaders.



Business canvas, having looked at business canvas being the most important aspect, having also looked at the fact that many of these decisions relating to business canvas have long lead times. The import is long term as well as the time required to effect those developments is also a long time period.

So, should leaders have a long tenure, or should leaders have a shot tenure, that has been one of the questions that was being posed in the practical leadership analysis. Fundamentally, of course, leadership development requires the leader to look beyond him or her to power future growth.

That does not mean that leaders have to vacate the chair in early spans of time. While the process of leadership continues to be assiduously instituted in corporations, whether they are integrated or diversified, we also need to ensure that the leaders at the helm have got certain basic tenure in which they can make the changes, they can make the developments that they want to do. Both types of companies, whether they are integrated firms or diversified firms, they need to have a specific level of leader longevity.

And leadership perpetuation does not automatically come because of leader longevity. Leadership perpetuation comes when the leaders stay in their positions without

commensurate contribution to the performance and growth potential of the company. On the other hand, leader longevity could be a positive aspect of leadership as long as leader longevity is also commensurate with the growth of the company.

Definitely leader longevity is a factor to reckon with in firms where the founders and business families act as the controlling leaders. Leader longevity becomes an even greater constraint in firms that have founders and business families as their controlling leaders.

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Leader Longevity: Tata Example



Some groups, notably Tata have tried to address this leader longevity issue by having certain sets of principles. There is an age mandated pull effect for leadership transitions. The retirement age for executive directors is set at 65. Retirement age for non executive directors is set at 75.

Executive, nonexecutive transition is enabled at some point of time, this, and that could happen to the same companies or to other group companies. This kind of an orderly transition of senior leaders and senior officers enables the companies or the groups to create vacuum which pulls leadership up.

And this also provides transparent objective criteria for leadership transitions. It ensures change, but also facilitates continuity. Periodic external induction at executive and

nonexecutive levels enhances the quality of this process even further. A strong corporate center and a holding company structure helps integrate the new and the old.

Companies such as Infosys have followed a policy of creating leadership vacuum by design again to transit other highly capable cofounders and leaders into apex leadership positions. So, while they may not have written down the retirement and succession rules as rigidly as Tata group, they also have followed a similar pull effect strategy in ensuring that leadership potential of other prospective leaders' are fully utilized.

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Leader Longevity: No Hard and Fast Rule

While it is ideal to have structured retirement policies as in the case of Tata group or Infosys, it is not always possible for companies to be time-titrated in leadership development and succession at the apex level.



Longevity Cap?	Not Supported in Practice	Multiple Options to Enrich leaders	Leadership Talent can be Utilized Anywhere
Leadership longevity is an essential prerequisite for responsible leadership. There is no cap on leadership longevity—a term of five years at the helm is the minimum required for a leader with the right competencies, and with the optimal vision, strategy, structure, and execution framework.	It could be much longer without any issues—and, in fact, providing greater strength, as exemplified by A.M. Naik of L&T and V.C. Deveshwar of ITC. Voluntary and proactive efforts of the apex leaders and the boards not only drives the business but also helps identify appropriate channels to utilize the leadership energy.	Leadership development has fuelled the growth of several companies into new geographies and product lines. Monolithic companies have established structures such as leadership councils, management committees and executive boards to provide exposure to, and experience in, strategic business management to functional leaders.	Some companies have also encouraged functional leaders to become entrepreneurs by letting them establish ancillary companies. Whatever be the longevity policies adopted, proactive development and timely utilization of leadership talent has differentiated the firms that have grown more aggressively from others which could not, even in single industry situations.

Harvard Business Review published a paper that suggested that leaders need a fairly long tenure to make their mark in a durable manner. PWC also had a similar conclusion based on its research.



But in some there is no hard and fast rule, whether the leaders should be in long terms or should be in shorter terms. There is no time titrated formula for leadership development and succession at the apex level. So, there will be a cap on the leadership longevity. Leadership longevity is an essential prerequisite for responsible leadership.

There is no cap on leadership longevity. A term of 5 years at the helm is the minimum required for an apex leader to make at least a simple impact. With the right competencies and with the optimal vision, strategy, structure and execution alone a leader can make an impact in 5 years, and if any of these things are somewhat deficient or the environmental changes have been volatile, a leader would probably require much longer tenure.

And, in practice, it is not supported that a short term is advisable for the apex leaders. It could be much longer without any issues and in fact, provide greater strength as

exemplified by A M Naik of Larsen and Toubro and Y C Deveshwar of ITC. These leaders stayed on for several terms and the companies only grew from strength to strength under their direction.

Even JRD Tata and Ratan Tata had much longer terms than the 5 years. But during those terms, the leaders made a powerful impact on the growth and diversification of the group. So, voluntary and proactive efforts of the apex leaders and the boards not only drives the business, but also helps identify appropriate channels to utilize the leadership energy.

There are also multiple options to enrich leaders, because of leadership development that can span many directions and that can fuel the growth of several companies into new geographies and product lines. It is possible to utilize leadership energy that is available, so that new structures and systems can benefit from their wisdom and their energy and their experience.

Management councils, leadership councils, executive boards, they provide opportunities for young leaders to participate in the leadership mechanisms with the oversight of the senior and mature leaders, and this helps both the existing leaders as also the prospective leaders create a leadership quotient in the organization that is very powerful.

Also, leadership talent can be utilized anywhere. It is not necessary that the leaders should be only within the company system. Leaders could also set up a powerful entrepreneurial ventures and powerful supportive ventures and they could also take up corporate social responsibility ventures on behalf of the company.

So, there are many other options as well to utilize the leadership capability that exists in a company or in a group. Whatever be the longevity policies adopted, proactive development and timely utilization of leadership talent has differentiated firms that are successful, that have grown more aggressively relative to those which could not do so.


Even in single industry situations, the way the leadership tenure is defined and the way the leadership tenure is made effective has been a great differentiating factor between successful firms and not so successful firms. There have been two research studies; one that was published in Harvard business review, and another conducted by price water house and published in its journals which talked about the leader longevity being an

extremely important characteristic of leader effectiveness and the business growth in various companies.

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Leader Longevity: No Hard and Fast Rule

There also exist several examples globally of leaders helping their firms for many decades and continuing to grow them successfully.



THE LONGEST SERVING CEOs GLOBALLY IN THE S&P 500


Warren Buffett (Berkshire Hathaway) 50	Alan B Miller (Universal Health Services) 42
James Herbert (First Republic Bank) 34	Harold Max Messmer, Jr (Robert Half) 32
Richard Fain (Royal Caribbean Cruises) 31	Leonard Schleifer (Regeneron Pharmaceuticals) 31

2018 CEO Study of Strategy & Success

- 2500 companies over 19 years studied
- Median tenure of CEO 5 years
- 19 percent of CEOs remain for 10 years or more
- Longer service of 14 years or more correlated with better performance
- 39 percent of CEOs forced out for ethical reasons
- Succeeding long-serving CEOs quite challenging for the new leaders

Source: <https://www.pwc.com/us/en/insights/articles-reports/2019/ceo-stampede-record-high.html>

The study by PWC suggests a correlation between a long CEO tenure and high corporate performance.



Let us look at some of the longest serving CEOs globally in the S&P 500 universe. Warren Buffett, Berkshire Hathaway considered the best investment guru in the world. He has served his company for 50 years. Alan B Miller, Universal Health Services he served the company for 42 years.

James Herbert who served first Republic Bank for 34 years. Harold Max Messmer Junior Robert Half who served for 32 years. Richard Fain who served Royal Caribbean Cruises for 31 years. Leonard Schleifer who served Regeneron Pharmaceuticals for 31 years, reflect the fact that leaders can be at the helm for an extraordinary long period of time and also could serve the companies very well.

In fact, Regeneron Pharmaceuticals is the one which is coming up with a very novel antibody cocktail for helping patients have antibody resistance to the Covid-19 pandemic. So, 31 years at the helm, but the company under his guidance is coming up with the dramatic breakthrough treatments for a completely unforeseen pandemic. So, there is no connection between leader longevity and business canvas.

This means, that being in the leadership position for long tenure does not mean that the company would become stale or conservative or cautious under his watch. On the other

hand, the company could be as innovative, as aggressive and as diversified as it can be at any point of time even if the leader stays on for an extraordinary long time. Regeneron Pharmaceuticals for example, illustrates this glaring fact.

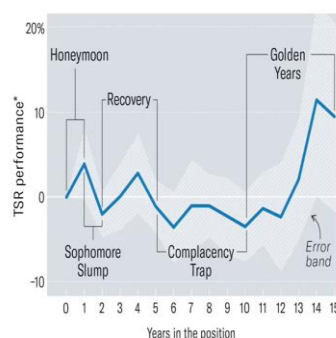
The price water house study of CEOs in terms of strategy and success based on the 2018 sample, also has similar observations. It has studied 2500 companies over a 19 year period. It found that the median tenure of the CEOs tends to be 5 years; however, 19 percent of CEOs remain for 10 years or more. But the more important factor is that the longer service of 14 years or more correlated with better performance of the companies.

It also pointed out that the longevity is affected by factors other than business performance. 39 percent of CEOs were forced out for ethical reasons, this again brings to 4, the 3rd cluster of factors I mentioned; safety, health, environment and ethics being highly reputational for the company as well as for the leader.

This is just one more supportive evidence for that statement of mine. And succeeding long serving CEOs find it quite challenging to get into the same position as the existing leaders are that means, that long tenure leaders develop a rhythm, develop a pace which the new leaders find it difficult to replicate very easily. This study by PWC suggest a correlation between a long CEO tenure and high corporate performance.

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HBR Article Suggests a 15-Year Tenure for a CEO to Reach the Full Potential



*TSR is market adjusted. Company shares may have shown a positive return for a given year but appear here as a negative number because they lagged the wider market.
From: "The CEO Life Cycle," by James M. Citrin, Claudius A. Hildebrand, and Robert J. Stark, November-December 2019. © HBR

Subject, of course, to the caveat that economic and business cycles of growth and recession do influence company growth and Total Shareholder Returns (TSR)!



Now, let us go to the HBR study. The HBR articles suggest a 15-year tenure for CEO to reach the full potential. It has an interesting split of this 15-year period. The 1st year is considered the honeymoon period; the board is very happy with the CEO and the CEO also is very happy with the opportunity provided. This honeymoon period is quickly followed by a sophomore slump.

You know the definition or the meaning of sophomore, that is for some inexplicable reason you tend to perform lower than in the 1st year, in the second day of your study. That is the year following the entry or the year following a high performance tends to be a year of depressed performance. That is just a sophomore factor, it is not to be related to anything, it is kind of statistically observed phenomenon.

Thereafter of course, there will be recovery over the next 3 years. After the recovery, again that tends to a complacency trap. And finally, the golden years keep coming up between 10 and 15 years; that means, that a CEO has to be there in the tenure for 10 years according to the HBR study to put in the best performance years of his tenure. Now, whether the world can afford this long CEO life cycle and the performance coming in only towards the later part of the life cycle is a question that could be up for discussion.


It also assumes that there are no economic and business cycles when the performance is under review. Business cycles of growth and recession could cast additional shadow or provide additional opportunity for this CEO performance, but in practice I presume that the boards and the investors are not so patient to wait for 10 years.

I forward see as we go forward a 10 year tenure in which the CEO is expected do is the demonstrate at least half of the tenure as a high performance tenure and once that is done. These CEO can creditably and confidently ask for more such terms, so that he can continue to drive the performance up and up. That I would see is the leadership tenure as we go forward in these contemporary times.

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Courting Young: Multiple Options

Leadership development starts with catching potential leaders young. Many blue-chip companies in India had, over the decades, institutionalized the process of inducting graduate, postgraduate and management trainees through campus requirements. They have now supplemented them with active student internship programmes.



Structured Programs

Promising officers of several reputed public and private sector undertakings in India have started as trainees and moved into Chief Executive positions in their companies or other companies.


Rising from the Ranks

A. M. Naik of L&T, S. Ramadorai and N. Chandrasekaran of TCS, S. K. Roongta of SAIL, and B. Muthuraman of Tata Steel joined their respective companies as engineers and rose to the position of CEO.

Continuous Development

More progressive companies within the blue-chip groups have, in addition, established in-house leadership training institutes to hone the leadership skills of potential leaders. These measures, coupled with processes of job rotation and entrustment of challenging assignments, have led to an appropriate recognition for leadership talent.

It may be hypothesized, at least in the Indian context, that such structured recruitment processes would serve as an enabler for high quality leadership development. Lack of such processes could act as a major disabler for leadership development.



There are also several options to court young and build leadership team. We need not always look at this CXO team to say that we have leadership potential. We need to court our leaders young in any organization that is why when we enrich ourselves with lot more knowledge than our experience level suggests, we are actually placing ourselves in the right path way for being recognized as potential leaders, that is very important.

Similarly, we should take up projects for beyond what the rules of the company or regular opportunities of the departments provide us. The more you do a kind of value added service for the company, the more will be the recognition for you as a potential leader. So, companies have started understanding the importance of taking bright people into the company and inducting them through very structured rigorous process across the organization, so that the best of the fit and best of performance potential is discovered.

And they are moved into departmental manager positions, general manager positions, and chief executive positions, on a fast track depending upon the performance they have displayed. And courting young is good, because many of the illustrious CEOs in our system have indeed risen from the ranks. A M Naik of L&T joined the company as graduate trainee, S Ramadorai and N Chandrasekaran also joined as graduate trainees in TCS.

S K Roongta chairman of SAIL, B Muthuraman managing director of Tata Steel also joined their respective companies as engineers and rose to the position of CEO. There are

many many other companies in India where graduate trainees have become at least the CXOs if not the CEOs.

So, there is a great potential to join young, assume grassroots leadership responsibilities and move up the path of management and leadership very effectively. Most companies which are progressive and that too in the blue chip groups have also established in house leadership training institutes to hone the leadership skills of potential leaders.

Way back in the 1970s itself Tata group set up its Tata management center and the Tata services are considered akin to the IAS in the Tata system at that point of time. Infosys has its university to train its people and there are many companies which have their in house development universities or institutions to help continuous development of their promising executives, managers and leaders that provides appropriate recognition for leadership talent.

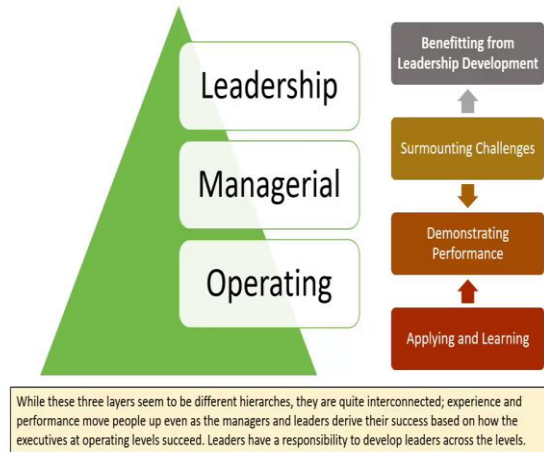
These kinds of university platforms also provide mentoring opportunities for the senior leaders, devise leaders because they could come lecture, interact, interface and also provide inputs to the young people as also gain inputs and feedback from the young people. It may be hypothesized therefore, at least in the Indian context that the recruitment processes that have been structured have been of great help in building the manager and leadership talent.

And high-quality leadership talent development has been enabled by reaching to the institutions by the companies and taking the young people from the educational institutions. Lack of this or any discontinuity in this process could actually be a setback for the Indian industry. Whatever is being done must be accelerated, must be made much more intense.

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Courting Young: Growth Options

Having the right count of the potential leaders is yet another challenge of leadership development. Like the macro organization, leadership hierarchy is reflective of a pyramid that is broad at the base and sharp at the top.



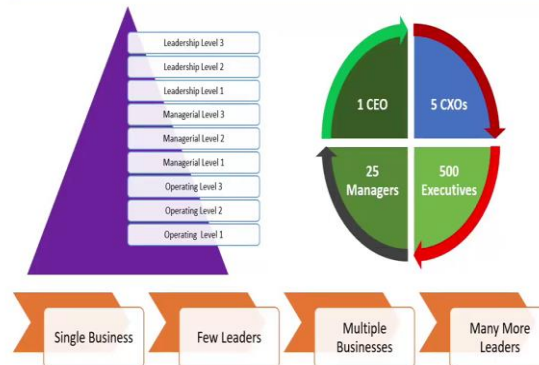
When we are looking at courting young, the growth operations provide three types of opportunities. One operating level opportunity, second managerial level opportunity and third the leadership level opportunity. While these three layers may seem to be different hierarchies, they are all quite interconnected.

With experience and perform one can seamlessly move across these hierarchical levels and depending upon the success the growth is more or less guaranteed in performance oriented organizations. But leaders have the responsibility to hand hold the potential leaders and potential managers in this journey.

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Courting Young: Business Growth Drives Career Growth

Given the pyramid structure, the popular concept is that even talented will face stalled growth. This is not true. The counter-measure adopted of segmenting titles is misplaced. Better solutions exist.



The ability of companies such as Hindustan Unilever, ITC, Infosys, Tata Motors and Tata Steel to retain 'equals' at the top in anticipation of, and despite, leadership selection is a unique attribute that deserves to be imbibed by aspiring blue-chip corporations.



We have several layers in a pyramidal organization. We have discussed that in the past as well. If you have a single business setup, you will need for few leaders. On the other hand, if you have multiple businesses you require many more leaders. My own study indicated, that for every CEO you need at least 5 CXOs, 25 managers and 500 executives, even in a functionally built organization with limited product line and with limited marketing activities.

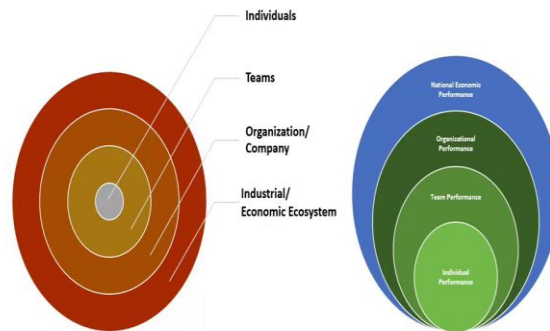
Then you can imagine the kind of leadership requirement when the product lines are diversified and when the markets are diversified the number would easily be twice this number as you try to diversify your product lines. The ability of companies such as Hindustan Unilever, ITC, Infosys, Tata Motors and Tata Steel to retain equals within quotes at the top, that is leaders who have equivalent capabilities, equivalent skills and equivalent performance record. They are still being retained at the top.

Because they have anticipation that leadership selection is fair, transparent and objective. That is one level of confidence they have. The other level of confidence is that this company would continue to grow and this company being part of a global multinational, there would be opportunities in various places across the globe for leadership to make its mark and Hindustan Unilever has been trying to implement both these factors in its leadership development programs. And this is true also for several blue-chip corporations.

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Defining Integrated Differentiation

Integrated differentiation is all about leaders integrating individuals with teams, and teams within organization, and organization as company, and companies with the ecosystem. At the same time, leaders must also be proficient at differentiating individuals and company in terms of positioning and performance.



Leadership challenge lies in driving differentiated performance even while integrating all stakeholders, organized or freelance.



We also spoke about integrated differentiation, that is the entire team must be integrated as one team. But at the same time, we should differentiate high performers with from not so high performers and high potential leaders from no so high potential leaders.

So, if you have this concentric circle model which we have discussed earlier also, wherein individual is the core and center of the entire organizational ecosystem surrounded by teams, surrounded by the company and the organization and finally, the industrial and ecosystem. Then how do we differentiate the performance of the company and the performance of the individual to the company's performance.

That again is a concentric circle phenomenon. Individual performance does matter. Without individual performance team performance cannot take place, but if all individuals together perform at the same high level, the team performance also would be of the high order. And many teams working together lead to top level organizational performance and the organizational performance contributes to the national economic wealth.

Leadership challenges like in driving differentiated performance even while integrating all stakeholders whether they are organized or freelance. You look at this situation today where companies are trying to develop vaccines in the shortest possible time frame, it could be in India and it could be in the United States.

India is having 5 vaccines in different stages of which 3 vaccines one of Zydus Cadila another of Bharath biotech, another of serum institute being at advanced phase 3 study levels and everybody is gearing up manufacturing output for these products. Similarly, in the US and Europe, we have Pfizer, Biontech as a group then Moderna and also AstraZeneca.

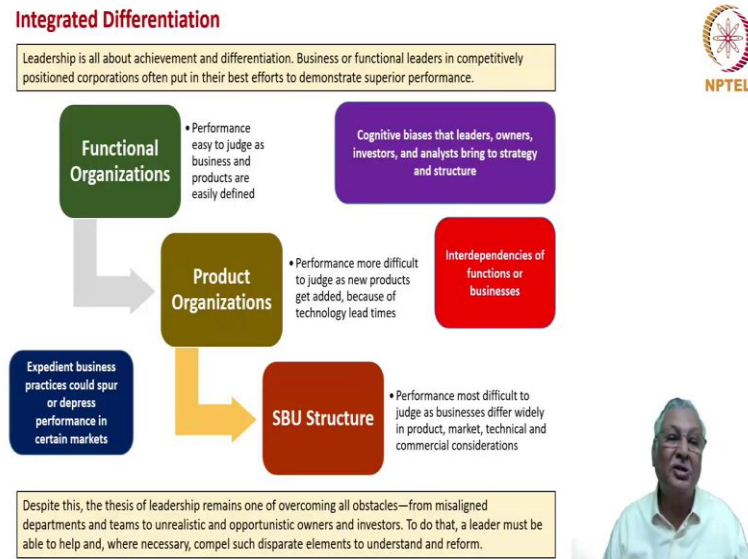
So, everybody is working at the top-level performance to be able to meet this target. Given that Pfizer vaccines requires very special chilled conditions, that is minus 75 degrees centigrade, even at the start of the vaccine program. They started designing the cold chambers that are required for transportation of these kinds of special vaccines.

They also have been simulating how to transport the raw feed stock for the vaccines from the central place where the feed stock is being manufactured to various manufacturing sites and how they could be further distributed at the same cold chain conditions to various patient points.

So, that is the planning which needs to be done, and to be able to keep all the individuals and all the teams at the highest level of performance is something that could be the real driver for a company's success. So, when we look at integrated differentiation, we should not try to force fit members of the teams into high performer or low performer, if it is occurring in spite of the best efforts yes you must do that.

But if possible the leader must always aim to bring everybody to the highest level of performance as possible. That will ensure that there is no differentiation amongst the team members. The teams themselves will be differentiated compared to teams from other companies and other competitors, that is the integration differentiation which the leaders must aim for.

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This integrated differentiation also poses some pitfalls. In functional organizations of course, performance easy to judge as business and products are easily defined, when you move to a product organization performance is more difficult to judge as new products get added because of technology lead times.

In an SBU structure, performance is most difficult to judge, although the SBU heads will have profit and loss responsibility, but we are not going to make Apple to Apple compares because SBUs are typically in different industrial streams and they face different economic and market factors.

So, when there is such variation in product, market, technical and commercial considerations how could we judge that this SBU is better than the other SBU. And regardless of our attempt to judge, there would be cognitive biases that leaders, owners, investors, and analysts bring to strategy and structure. There would be interdependence of functions and businesses.

And at times expedient business practices could spur or depress performance in certain markets. Therefore, to be able to achieve the highest level of integrated differentiation, we should avoid all these biases must have healthy benchmarks of assessing performance and most importantly the ability in the apex leaders to bring up everybody to the highest level of capability as possible, highest level of performance as possible, implement distributed leadership model which we have discussed in earlier lecture.

So, the ability to council, coach, mentor and nurture disparate elements to understand, align and reform themselves to make for an integrated team that is differentiated from other teams outside the organization, that is the hallmark of great leadership.

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Integrated Differentiation: Organizations

Harmonious integration of the organization cannot be at the cost of meritorious differentiation. It is important to assess performance of individuals, teams, and departments, independent of factors that unnaturally spike or depress performance.

When Covid-19 shut down everything...



Every downturn is an opportunity to serve

Every Covid care product needs new components as well as established ones

Work from Home requires more telecom gear, more laptops and more security filters

Integrated Differentiation shall be required at all times in the economy overall

Groups such as the Tatas, P&G, and Unilever have established global business metrics, including robust financial oversight, to ensure value-based performance. Irrespective of scale and scope, companies should institutionalize value-filtered performance management systems from the very inception.

Let us look at the practical example; when Covid-19 shut down everything, suddenly new Covid care opportunities came up. Companies had to produce personal protective equipment including mask, ventilators had to be produced, test kits, tracking and distancing apps, new medicines and vaccines, work from home opportunities. Interestingly, the first batches of sanitizers and mask were made in the small scale sector than in the established sector.

It took two more months for the companies in the apparel business, for example, Van Heusen, Louis Phillippe or page industries to come up with the mask, but the neighborhood small and medium enterprises came up to fill those gaps pretty early on. So, enterprise has an extremely important aspect of leadership. The ability to cease opportunities even when challenges are there shutting down the regular operations is a skill which leaders must possess.


So, every downturn is an opportunity to serve, it is not an opportunity to make business or make profits, it is an opportunity to serve. Every Covid care product needs new components as well as established ones, there is need for more number of hospitals. We can ask ourselves how many hospital chains private hospital chains have began to

expand their departments, have begun to establish newer hospitals in this Covid case situation.

One would think that the government of India has done more in terms of creating additional beds and creating additional hospital infrastructure than the private sector, with due respect to the private sector corporate health chains. So, every downturn is an opportunity to serve and that is where leadership has to step up the game and meet the requirements that are offered in the environment time to time.

And to be able to do that, we require integrated differentiation, a differentiation of the good from not so good. Groups such as Tata's, P&G and Unilever have established global business metrics including robust financial oversight, to ensure value based performance irrespective of scale and scope companies should institutionalize value filtered performance management systems from the very inception. This is the only way in which you can make your teams and individuals highly effective and highly differentiated.

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Leaders' Perspectives


Leaders must have perspectives broader and deeper than either moving along successful paths or turning inward when faced with crises. Typically, leaders need to be open to all possibilities. New risks could arise in times of success and opportunities could still be waiting in times of failure.

When markets for aircraft and automobiles are deeply hurt, leaders should redesign products for social distancing and passenger safety, for example.

Ethics and value systems play a major role in shaping the complex process of integrating with differentiation. Progressive companies lay significant emphasis on ethical business practices as a cornerstone of doing business.

They also believe in constituting leadership councils and bringing issues of business performance into open discussion. Integration of distinct functions of businesses with transparent policies and objective metrics helps proper assessment of differentiated performance.

A combination of repurposing current products or services, discovering newer ones and demonstrating value for customers helps leaders regain some of the deep-losses in business momentum.



So, what are the leader's perspective? Leader's perspectives should be that whenever there is a challenge there must be reconfiguration in the business models, there must be reconfiguration in the way the products are designed. When the markets for aircraft and automobiles are deeply hurt, leaders should redesign their products for social distancing and passenger safety for example.

You can look for wider body aircraft which you will have increased seat pitch, but have the same operational economics and same passenger carrying capacity, that could be one way. The busses could be designed to ensure better social distancing while carrying more passengers, may be safer and more helpful opportunities come by bringing double decker buses into mainstream operations or vestibule buses into mainstream operations. There could be such a thought process that could be undertaken by leaders whenever there are crisis opportunities.

Leaders also must go by the ethics and values systems, because the aspirational cluster of leadership targets and leadership goals, leadership measures can never be ignored. Progressive companies lay significant emphasis on ethical business practices as a cornerstone of doing business. They also differentiate one business from the other and one leadership from another.

It is also important to establish leadership teams, leadership councils, management councils by whatever way or by whatever manner you call them and those must be used to bring issues to the fore and discuss openly and transparently different ways of meeting the opportunities as well as the challenges.

And these leadership counsels should be used to take these messages further down the organizational level so that there is total alignment and ownership within the organization. At times products have to be repurposed, products have to be re positioned, and newer ones have to be discovered at brightness speed to be able to recover the deep losses that happen when the business momentum is unfortunately lost.

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Rights with Responsibilities: Decision Rights

Leadership is often exemplified and enabled by the clarity, intensity and correctness of decision-making. A true leader should possess the ability to seek decision-making space and utilise it appropriately.



The process of facilitating decision rights should not be confined to only the top one or two leaders—it should be cascaded to various other leadership positions as well.



Then we come to decision rights; decision rights are the ones which tell what is your decision making space; and decision making space cannot be provided just by a mere budgeting process where businesses is allocated as per the potential. The real pathway is through decision rights of the leader by saying that the senior leadership member of the team has got certain rights to add or delete product lines.

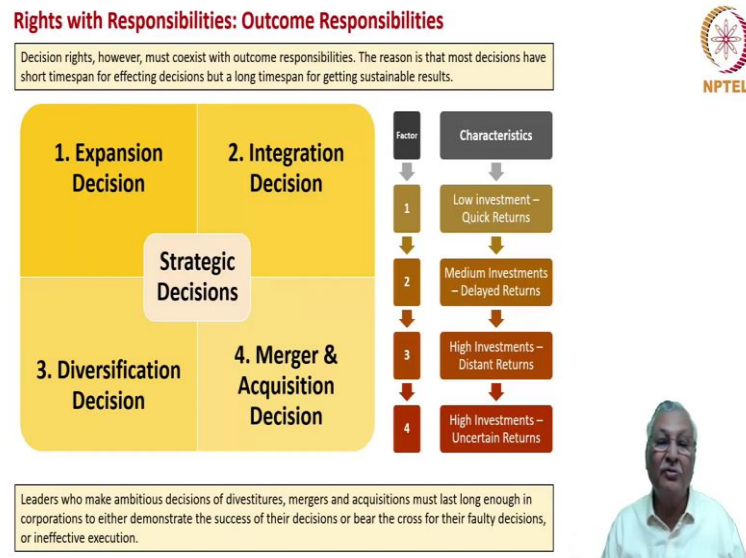
Refurbish or diverse the manufacturing lines, has the freedom to change the manufacturing processes, these are the kinds of decision making rights that leaders must have. When leaders are provided such higher level decision making rights, then the decision rights will be truly stimulated leadership potentially in prospective leaders. A growth leader should be free to take material sourcing, product licensing and inorganic growth decisions for example.

Similarly, a leader in a subsidiary of a multination corporation should be having freedom to bring in the local practices, to bring in the local talent so that frugal engineering benefits of an Indian ecosystem are provided to the multinational parent. If everything is referred to the parent for approvals, there will be enormous time loss in getting the approvals and making the necessary changes in the production and product systems.

So, strategic freedoms are extremely important. When strategic freedoms are coupled with budget allocations they act in synergistic combination and they result in decision rights. Budget allocations without strategic freedom is of no use. Similarly, strategic

freedom without budget allocation would be inadequate. And this process of facilitating decision rights cannot be confined only to the top one or two leaders, it should be cascaded to various other leadership positions as well.

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So, let us look further into these strategic decisions. Typically, a leader will have four types of strategic decisions; one expansion decision, second integration decision, third is a diversification decision and fourth is a merger and acquisition decision. If you take an expansion decision, you are not committing the company generally to a big risk, because you undertake expansion because of the unfulfilled demand for the product. It is a low investment and quick returns decision right and that is easily granted.

On the other hand, you want to take an integration decision that is you want to bring in more of manufacture within in house capability, that is a medium investment decision and the returns could be delayed. Let us look at a diversification decision, that is you want to add an entirely new line of products and you want to create a new manufacturing facility that has high investment requirements and higher returns, but returns will be distant, risks also could be high.

The other one is merger and acquisition decision. On paper every merger and the acquisition decision looks very fruitful and very value accretive, but in practice there is enough research to say that not all merger and acquisition decisions span out the way

they have been originally thought about the cost synergies, do not come about as easily as envisaged nor do value synergies come about as easily.

Therefore, the fourth decision is a high investment and uncertain returns route. It is necessary to have an appropriate deliberation mechanism to handle all of these decision rights. Giving decision rights does not mean that a leader is completely free to do whatever he or she wants to do.

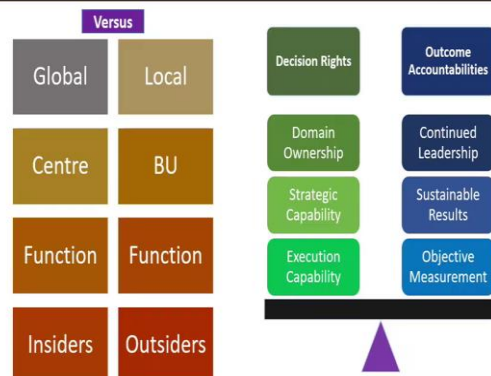
It only means that the drive for making these decisions vests with the leader and the leader is expected to come up with these decisions, put it forward for the boards of the company or for the CEO of the company to approve and then get on with that. But it also says that the boards and the CEO must not micromanage the business leader who is making these strategic decisions.

They should be allowed to demonstrate the need for these decisions, and they should also be allowed to bear the cross for the decisions they have taken, if they are faulty they have to pay the price and if they are ineffective in execution again they have to pay the price and if the decisions are great success outcomes then they should be praised and recognized and rewarded in terms of better leadership positions. This is how strategic decision making and decision right canvas works in good organizations.

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Who Influences Decision Rights?

The stakeholders who influence decision rights in and for a company are many, and powerful. The right leader should know how to optimize the apparently conflicting pressures for appropriate enablement.



The balance between decision rights and outcome responsibilities is one of the less well-defined aspects of leadership and management. Longevity of leaders, structured decision-making and objective performance review are critical to improve this practice.



And who influences decision rights, there is always a controversy. Is it a global leader who is influence the decision right or the local leader, is the corporate center or business unit which function has got greater rights influence the decision right.

Suppose you are trying to have a geographic diversification and therefore, there are more SKUs that will be needed should the operating officers in charge of the plants would be having more decision making or the supply chain heads would be having more decision making rights.

Insiders versus outsiders, these are the questions. And the decision rights essentially provide as I said with the domain ownership, strategic capability and execution capability whereas outcome accountabilities provide the advantages, continued relationship, sustainable results which are based on objective measurement.

So, the balance between the decision rights and the outcome accountabilities is all that matters in leadership's management of its own leadership affairs, and apex leader's responsibility is to give decision rights to the strategic leaders within his team and hold them accountable for the outcomes. Longevity of leaders, structured decision making, and objective performance review are critical to improve this practice.

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Development through Enablement

Successful leadership development is an institutional enablement process that places high responsibility on the leaders as well as aspirants to provide and seek enablement, and deliver results.



Corporations that do not accord due emphasis to enablement would, by default, disable leadership development. Well-led corporations, on the other hand, tend to be respectful about above the six critical factors of positive leadership development.



So, to be able to do this in this holistic way, we should have a business convass which is development oriented, we should have a leadership culture which is development

oriented, and we should also have the 6 process parameters we have discussed as enablers for a successful leadership development process in the company.

It is actually an institutionalized enablement process, it places high responsibility on the leaders as well as the aspirants and it helps people seek enablement and it motivates or nudges the leaders to provide enablement and seek and deliver results together. So, what are these 6 factors?

One; being contextual and contributory to business canvas, we looked at the various kinds of product manufacturing infrastructural matrices and how one could contribute in terms of the core competencies. Having an appropriate leadership tenure which is fairly long, but which also does not perpetuate leadership beyond the useful utility.

We talked about capturing leadership talent at very young age and taking them through a process of structured and challenging leadership development, that is preparing the requisite of aspirants early on. Differentiating performance while integrating based on value system or better still integrating the entire team to a very high level of individual and team performance and enabling leadership through decision rights, while holding the leadership accountable with outcome responsibilities, that is a very important aspect of enablement.

Corporations that do not accord due emphasis to enablement, that is leadership enablement would by default disable leadership development. On the other hand, well led corporations tend to be respectful about the 6 critical features of leadership enablement and they take them as positive influencers of leadership development, and through such leadership development and through such leadership alchemy better corporate performance is enabled and even corporate perpetuity is also enabled.

Thank you we will meet in lecture.