Our Bureau

Ram Charan

To take on domestic, global competition, says Ram Charan

Chennai, Jan. 16:

Following in the footsteps of Western corporations, many Indian firms are beginning to draw up leadership succession plans to take on domestic and international competition, according to Ram Charan, a business advisor for many global multi-nationals.

The role of a company's helmsman – and how capable one is to lead a company – has come under increased scrutiny.

In the Indian context, companies are making top-level changes at a time domestic firms brace for a competition onslaught from foreign firms set to enter Indian shores.

Ram Charan, who has been a corporate consultant for over three decades, strategising with top chief executive officers such as Jack Welch, former Chairman of General Electric, says the “sense he gets in India” is that promoters, now, “do make a change at the CEO level. In America, they are actively engaged in selecting CEOs. So is the case in the UK, and Australia.” Adding to promoter-induced churn at the top is the emergence of technology from time to time that often disrupts the leadership rhythm of the incumbents. “In some periods, there emerge technological catalysts that change the game. The people who drive the change are the new generation. And the existing generation does not see it coming, even if they are told,” he said to reporters at an event organised by the Great Lakes Institute of Management. He added that two things are aiding businesses spearheaded by the new generation: Easier scalability brought by the Internet, and global availability of capital.

This new crop of companies continuously threatens the CEOs of large companies. In the US, the average tenure of a CEO is now 4.6 years, says Charan, but a good portion of the distribution lies under three years while another substantial portion is constituted by CEOs who have held fort for more than six years. Nevertheless, for the today's CEO, “there are more bends on the road compared to what were ten years ago.”

Another reason why the leader's seat shakes off its occupant more often now is execution of plans, a task that is “boring, involves details, and often tedious.” The task of execution rests on the leader, while conceptualising new ideas may even come from a consultant. Execution requires “the discipline of an athlete,” a track where domestic firms may lose market share to incoming multi-nationals. Indian companies are also peculiar in the way that ascertaining customer needs is a hard task. “The customer in the East is not the same as in the South. There is more homogenisation in the US, which is not the case here.”

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Indian firms begin to draw leadership succession plans

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