

Leadership For Tomorrow

Indian Automotive Sector



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Foreword

The Indian automotive sector accounts for almost 7% of the country's GDP and employs, directly and indirectly, about 19 million people. However, the sector has yet to realise its full potential and there is ample room to grow further as it enters a period of unprecedented opportunity.

Growth in the sector also provides opportunities for India's economy as a whole. Through the 'Make in India' initiative, the Indian government aims to create jobs for the 13 million young people entering the employment market every year. The automotive sector is expected to be at the forefront of this drive, as an increase in labour-intensive manufacturing will ensure inclusive growth.

Still, it must be acknowledged that the sector has been experiencing a sluggish phase over the last few years. The slow pace of growth in the market is persisting and it is not clear when sustainable growth will return. The industry is looking to the government to drive infrastructure development, improve the ease of doing business and implement essential policy reforms relating to the goods and services tax (GST), land acquisition and labour laws. But business leaders are well aware that such changes won't happen overnight in the world's biggest democracy.

In contrast to the pace of reform in India, global industry dynamics are constantly changing and at an ever-increasing rate. Technological advances are making a huge impact on the sector from connected cars and autonomous vehicles becoming a reality to many more disruptive innovations on the horizon.

The current crop of automotive industry leaders is facing a tough set of challenges and these challenges will only intensify as we step into an uncertain future. Given the complexities of the regulatory landscape, the challenges of dealing with a volatile market and the need to keep pace with constantly evolving global market and technological forces, the Indian automotive sector faces some probing questions. Perhaps the most critical is -

"What kind of leader is needed tomorrow to help companies navigate this complex maze and emerge as winners?"

Through this white paper, Odgers Berndtson aims to identify the diverse range of stakeholders that tomorrow's automotive leaders will have to engage with. This paper examines, from an industry perspective, the challenges that will shape the evolution of the industry's leaders in the coming years.

The content herein has been influenced by a recent automotive business leaders' survey and a round-table discussion on the topic hosted by Odgers Berndtson. The round table brought together senior industry leaders for a discussion and debate on the changing face of leadership in the sector. This paper shares their insights and explores the essential attributes that the leaders of tomorrow must possess to help organisations achieve success.

"What kind of leader is needed tomorrow to help companies navigate this complex maze and emerge as winners?"



Stakeholders – Engaging The Influencers

Stakeholders play a critical role in shaping the success of a business and it is important for leaders to consider the key parties impacted, both directly and indirectly, by their activities. An even bigger challenge arises when a company’s diverse stakeholders represent conflicting priorities. Managing the expectations of different stakeholder groups will test the mettle of even the most seasoned leader.

So who are the key stakeholders the leaders of tomorrow need to consider? The industry experts we polled identified five of the most important groups.

Customers

Customers will undoubtedly continue to be the industry’s most influential stakeholders.

“Customers are the drivers of the economy. The ability to address their changing preferences is critical,” observed Abdul Majeed, Partner, Price Waterhouse & Co.

Lakshmi Narayan, Managing Director, Harman International, added, *“The*

ever-changing profile of the customer is important to bear in mind. The industry needs to constantly stay connected to the customer’s changing needs, aspirations and demands and create business solutions that address them.”

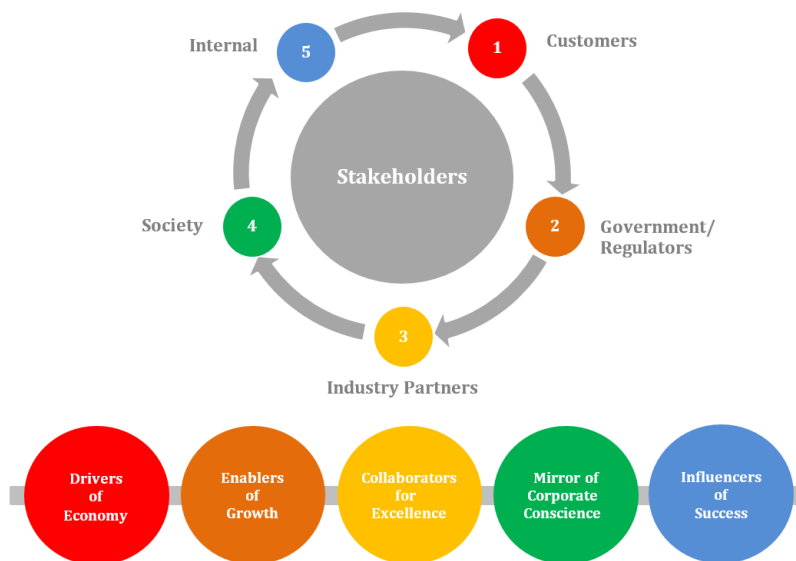
Government/Regulators

Governmental and regulatory forces play a major role in creating the right business environment to enable organisations to succeed. Favourable policies, initiatives and investments can contribute significantly to the growth of an economic sector.

Commenting on the Government’s ‘Make In India’ campaign, Lakshmi Narayan said, *“The fundamental*

concept of this initiative is very apt. The ability to serve customers faster and better comes with having everything under control. There will be short-term challenges but ultimately the evolution will take place and everyone will have to contribute to that.”

On the other hand, delays in the implementation of much needed policy reforms, like the GST bill, and the premature tightening of environmental regulations, like the temporary ban on diesel vehicles ordered by the Supreme Court in Delhi, represent potential threats to the industry and could derail the growth of the sector. Frustratingly, individual business leaders have little control over such developments.





Gajendra Chandel, Chief HR Officer, Tata Motors, commented, “Recently, our Government proposed taking a big jump in emissions standards for automobiles. At the same time the Government is seized of the challenges it will pose in implementation including availability of appropriate fuel in India which needs huge investment in refining capabilities and that too in a short span of time. Even going from BS-IV to BS-V will be a challenge as it involves significant investment. Taking the leap to BS-VI will require even bigger investments in the refinery and automotive technology sectors.”

Industry Partners

Success in the automotive sector will require the leaders of tomorrow to look beyond their own balance sheets and work towards achieving greater synergy with their industry partners.

Nitin Prasad, Managing Director, Indian Subcontinent, Shell Lubricants, observed, “How you work within your value chain is going to be extremely critical. We saw this as ultra-low-sulphur diesel standards went from Euro-IV to Euro-V to Euro-VI. It is not physically possible for a company to evolve its capabilities and develop next-generation technology without bringing all the partners in the value chain together. Everyone has to collaborate to evolve to the next level, whatever be the timeline.”

Society

Automotive industry leaders can no longer afford to ignore the fact that society at large is a key stakeholder in their business activities. Successful companies acknowledge this and take their social responsibilities seriously, for the good of society and the long-term sustainability of their business.

“In the past, the definition of leadership was based on parameters such as

profitability and shareholder returns. Words such as sustainability, safety, environment and CO2 impact were not even mentioned. Today, you cannot survive as a company without having your core values and principles addressing these aspects, much less as a leader. There is a much higher expectation on companies now to be socially responsible and not just take from society,” observed Nitin Prasad.

“We need to reflect how leaders can impact the improvement of the broader ecosystem – roads, infrastructure, traffic management, etc. They need to create better cars for a better ecosystem and contribute to growth of the country,” added Neeraj Gupta, Founder & Managing Director, Meru Cabs.

Internal Stakeholders

In addition to managing the needs and expectations of myriad external stakeholders, a good leader needs to be receptive to a diverse array of voices from within the organisation.

“We need leaders who have the right mind-set to be able to listen to and acknowledge internal changes in an organization,” commented Sagar Hemade, Managing Director, Tenneco India Automotive. He added, “As a leader, you need to have command and control to steer the ship. But you also need a more empathetic approach in order to bring about change.”

Referring to the need to manage the expectations of internal stakeholders, Guillaume Sicard, President, Nissan India, remarked, “India is a very different market compared to the norms of global business. It is therefore critical to communicate well with the business’s global headquarters and to convince your management to accept the differences that exist. Although the pace of technological innovation is fast, it takes time to establish a brand so it’s important to invest for the longer term.”

“Regulators are worried about safety & emissions and the bar has been raised even though only 18-20% of emissions are generated globally by the automotive sector.”

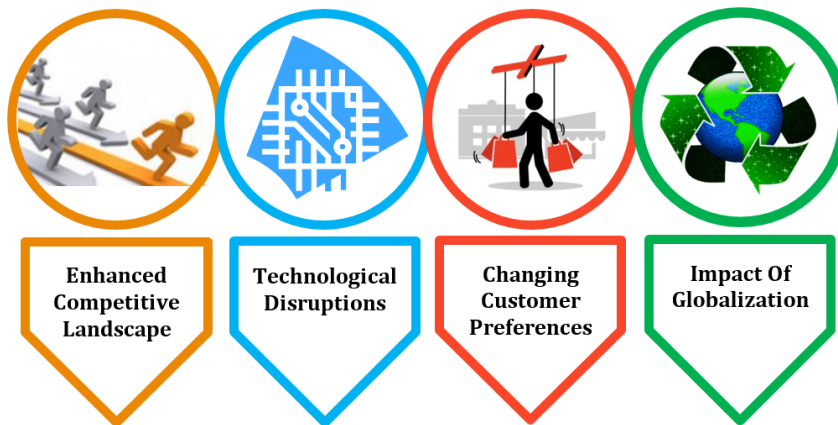
Abdul Majeed
Partner, Price Waterhouse & Co.

Alok Vatsa, Head HR, Automotive Experience, Johnson Controls India, noted, “The average tenure that people spend in one organisation is getting shorter. It will be increasingly challenging for an organisation’s leadership to manage, retain and utilise employees effectively in a volatile and dynamic environment.”



Challenges – Impacting The Evolution

Given India's favourable market dynamics, the potential for growth in the automotive sector has always been great. The question is how soon can the industry achieve the status of a 'global automotive powerhouse'?



"The growth of the domestic market depends on the level of disposable income and the availability of basic infrastructure. Until we have all the basics in place, initiatives such as 'Make In India' will not be sustainable. But if things do fall into place, the automotive sector will have ample opportunity to grow. The numbers alone prove that! With a penetration rate of less than 20 cars per 1,000 people, there is a huge gap to fill," commented Neeraj Gupta.

Guillaume Sicard shared this optimism, saying, *"India is changing rapidly in terms of mind-set and demographics; tomorrow will definitely be better than today."*

While everyone acknowledges the long-term potential of the sector, it is important to recognise the many challenges that tomorrow's industry leaders will encounter. Here is a look at what the automotive industry experts consider to be some of the biggest challenges looming on the horizon.

Enhanced Competitive Landscape

Spurred by innovation, technology disruption and globalisation, the automotive industry's competitive landscape is more varied and wide-ranging than ever.

"Around 10 to 15 years back, the number of players in the Indian commercial vehicles segment was limited. There were only 3 to 4 companies; with the top player dominating the market. Today there are 12 to 13 players and each one brings specific strengths in different product categories. So understanding the competitive contours of the industry is critical," said Gajendra Chandel.

Adding to this complexity, challengers are emerging from unexpected corners of the market. Gajendra Chandel added, *"Google, Apple and other non-traditional automotive players coming in with the concept of driverless cars may influence significant shifts in the marketplace."*

Technological Disruptions

One of the biggest – but most exciting – challenges for the industry and its leaders is undoubtedly going to be keeping up with the pace of technological change. The emergence of disruptive technologies brings with it both risks and immense opportunities for the sector.

"There has been so much technological change in the last seven to eight years in the Indian automotive space that hasn't been there for over 25 years. Tomorrow's change is going to be much faster, at a speed that none of us have witnessed before," commented Mohit Khosla, Managing Director, Hendrickson International.

"My view is that technology moves from space to aerospace and then to automotive," said Gajendra Chandel. He elaborated, *"It is learnt that recently the US government bought helicopters from a leading IT systems company and not from a rotorcraft manufacturer. This*



is because the value of the IT systems in the helicopter is significantly higher than the traditional helicopters. The lifespan of the helicopter, just like an automobile, may be 15 or 20 years, but the IT systems have to be upgraded at frequent intervals. We may see the same phenomenon in the automotive sector soon.”

Lakshmi Narayan added, “With technology constantly changing, manufacturing complexities also increase. The leaders of tomorrow will have to address that, both in terms of having the manufacturing capability to manage the change and attracting talent to take up jobs in the manufacturing world which may not be seen as attractive.”

Changing Customer Preferences

Customer needs and preferences will undoubtedly shift as the urban landscape adapts to economic and demographic trends. The challenge for tomorrow’s leaders is to be firmly grounded in the present while building a vision of the future.

“We conduct studies to determine how the world will look in 2040 or 2050 and those predict that 65% of India’s population will be living in urban centres. So we are talking about a massive change in the fundamental structure of our country in the coming 30 to 40 years,” explains Nitin Prasad.

Santanoo Medhi, Managing Director, Premium Transmissions India, adds, “The transformation we are going through is connecting us to the original purpose of transportation. Today, automotive is a whole new world and things are changing. And they are changing because of companies like Uber, Meru and BlaBlaCar. Customers today are less interested in buying cars. Why would they spend money on an asset that will depreciate with time?”

Elaborating on that point, Neeraj Gupta said, “Youngsters in the metro areas are getting frustrated with the traffic scenario and are opting for public transport, cabs and trains. With current generation’s awareness of global warming and environmental impact as well as their preference for comfort and convenience over social status, cars are being seen merely as a mode of transport.”

Impact Of Globalisation

Today, even small players in the domestic Indian automotive sector are affected by changes in the global marketplace. For multi-national corporations, players with international supply chains and companies seeking to reach customers in overseas markets, the impact of such changes is magnified even further.

“Movements in global financial markets have a big impact on us,” reflected Gajendra Chandel. “Recently, when China tinkered with the valuation of the Yuan, automotive sales were impacted in a big way. And they just tinkered – if

“Globally we are seeing a shift in urban mobility with increased use of metros, cycles, trains, and BRTs. This is the only way to ensure sustainability.”

Neeraj Gupta
Founder, Meru Cabs

they had made significant changes it could have crashed the industry.”

Commenting on the increasing phenomenon of globalisation, Guillaume Sicard noted, “Adaptability and the ability to shift quickly across different countries, cultures and environments will be critical.”

Gajendra Chandel added, “If you are a global player then you need to understand the technological and competitive landscapes in different markets, how these dynamics interplay with each other and how that should influence the kind of products and services you roll out.”





Leadership For Tomorrow - Exploring The Definition

Fundamentals Remain Unchanged

In terms of finding and cultivating good leaders, we are not starting from a completely clean slate. The same basic attributes that have been valued in the past will continue to be important despite massive changes to the socio-economic, competitive and technological landscapes within which future leaders will operate.

“Traditional leadership traits are not going to change. It is just that we are going to work in a different ecosystem. Traditionally we wanted leaders to be connected and to have empathy. Technology will help tomorrow’s leaders do that through tools that were not available previously,” remarked Madhur Aneja, President - Region India, Trelleborg Vibracoustic.

Ravi Damodaran, Group President Technology & Strategy, Varroc Engineering, agreed, adding, *“The fundamental leadership attributes expected in future leaders won’t be any*

different from today. But the way we build our strategies and the way we interact with our customers is changing. The good thing is that we have access to data and analytics, which help in creating the strategies.”

Mohit Khosla added, *“The basic formula for leadership in the industry remains the same. Someone with a high level of understanding who can take decisions, execute on strategy and make it work. This will not change.”*

Echoing these views, Senthil Kumaran, Country General Manager, Faurecia Emission Control Technologies India, said, *“The foundational elements of leadership will remain the same. But leaders are now expected to increase the tools they use and become really savvy about the sequence in which to use those tools.”*

So, What Will Be Different?

While there is a general consensus that the fundamental leadership qualities we value today will remain intact,

the industry experts also believe that certain key behaviours and character traits are gaining prominence. In particular, the following 10 leadership traits are predicted to graduate from being ‘good to have’ to being ‘must haves’ for the leaders of tomorrow.

Speed and Agility

Given the speed of change in the industry and the environment within which it operates, the ability to respond quickly to such changes is going to be an essential leadership quality going forward.

“Yesterday’s leader had five years to react to changes in business. Today, that time horizon has shortened to two years,” explained Lakshmi Narayan.

Nitin Prasad added, *“The pace of change in India today is by far the fastest we have ever seen. So nimbleness and agility are key behaviours that need to evolve in tomorrow’s leaders.”*

“Where change is required is the speed at which industry leaders listen, simplify problems and execute solutions,” commented Sagar Hemade.

Risk Taking Ability

It is one thing to be a visionary about the changes coming down the pike in a dynamic industry and quite another to be able to confidently execute on projects and investments in line with that vision.

According to Eric Vas, President Motorcycles, Bajaj Auto, *“A critical leadership attribute is the ability to take big risks. People talk about this but they say ‘I will keep my core business and will add this new little business on the*





side.' Guess what? It remains a little side business. Being able to bet the house is a very rare attribute in leadership. Only a few have done it successfully."

Balanced Approach

The industry experts also commented on the importance of having a leader who can remain calm and balanced in times of massive change and can successfully lead a diverse organisation.

"A balanced leadership style has become more important," said Sagar Hemade. "Organizations are becoming more receptive to change but the challenge is to keep things stable as the transformation is happening. This requires the organisation's leaders to demonstrate balance."

Lakshmi Narayan concurred, "Gone are the days of authoritarian leadership. Tomorrow's leaders need to carry the team together and have the ability to attract and hold on to the right talent. There is also the need to respect and foster gender diversity. Ultimately it is not about age or background; it is about creating the right balance between short-term and long-term goals."

Customer Focus

Having a deep understanding of customer requirements and adapting to their changing preferences will be a defining trait of the successful leaders of tomorrow.

Srinivas Kamisetty, President & Managing Director, Claas India, commented: "We need to actually have our feet on the ground. We need to look at what our customers say. It starts with the sales person and leads right to the head of the organisation."

Drawing from his own business experience, Ravi Damodaran observed, "A significant majority of our business in India comes from one customer, Bajaj. Four years ago we employed a strategy

consulting firm who kept advising us to 'de-risk' the business by diversifying our customer base. But we had a clear customer strategy in place. We knew that Bajaj had a segment based growth strategy focused on profitability as compared to chasing growth in terms of the number of units sold. Our decision to stick with them has paid off as our business has grown."

Vision, Values and Purpose

Having a clear vision for the future is challenging given the industry's ever-changing dynamics, but the ability to envision a path forward for the business while remaining faithful to the company's core values will serve future leaders well.

"A leader must have a target to achieve and set a deadline. In addition, the momentum to achieve the vision must come from the bottom up, through consensus, by sharing the vision and by creating ownership," added Sandeep Singh, Managing Director, Tata Hitachi.

Furthermore, as Nitin Prasad pointed out, vision and values go hand in hand: "A company is defined by its principles and the culture has to evolve from the leader."

Alok Vatsa defined the challenge this way: "How do we grow the business with the values we believe in and also have other people in the business follow the same culture? It stems from good leadership and that is how to bring about change."

Emotional Intelligence

The successful leaders of tomorrow will need to be not just intelligent, well-educated and informed, they will need to be able to read signals from others and respond appropriately. In other words, EQ is just as important, if not more than IQ, when it comes to selecting the next crop of leaders.

"It is important to be challenged by changes and disruptions. Leaders of tomorrow will have to focus on breakthroughs."

Sunil Kaul
Group President – Innovation,
Technology & Excellence, Anand Group



"The way we interact with people, the way we manage our partnerships, the humane side of what we do and how we do it; there is a revolution happening around this. I personally feel that this will be the biggest challenge for leadership in the next 30 to 40 years," said Nitin Prasad.

"The ability to connect with people internally and externally and having a high level of emotional intelligence will be critical," agreed Neeraj Gupta.

Innovation

The ability to disrupt and innovate is increasingly linked to success, especially for an industry tied to both technology and meeting society's transportation needs.

"The name of the game will be disruptive innovation. With the technology life span of products lasting just two years, the leaders of tomorrow will have to simultaneously



“Abandonment is one of the key attributes that we will need to have. Leaders must be prepared to abandon the past.”

Eric Vas
President Motorcycles, Bajaj Auto

address short-term goals and long-term strategy,” said Lakshmi Narayan.

Santanoo Medhi concurred: *“The future is uncertain. The only thing that is certain is that we have to create our future. We need to be innovative. We should not let market forces and competition dictate the future.”*

Durai Sayi, Vice President HR, Ashok Leyland, noted, *“Experiences create stereotypes, which can be limiting at times. We need innovative thinking; people have to come out with breakthrough ideas. In my opinion, an aeronautical guy should come and do automobile engineering. He will think completely differently.”*

Developmental Leadership

The experts agree that part of the role of the current industry leadership should be to invest in developing the pipeline of leaders for tomorrow.

Commenting on this responsibility, Durai Sayi said, *“It does not matter what business we are in, whether it is automobile, technology or financial services. The key to future success is leadership development. Developing future leaders, feeding them with challenges and giving them the freedom to redefine the business is key.”*

“The good news,” notes Senthil Kumaran, *“is that the person in the corner office is no longer expected to be the organisation’s only leader. Leaders exist at all levels and companies*

are getting smarter about the talent pipeline.”

Adapting to Change

The industry needs to cultivate leaders who would bring an indispensable ability to adapt to technological advancements and changes in the business landscape.

Commenting on this unique challenge, Santanoo Medhi noted, *“One needs to detach themselves from history and trends. For example, Nikon and Canon – the world’s top camera companies – never regarded the likes of Samsung and Apple as their direct competition. If automotive companies think that Uber and Meru are not their competition, they will get bitten by the sharks that strike from the bottom.”*

Indeed, tomorrow’s leaders will have to not only adapt to rapid technological change but also proactively incorporate such changes into the business to stay ahead of the competition. Srinivas Kamisetty explained, *“The challenge we have in the auto industry is, how can we learn from and adapt technologies from other industries that can add value to the customer.”*

Business Awareness

It may go without saying, but having a strong foundation in business fundamentals cannot be underestimated when searching for tomorrow’s industry leaders. Those best suited for the role will be the complete package.

Sandeep Singh summed it up well saying, *“It is important that the leader understands the strengths and weaknesses of the organization, people and product. Technology savviness and understanding the market, ecosystem, challenges and opportunities is critical.”*

Guillaume Sicard agreed, *“Tomorrow’s leaders should have the ability to multi-task and understand the different aspects of the business.”*

Alok Vatsa concluded, *“Knowing the industry well is important. A good leader will understand and question the status-quo, reflect introspectively on whether what they are doing now will continue, be aware of where the competition is headed and anticipate where the next competition will come from.”*





Conclusion

The Indian automotive sector is going through a phase of rapid evolution. What we have witnessed in the last decade is only a small fraction of the revolutionary changes that the industry is likely to undergo in the future. Leapfrogging advances in technology, the advent of disruptive competitors, fast-changing customer preferences and an increasingly complex regulatory framework are all contributing to the unpredictability of the market.

In the midst of this dynamic environment, the leaders of tomorrow will be expected to step outside of their comfort zones. While traditional leadership qualities are expected to remain sacrosanct, attributes such as innovation, nimbleness, emotional intelligence and a strong value system will increase in significance. The leaders of tomorrow will have to either demonstrate an enhanced degree of competency in these key areas or develop these skills in short order to be successful.

Contributors

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Lakshmi Narayan		Harman International
Nitin Prasad		Shell Lubricants
Durai Sayi		Ashok Leyland
Guillaume Sicard		Nissan
Sandeep Singh		Tata Hitachi Construction Machinery
Eric Vas		Bajaj Auto
Alok Vatsa		Johnson Controls India



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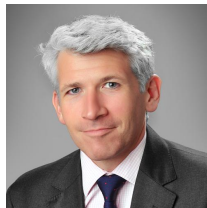
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