



## **Corporate Leadership and its impact on Shareholders Value in Indian Business Environment**

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### **Abstract**

*Indian industrial economy depends upon the performance of corporate leaders. India depends upon them to attend to such challenges as they are the ultimate deliverers. India is facing unprecedented challenges of slowdown of economy, intense global competition in domestic market, falling corporate performance, mounting by non-performing assets. India's future growth and sustainability rests squarely in the strength of its business leaders and their corporate leadership (CL) ability. 109 organizations, 23 Sectors and 9 Industries across India have been covered under research of Corporate Leadership Practice and related process maturity to study its impact on turnover, profitability and sustainability.*

### **Introduction**

The background, mental abilities and working capabilities of corporate leaders are quite heterogeneous across Indian organizations of large or moderate size. Leadership influencing these kinds of diversified employees, partners, stakeholders and customers is a real challenge. In addition to this aspect, rapid economic developments in India and other parts of the globe are introducing changes in the corporate environment much faster than expected. From government controlled and family owned companies, corporate India is fast moving towards privatization, globalization and innovation. Emergence of new business environments and customer segments,

inflow of a large number of multinational companies, expansion, modernization and diversification of Indian companies, improvement in infrastructure and communication facilities in this country and acquisition and mergers have together generated an environment of dynamism, competition and corporate professionalism.

Majority of corporate leaders have been able to maintain the economic growth, have been able to contribute much to contain/ mitigate the sustained adverse balance of trade, and have done successful attempt to bring about globalization of Indian industry to the extent necessary. They have also been observed to continue looking inwards and thriving by following the strategy of the past: creating and meeting domestic demands through import of technology and working forward emerging as global players. But, there is a need for shifts in their outlook to make India a global player and reduce country's strategic dependence on international players.

### **Literature Review**

Rarely have Indian Corporate Leaders faced such a complex and challenging set of economic pressures, political uncertainties and societal expectations. Regardless of their industry sector, country of origin, or corporate ownership structure, they are under growing pressure to demonstrate outstanding performance not only in terms of competitiveness and market growth, but also in their corporate governance and their corporate citizenship.

- First, corporate competitiveness: Pressure continues unabated to deliver profits and shareholder value in a period of economic downturn, high levels of competition, and greater international risk and uncertainty. This calls for business leaders and their companies to focus relentlessly on operational efficiency, cost effectiveness, productivity, customer service and innovation. It also points to working with others, including government bodies and academic institutions, to enhance national competitiveness.
- Second, corporate governance: In the wake of corporate governance scandals and public concern over accounting failures, conflicts of interest and inadequate market oversight, there is massive pressure on business leaders to rebuild public trust and to restore investor confidence in their own roles, in their companies, and in the capital markets. This calls for a relentless focus on corporate integrity, accountability and transparency. It also calls for proactive engagement between private sector leaders and public authorities to ensure that new rules and norms are suitable for protecting investors without destroying the spirit of entrepreneurship, innovation and risk-taking that drives markets and economic progress.

- Third, corporate citizenship: In the face of the high levels of international insecurity and poverty, the backlash against globalization and mistrust of big business, there is growing pressure on business leaders and their companies to deliver wider societal value. This calls for effective management of the company's wider impacts on and contributions to society, making appropriate use of stakeholder engagement. Once again it requires new types of public-private partnership to address challenges that are beyond the capacity or responsibility of an individual company or the private sector. These include issues such as access to training and education, healthcare, water, energy, credit and markets, as well as tackling problems such as corruption, money laundering, crime and terrorism.

These three pressures of corporate competitiveness, corporate governance and corporate citizenship, and the linkages between them, will play a crucial role in shaping the agenda for business leaders in the coming decade.

Some of CL ideas are based on empirical research, but some are simply making sense of what people perceive to be the changing nature of the leadership task:

- Work by Mintzberg (1973) showed that leadership work as actually carried out is not an orderly and pre-planned process, and that leaders actually spend their time in a fragmented and responsive way.
- Bass (1985) talked of transformational leadership, as characterized by vision, optimism, integrity, intellectual challenge and consideration for individuals.
- Argyris has examined the notion of empowerment in relation to leadership (1998) and the tension between extracting compliance from the workforce as opposed to raising their internal commitment, especially during change.
- Strebel (1999) has also highlighted the link between leadership and change and the delicate balance to be struck between top-down and bottom-up approaches to achieving change.
- Hiltrop (1998) points to the self-reliance and resilience needed by leaders, linked with the recently fashionable idea of 'emotional intelligence' (Goleman, 1996).
- 'Learning to learn' is seen as an increasingly important meta-skill for managers (Winterton, Parker et al., 2000). Antonacopoulou and Bento (2003) take the idea of learning much further in placing the idea of learning at the heart of leadership: 'Leadership is not taught and leadership is not learned. Leadership is learning', a thought previously also applied to management by Burgoyne (1994).



- Many other studies have looked at specific skills needed by senior managers. They include the ability to see the 'big picture' and deal with relationships (Clutterbuck and Megginson, 1999), and the ability to work across boundaries (Colvin, 1998). The more complex the situation, for example in mergers or business alliances (Garrow et al., 2000), the more a capacity to deal with personal relationships is necessary to enable progress towards achieving the strategic business vision.
- Mabey and Thomson (2000) highlighted some management skills in high demand: managing people, leadership, team working and customer focus. Within leadership they picked out motivation and teamwork followed by strategic vision and delivering results.

CL process frameworks under the scope of research are as follows:

1. Top Management communicates organization's vision/ mission, objectives, direction and customer focused values to employees / stakeholders for ensuring the organization's success and acts as role model. (Mission Stewardship, CL.01)
2. Top Management translates organization's values & objectives into desired employee behavior that focus on customer and closes the gap between current | desired customer focused culture. (Values and Ethical Standard Management, CL.02)
3. Top Management contributes to the dialogue, vision and direction of the pertinent global, national or local communities; for the organization's focus areas; and to philanthropy. (Programmatic Management, CL.03)
4. Top Management works with the board and staff to manage financial administration strategies, investment in developing assets and ensure that such strategies are implemented effectively. (Financial Management, CL.04)
5. Top Management demonstrates, reinforces, evaluates and improves their commitment to customer/ employees/ innovation focused leadership on day to day basis. (Accountability and Evaluation Management, CL.05)

### **Research Methodology**

- a) Hypothesis - "The capability of CL Practices has correlation with Turnover in Crores, Profitability in % of Revenue and sustainability in years in Small, Medium and Large Enterprises."  $y = f(x)$  where  $y$ , dependent variable, represents sustainability in years, Turnover in INR and Profitability in % of Revenue;  $x$ , independent variable, represents capability of CL Practices in terms of score

- b) Participants – Target participants are Senior Management Professionals within the organization or Vice Presidents or General/ Group Managers or Heads or Senior Managers or Managers or equivalent based on the organization structure.
- c) Sample Size - The research covered 9 major industries, 23 sectors and 109 companies - Technology, Basic Materials, Industrials, Consumer Goods, Healthcare, Consumer Services, Telecommunication, Utilities, Financial and Oil & Gas.
- d) Method of Data Collection - The research data is collected using questionnaire method. Questionnaire is developed for capturing impact of CL practice and managerial processes on Turnover, Profitability and Sustainability.
- e) Techniques of Data Analysis
  - i. CL practice analyses the impact in the form average and mode of rating for specified intervals. The average ( $\bar{x}$ ) of rating is computed for each frequency intervals (1-10 Cr, 11-100 Cr, ... ; 1-10 years, 11-20 years, ... so on) as decided in the research methodology. It is computed as continuous data. The mode of rating is computed in discrete format, which represents the maximum occurred rating for impact on specific variable. Mode findings are used to interpret CL practice capability maturity of individual interval of turnover, profitability and sustainability. The weightage average ( $\bar{x}(w)$ ) is computed to analyses the sample mean of entire population. Weightage average findings are used to interpret CL practice capability maturity across interval of turnover, profitability and sustainability. The standard deviation ( $\sigma_x$ ) is computed for average and mode intervals to understand the dispersion of data and confidence of prediction. Lower value of standard deviation of average and mode will be considered as more accurate finding.
  - ii. The absolute count of impact rating (1, 2, 3, 4, 5) is measured. The maximum count rating point is considered as significant impact on specific variable (TO, PR, SUS). The count analysis reflects Skewness and Kurtosis of rating data. Skewness is demonstrated by higher percentage value of specific ratings and Kurtosis is analyzed by observing the spread of percentage value across rating value. The absolute count analysis finding is corroborated by mean and mode value. The accuracy is asserted by standard deviation. Lower standard deviation is considered as high confidence prediction.

## **Result**

CL Practices and Processes Maturity impacting Turnover (TO), Profitability (PR) and Sustainability (SUS) are analyzed. The scope of assessing CL process maturity is confined to Mission Stewardship (CL.01), Values and Ethical Standard Management (CL.02), Programmatic Management (CL.03), Financial Management (CL.04), Accountability and Evaluation Management (CL.05).

**a) Impact of CL Practice Capability on Turnover**

Turnover (Cr)	Cos #	Average (x̄)	Mode
1 – 10	4	4.8	5.0
11 – 100	25	4.0	4.0
101 – 1000	32	4.2	4.0
1001 – 10000	31	4.2	5.0
10001 +	17	4.3	4.0
x̄ (w)		<b>4.3</b>	<b>4.4</b>
σ <sub>x</sub>		<b>0.3</b>	<b>0.5</b>

Rating	Impact	ΣCount	% Score
5	Excellent	45	41
4	Very Good	43	39
3	Good	18	17
2	Fair	3	3
1	Limited	0	0

Table 1 TO-CL Capability Impact (Average, Mode) Analysis

Table 2 TO-CL Capability Rating Count & % Score

Statistics in Table 1 & 2 conclude the following information:

- CL capability has distinctly excellent impact (Average = 4.8, Mode = 5) on turnover on tiny organizations with lesser turnover (1-10 Cr) and CL capability has very good impact (Average = 4.8, Mode = 5) on turnover on small & medium enterprises with turnover (11-100 Cr).
- Statistical analysis [Average:  $\bar{x} (w) = 4.3$ ,  $\sigma_x = 0.3$  & Mode:  $\bar{x} (w) = 4.4$ ,  $\sigma_x = 0.5$ ] in Table 9 TO-CL Capability Impact (Average, Mode) Analysis demonstrate that CL capability has excellent impact on turnover as Upper Control Limit for Average and Mode is 4.6 and 4.9 respectively.
- More than 80 percent of the organizations quote that CL capability has significant impact [r (5, 109): count =44, population = 41%] and very good impact [r (4, 109): count =43, population = 39%] on Turnover. The population is highly skewed toward very good and excellent impact of CL.
- Only 18 percent organization rate that CL has good impact [r (3, 109): count =18, population = 17%] on Turnover.



- Out of 109 organizations, only 3 percent of the organizations rate fair impact [r (2, 109): count =3, population = 3%] and none of the organizations rate limited impact by CL on Turnover.
- Indian Organizations reflect that CL capability has excellent impact [r (5, 109): count =44, population = 41%] on Turnover.

**b) Impact of CL Practice Capability on Profit**

Profit (%)	Cos #	Average (x̄)	Mode
0-(-10)	6	4.2	5.0
0-10	25	3.8	3.0
11-20	44	3.9	4.0
21-30	21	3.8	4.0
31-40+	13	4.1	4.0
<b>x̄ (w)</b>		<b>3.9</b>	<b>3.8</b>
<b>σ<sub>x</sub></b>		<b>0.2</b>	<b>0.6</b>

Rating	Impact	ΣCount	% Score
5	Excellent	31	28
4	Very Good	40	37
3	Good	33	30
2	Fair	5	5
1	Limited	0	0

Table 3 PR-CL Capability Impact (Average, Mode) Analysis

Table 4 PR-CL Capability Rating Count & % Score

Statistics in Table 3 & 4 conclude the following information:

- CL practice capability has distinctly very good impact [Average:  $\bar{x} (w) = 3.9$ ,  $\sigma_x = 0.2$  & Mode:  $\bar{x} (w) = 3.8$ ,  $\sigma_x = 0.6$ ] on profitability (-10-40+ %) in Indian business environment.
- Negative profitability contributors are Insurance, Telecom, E-learning organizations which are high investment and early entrant which are high potential profit making organizations. These companies have trust that their leadership capability shall have excellent impact on their profitability.
- The organizations with profitability between 0-10 % have good CL practice capability (Average ( $\bar{x}$ ) = 3.8 & Mode = 3), but the organizations with profitability between 11-40 + % has very good managerial practice capability (Average ( $\bar{x}$ ) = 3.8 + & Mode = 4).
- Only 5% of organizations have fair impact on CL practices and none of the organizations have limited impact on profitability.
- 65% organizations reflect that CL practice capability rating influencing profitability have spread across very good [r (4, 109): count =40, population = 37%] to and excellent [r (5,

109): count =31, population = 28%]. 30% Organizations say it has only good [r (3, 109): count =33, population = 30%] on profitability.

- Organizations reflect that CL practice capability has very good [r (4, 109): count =40, population = 37%] impact on profitability.

**c) Impact of CL Practice Capability on Sustainability**

SUS (Yrs.)	Cos #	Average (x̄)	Mode
0-10	29	3.9	4.0
11-20	29	3.8	5.0
21-30	19	4.0	4.0
31-40	12	3.9	3.0
41-50+	20	4.2	5.0
x̄ (w)		3.9	4.3
σ <sub>x</sub>		0.1	0.8

Rating	Impact	ΣCount	% Score
5	Excellent	35	32
4	Very Good	39	36
3	Good	29	26
2	Fair	5	5
1	Limited	1	1

Table 5 SUS-CL Capability Impact (Average, Mode) Analysis

Table 6 SUS-CL Capability Rating Count & % Score

Statistics in 5 & 6 conclude the following information:

- Average [x̄ (w) =3.9, σ<sub>x</sub> =0.1] has better predictability as compared to Mode [x̄ (w) =4.3, σ<sub>x</sub> =0.8] as Average has much lower standard deviation.
- CL practice has distinctly very good impact [Average: x̄ (w) =3.9, σ<sub>x</sub> =0.1 & Mode: x̄ (w) =4.3, σ<sub>x</sub> =0.8] on sustainability (operational for 0- 50+ years) in Indian business environment.
- Only 5% of organizations have fair impact on CL practices and 1% of the organizations have limited impact.
- 64% Organizations reflect that CL practice influencing sustainability has wide variance in impact across very good [r (4, 109): count =39, population = 36%], excellent [r (5, 109): count =35, population = 32%]. CL practice capability has good impact [r (3, 109): count =29, population = 26%] on sustainability for 26% of the organization.
- Organizations reflect that leadership has very good [r (4, 109): count =39, population = 36%] on sustainability.

**d) Impact of CL’s Processes Maturity on Turnover, Profitability and Sustainability**

Statistics	Cos #	Average (x̄)					Mode				
		CL.01	CL.02	CL.03	CL.04	CL.05	CL.01	CL.02	CL.03	CL.04	CL.05



$\bar{x} (w)$	<b>4.0</b>	<b>3.7</b>	<b>3.6</b>	<b>3.6</b>	<b>3.6</b>	<b>4.3</b>	<b>4.3</b>	<b>3.8</b>	<b>3.6</b>	<b>3.5</b>
$\sigma_x$	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5</b>	<b>0.5</b>

Table 7 TO-CL Leading Managerial Process Maturity (Average, Mode) Analysis

- Mission Stewardship (CL.01) – Organizations up to 1000 Cr indicate that Mission Stewardship has excellent process maturity and 65-81 % of population supports the statement. Organizations beyond 1001 Cr indicate that Mission Stewardship has very good process. Statistical analysis [Average:  $\bar{x} (w) = 4.0$ ,  $\sigma_x = 0.4$  & Mode:  $\bar{x} (w) = 4.3$ ,  $\sigma_x = 0.5$ ] demonstrate that Indian organizations, having turnover (1-10001+ Cr), have Mission Stewardship process with very good maturity.
- Values and Ethical Standard Management (CL.02) - Average [ $\bar{x} (w) = 3.7$ ] statistics indicate that Values and Ethical Standard Management has very good maturity with high predictability ( $\sigma_x = 0.1$ ) & Mode statistics [ $\bar{x} (w) = 4.3$ ] demonstrate that Values and Ethical Standard Management has very good maturity with low predictability ( $\sigma_x = 0.7$ ). Statistical analysis [Average:  $\bar{x} (w) = 3.7$ ,  $\sigma_x = 0.1$  & Mode:  $\bar{x} (w) = 4.3$ ,  $\sigma_x = 0.7$ ] demonstrate that Indian organizations, having turnover (1-10001+ Cr), have Values and Ethical Standard Management process with very good maturity. This is supported by 25-68 % of population.
- Programmatic Management (CL.03) - Average [ $\bar{x} (w) = 3.6$ ] statistics indicate that Programmatic Management has very good maturity with high predictability ( $\sigma_x = 0.3$ ) & Mode statistics [ $\bar{x} (w) = 4.8$ ] demonstrate that Programmatic Management has very good maturity with low predictability ( $\sigma_x = 0.8$ ). Statistical analysis [Average:  $\bar{x} (w) = 3.6$ ,  $\sigma_x = 0.3$  & Mode:  $\bar{x} (w) = 3.8$ ,  $\sigma_x = 0.8$ ] demonstrate that Indian organizations, having turnover (1-10001+ Cr), have Programmatic Management process with very good maturity. This is supported by 39-75 % of population.
- Financial Management (CL.04) - Organizations up to 10001+ Cr indicate that Financial Management has good maturity and more than 50% of population supports the statement. Statistical analysis [Average:  $\bar{x} (w) = 3.6$ ,  $\sigma_x = 0.2$  & Mode:  $\bar{x} (w) = 3.6$ ,  $\sigma_x = 0.5$ ] demonstrate that Indian organizations, having turnover (1-10001+ Cr), have Financial Management process with very good maturity. This is supported by 45-66 % of population & above except organizations with turnover between 1001-10000 Cr.
- Accountability and Evaluation Management (CL.05) - Average [ $\bar{x} (w) = 3.6$ ] statistics indicate that Accountability and Evaluation Management has good maturity with high predictability ( $\sigma_x = 0.2$ ) & Mode statistics [ $\bar{x} (w) = 3.5$ ] demonstrate that Accountability and

Evaluation Management has good maturity with low predictability ( $\sigma_x = 0.5$ ). Statistical analysis [Average:  $\bar{x}(w) = 3.5$ ,  $\sigma_x = 0.5$  & Mode:  $\bar{x}(w) = 3.8$ ,  $\sigma_x = 0.8$ ] demonstrate that Indian organizations, having turnover (1-10001+ Cr), have Accountability and Evaluation Management process with very good maturity. This is supported by 41-69 % of population.

## **Discussion**

### **a) Impact of CL Practice on Turnover, Profitability and Sustainability**

- i. CL Practice impacts Excellent on Turnover - 80 percent of the organizations quote that CL practice capability has significant impact [r (5, 109): count =44, population = 41%] and very good impact [r (4, 109): count =43, population = 39%] on Turnover. Only 18 percent organization rate that CL has good impact [r (3, 109): count =18, population = 17%] on Turnover. Statistical analysis [Average:  $\bar{x}(w) = 4.3$ ,  $\sigma_x = 0.3$  & Mode:  $\bar{x}(w) = 4.4$ ,  $\sigma_x = 0.5$ ] demonstrate that CL capability has excellent impact on turnover as Upper Limit for Average and Mode value is 4.6 and 4.9 respectively.
- ii. *CL Practice impacts Very Good on Profit - 65% organizations reflect that CL practice capability rating influencing profitability have spread across very good [r (4, 109): count =40, population = 37%] to and excellent [r (5, 109): count =31, population = 28%]. 30% Organizations say it has only good [r (3, 109): count =33, population = 30%] impact on profitability. Only 5% of organizations have fair impact on CL practices and none of the organizations have limited impact on profitability. CL practice capability has distinctly very good impact [Average:  $\bar{x}(w) = 3.9$ ,  $\sigma_x = 0.2$  & Mode:  $\bar{x}(w) = 3.8$ ,  $\sigma_x = 0.6$ ] on profitability (-10-40+ %).*
- iii. *CL Practice impacts Very Good on Sustainability - 68% Organizations reflect that CL practice influencing sustainability has impact varies from very good [r (4, 109): count =39, population = 36%] to excellent [r (5, 109): count =35, population = 32%] on sustainability. 26% Organizations have good impact [r (3, 109): count =29, population = 26%] on sustainability. Only 5% of organizations have fair impact on CL practices and 1% of the organizations have limited impact. CL practice has distinctly very good impact [Average:  $\bar{x}(w) = 3.9$ ,  $\sigma_x = 0.1$  & Mode:  $\bar{x}(w) = 4.3$ ,  $\sigma_x = 0.8$ ] on sustainability (operational for 0- 50+ years).*

**b) CL Process Maturity across Turnover, Profitability and Sustainability**

- i. In Organizations with 1-10 Cr Turnover, CL is driven by Mission Stewardship and Programmatic Management. These CL process maturities have very good impact on Turnover. Organizations having Turnover between 101-1000 Cr report that their CL practice is influenced by very good maturity of Mission Stewardship, Programmatic Management, Financial Management & Accountability and Evaluation Management.
- ii. The organization with negative profitability [0-(-10) %] has only one very good CL process maturity, Mission Stewardship. In Organization with 0-10% profitability, maturity of Mission Stewardship & Financial Management has very good impact on CL practice capability. The organizations within 21-30 % profitability interval have Mission Stewardship *with excellent process maturity*; Values and Ethical Standard Management, Programmatic Management, Financial Management and Accountability and Evaluation Management with very good process maturity influencing CL practice capability.
- iii. The organization with 0-10 year's sustainability is influenced by Mission Stewardship with excellent maturity; Programmatic Management and Accountability and Evaluation Management with very good maturity. The organizations within 31-40 year's sustainability have Mission Stewardship, Values and Ethical Standard Management, Programmatic Management, Financial Management *with excellent process maturity*; Accountability and Evaluation Management with very good process maturity influencing CL practice capability.

**Conclusion**

Corporate leaders in India successfully develop strategies, make and execute plans and decisions, organize the work of others, and guide effort toward predicted results. To succeed in business, Indian business leaders adapt quickly to changing business conditions, manage the costs of operation, learn new ways to make the business competitive, develop and implement effective business plans, analyze and use hard data to promote business results; manage customer acquisition, retention, and lifetime value; add clarity to their organization's vision and values. Beyond the hard skills of analyzing data and managing costs, leaders respond quickly to threats and opportunities—a skill that requires close attention to key trends and events. Leaders are able to shape the customer's experience, also cultivate customer's lifetime value.



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