

Leadership During A Crisis Of Change

By Navnit Singh

India's technology and business services players face a leadership crisis.

Their boards invariably find themselves asking, "Do our senior management team have what it takes to help us advance to our next stage of development?". High levels of market complexity mean that there are no straightforward "yes" or "no" answers. Other than the capabilities of their leaders as individuals and as a team, vision, perseverance, egos, culture, loyalty and a host of other variables all play a part.

On the bright side, the global financial crisis has done little to challenge the world dominance of India's technology and business services players. A McKinsey analysis suggests that India will still account for 40 percent of the worldwide market for offshore technology and business services by 2020. While this will represent a drop from around 50 percent at the end of 2008 as a result of "increased competition from other countries, talent and infrastructure constraints, and an unhelpful regulatory environment," the outlook for the next decade is still positive.

Salil Parekh, Chairman and CEO India at Capgemini believes that the one constant that his industry will have to contend with over time is change. "In India, everything is changing all the time. We cannot afford to be complacent or to be wedded to our past successes. The companies that survive will be those who are open to change. Sadly, there is a huge shortage of talented leaders in the market place who can drive change and managers who are process-driven," he said.

Other common industry challenges include managing scale, service quality and mobility of talent, expansion into new geographies and cost competitiveness.

What companies determine to be their response to these challenges and their next stage of development can differ greatly.

Some will be increasing their employees' salary about 10 to 15 percent just to retain them. Other companies may import talent en masse. KPMG recently poached the Head of Tax from arch rival PricewaterhouseCoopers, together with a busload of partners and over 100 other staff.

One thing almost all companies will agree on is the need for innovation.

Pratik Kumar, Executive Vice President for Human Resources at Wipro and President Wipro Infrastructure Engineering, believes one key driver of success over the next decade will be innovative service delivery models. "Business leaders need to innovate and have the agility to adjust and re-adjust to changing and enhanced customer expectations. This requires strong commercial skills and the ability to align processes, systems and organization structures to support our customers' evolving needs," he said.

One thing almost all
companies will agree on is
the need for innovation.

Unfortunately, there exists a huge gap in the availability of such business leaders. It would seem that the war for talent has been fought and lost, as employers keep coming up empty handed.

“Talent acquisition and retention is the number one challenge for our industry,” said Sunil Chandiramani, Partner and National Director for Advisory Services and Business Leader for Government Services at Ernst & Young in India. “There is greater demand specialization across sectors and service diversity. So we need executives who have highly specialized skills, plus the ability to be mobile and manage global teams for large and complex projects. Such executive talent is hard to find, recruit and retain.”

With such grim prospects for recruitment, the key will be in grooming and retaining executives with leadership potential. India’s technology and business services providers can borrow some principles practiced by world-class companies in developing dynamic processes, systems, people and cultures in the face of change.

While the following examples are by no means exhaustive, they are based on observations of high performing companies in general.

Processes

Where change rules the day, meticulous five-year plans are out of date.

Instead, it is more helpful to outline broad strategic visions and determine the key stepping stones to achieve an overarching goal. Broad objectives are defined and key milestones are measured along the way.

Above all, processes are kept dynamic and aligned with the overall corporate vision.

Systems

While systems are useful in supporting business growth and an ever-expanding base of customers, they should be kept uncomplicated.

With such grim prospects for recruitment, the key will be in grooming and retaining executives with leadership potential.

Companies that stay nimble in an environment of change tend to be those that establish systems that empower their people to make decisions at the local operating level. Effective leaders have the courage and vision to delegate responsibility and empower their subordinates as much as possible. At the very least, they empower and listen to recommendations from within their organizations and make decision quickly. Designing job descriptions, and performance appraisal and compensation systems with this mind helps.

Systems should also facilitate change and continually check for barriers to it. India’s technology and business services providers can even consider identifying or appointing Change Leaders whose main responsibility is to monitor their business landscape and ensure that their organizations are keeping ahead of the game.

People

Change at the end of the day, happens through people and not through processes or systems alone. People must be recognized and rewarded for making positive changes happen.

In the Indian technology and business services context, managing change also means ensuring that leaders develop a global mindset and not get caught up with local power struggles. This means that companies must also add the words, “global mindset” as a pre-requisite to their talent management and succession planning criteria.

“All decisions today need to be taken in a global context,” said Parekh.

Senior executives should be encouraged to participate in areas outside of their specializations and “comfort zones” via virtual teams and matrix management structures – better still if these involve working with people outside of their own home countries.

Kumar added, “Building a global pool of leaders is going to be the key determinant for our future success. Building leadership capabilities is essential. We want to adopt a global mindset as a global enterprise and allow this mindset to permeate all our processes, policies and programs. This is only possible with global career streams for our executive talent.”

Industry leaders should also encourage their employees not to get too comfortable with their status quo and to look for new business drivers and take a positive attitude when managing within a changing and complex business environment.

Culture

Companies that manage change effectively ensure that all aspects of the organization are considered in their business strategy. Often, this is achieved by a team approach that involves many stakeholders in the process. “Building a collaborative culture is key to growth, especially as we build a global enterprise,” commented Kumar. “Executives need to be encouraged to focus on a wider agenda rather than a narrow one,” added Chandiramani.

Some companies set up forums and invest in advanced communications technology to enable collaborative group reviews and decision-making. This is especially helpful when teams and departments increase exponentially in size and across geographies in a matter of months. Establishing an agenda that is strictly aligned with the broad long-term plans however is essential.

Such forums are also useful in giving up-and-coming leaders exposure and insights into decision making and planning.

Industry leaders should also encourage their employees not to get too comfortable with their status quo and to look for new business drivers and take a positive attitude when managing within a changing and complex business environment.

Ultimately, there is no set formula for success when operating in an environment that constantly changes, but one thing is certain; failure is not fatal, but the failure to change will be.

Navnit Singh is managing partner of the firm's Global Technology & Services Practice for Asia Pacific. Based in New Delhi, he can be contacted at +91 (12) 4465 5300 or nsingh@heidrick.com.