

under the bonnet



August 2019

Leadership as an engine of growth

The India story





Under the Bonnet is a highly respected research-based quarterly journal that has been published by totus consulting since 2000. Beginning 2019, Under the Bonnet (UTB) will be published jointly by totus consulting and CFI.

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The leadership difference

Every entrepreneur's journey starts with an idea - an idea that will help profitably solve a problem that a large enough segment of customers are facing. The early part of the journey is dedicated to raising capital, building the product or offering to solve the problem and then finding the market and the customers with those problems and getting them to buy it and making it viable.

Every entrepreneur reaches a point where he realizes that that his business needs more horsepower to achieve its growth potential and his own ambition.

This can include the entrepreneur's own leadership abilities as well as the availability and the abilities of leaders at the very top or even the next level.

It is our view that leadership is a critical engine of growth, a key ingredient for businesses to achieve scale. (not the only reason but one of the significant reasons). As we look at some of the large and successful Indian businesses built by first generation entrepreneurs, we find that their ability to build leaders who could take their ideas forward and build a great organisation in an empowered way was a very big reason for their long-term success.

It is this theme that we explore in detail in this edition of UTB. We specifically look at the segment of Indian businesses which are currently small or medium but have the potential to become large if they choose to embark on the journey of building the bridge of leadership

which will carry them from where they are to their chosen destination of largeness. For the purpose of this journal, we call these companies *potentially large* companies. (PLs). We look at who they are, what they are doing well, what prevents them from crossing the chasm so to speak and what will work for them.

Relying on the wisdom and insights from our coaches as well as our own long years of having consulted for entrepreneurs to offer them coaching solutions, we bring to you a very engaging edition on a less explored theme.

I really hope you not only find it interesting but also useful.

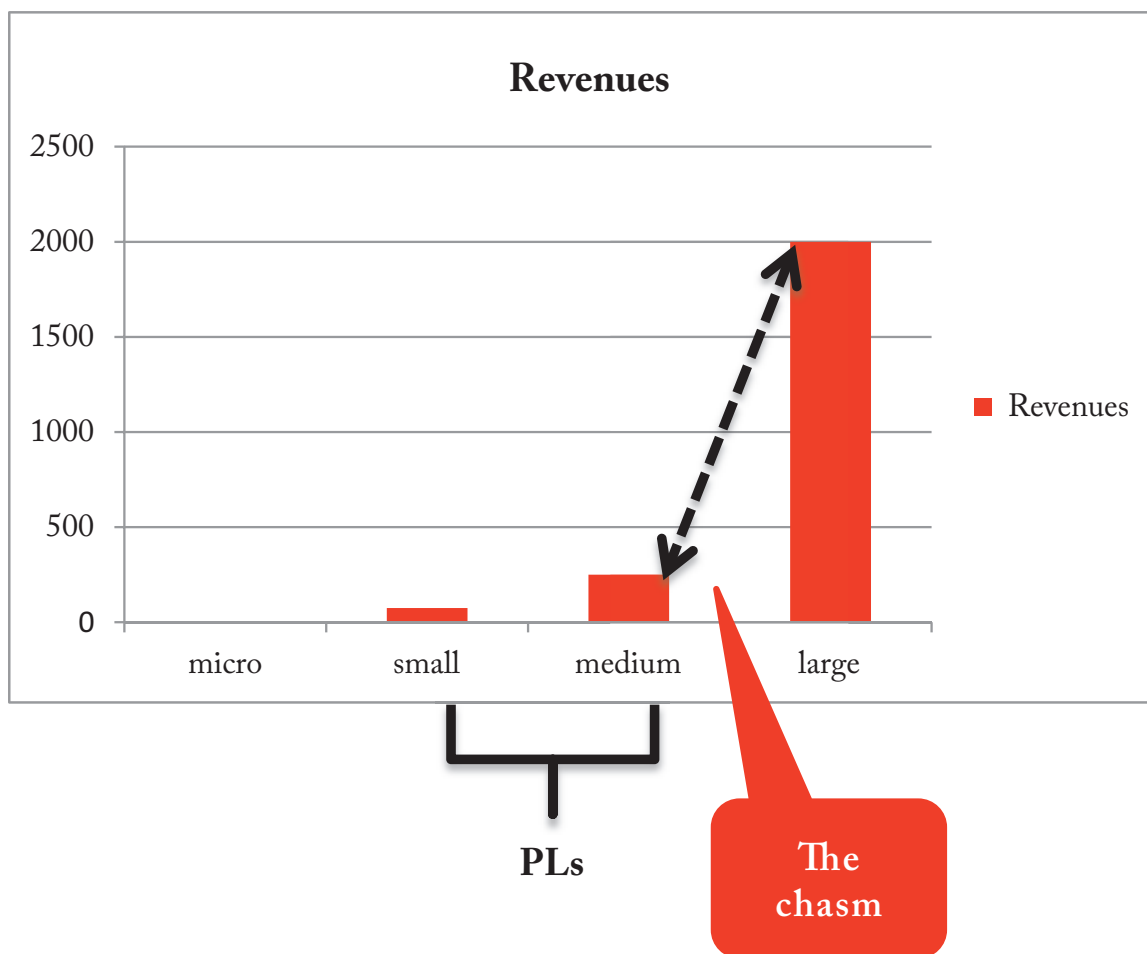
Ganesh Chella



Under- standing the PLs better

The Union cabinet recently approved a proposal to redefine micro, small and medium enterprises, or MSMEs, based on their annual revenue, replacing the current definition that relies on self-declared investment on plant and machinery.

According to the government's new definition, businesses with revenue of as much as Rs 5 crore will be called a micro enterprise, those with sales between Rs 5 crore and Rs 75 crore will be deemed as small and those with revenue between Rs 75 crore and Rs 250 crore will be classified as medium-sized enterprises.



While this technical definition ends here, on the other end of the spectrum are the top 500 companies in the country with revenues upwards of Rs 2000 crores. We could call these very large enterprises. For the purpose of our discussions on leadership, we could therefore call companies between Rs 250 crores to Rs 2000 crores as large companies.

Our interest is in looking at and helping businesses which are currently either small or medium but with the clear potential to become

large (Rs 250 crores to Rs 2000 crores). We will call them potentially large companies or PLs in this article.

Our definition of PLs would also include companies with a large managerial and professional workforce, a national presence and growing rapidly, in addition to meeting the above revenue criteria.

Such PLs could be of various kinds.

- They could be first generation family businesses or a family business now in the hands of the

In our view, PLs would include companies that have the potential to grow and enter the arena of large companies but are currently underperforming for lack of leadership.

second or third generation that is wanting to grow.

- They could be a business being run by a single entrepreneur or a group of entrepreneurs.

These could be young companies (under ten years old) or old and established companies now pursuing an aggressive growth path.

Exclusions

The primary focus of our journal is on what might be referred to as traditional entrepreneurial businesses. Towards the end, we have a separate section addressing the needs and issues of venture capital funded businesses often referred to as start-ups. We have separated the two because of the differences in time horizons, ownership, mind-sets and cultures.

We would also like to exclude from this definition, companies where the entrepreneur or the family has chosen to remain small or are in industries which have faced disruption and have challenges with growth or are dealing with other distracting challenges.

Propensity Scale

Having looked at where PLs might come from, it is useful to look at PLs from the stand point of their propensity to build leaders and their inherent faith in the process.

Not very different from the manner in which Geoffrey Moore in his book “Crossing the Chasm” defines the different kinds of consumers along the technology adoption life cycle, we find different kinds of PLs across the scale:

Skeptics Exigent actors Believers

The believers are in many ways visionary and truly long-term oriented and are convinced that leadership is a key tool to drive growth.

(We hear of many small companies which set for themselves the goal of hiring the brightest engineers or investing ahead of the curve to develop them)

The exigent actors are the ones whose current approach is to fix gaps as they emerge and do just enough to meet exigent needs

(This would include companies which would go out and hire leadership talent for current needs but may retract if the efforts fail and hurriedly think of an intervention to develop leaders when they face difficulties)

The skeptics may not be currently convinced that they can and should invest effort to attract and retain leadership talent

(This would include companies where the promoters continue to occupy critical executive positions and end up limiting the growth of their businesses)

It is our view that the believers armed with other critical ingredients of business success, end up building large businesses that are sustainable.

Our focus in this issue will be to learn from them and offer ideas and suggestions for the exigent actors and skeptics. To that extent, a lot of what we discuss will keep in mind the needs of the exigent actors and skeptics.



What's working for them?

A large number of small and medium businesses are able to survive because there are many things big and small that they are doing right and that is a good place to start our exploration.

As far as PLs are concerned, leadership is typically provided by the promoter or promoters and the active family members in the business. The strategy and direction almost always comes from the promoter(s) who are fully involved in the business and may bring with them functional or technical expertise as well as a certain quality of leadership which helps them continue to grow.

These organisations have a handful of three to five trusted and loyal senior employees who might bring to the table some functional and/or domain specialization of value to the business. The task of these seniors is to mostly execute or follow instructions.

the promoter spots individuals who have talent and decides to invest in grooming them after they have earned their trust and displayed a certain level of loyalty.

How do the believers develop their leaders?

The more progressive entrepreneurs who ultimately scale their businesses have a way of leveraging the competence of the small team of seniors that they have hired and retained and through them, build greater depth.

The first step in the journey starts with being given an important project or assignment that is part of or independent of the role played by him or her.

When the employee delivers great results, the person is then earmarked for and quite quickly entrusted with significant responsibilities which might entail being thrown into the deep end of the pool. Along with responsibilities, they are also accorded a fair amount of autonomy and freedom to act. Hundreds of conversations I have had with seniors at PLs have always revealed the fact that the one reason why they stay on is because they feel they are doing big and important jobs. Some might call them big fish in small ponds.

Not only is the job large with a high level of accountability. They also enjoy a certain breadth in terms of scope. Given that there are few specialists, they tend to be exposed to several adjacent functions and subjects with several added responsibilities that would never happen if they worked with a large organisation with silos and clearly defined roles and responsibilities. In fact, it is for this reason that employees from PLs find themselves very restricted in large organisations and those from large organisations struggle to succeed in PLs despite a great CV.

In addition to being entrusted with important responsibilities and being accorded the freedom to act, they also have the backing of the promoter should they fail.

As a result, the job challenge combined with trust and support from the promoter serves as the most crucial developmental experience.

The opportunity to work shoulder to shoulder with the entrepreneur, engage in several crucial conversations about work, business, the customer and life in general can

be very elevating and enlightening for senior employees and gives them valuable perspectives. We often hear about the promoters in many of these organisations being natural mentors to many of their leaders and, through that very significantly shaping the leaders who worked with them.

Beyond this, PLs have enough business challenges and are subject to huge ups and downs. The loss of one or two large clients or one bad business cycle can unsettle them for months. These hardships are hugely educative. In addition, the limitation on resources creates its own hardship and tests leaders' ability to work within constraints.

Where the organisation has joint venture partners or technology collaborations or international operations, they also tend to get several opportunities to travel, work with global experts and visit businesses across the world.

In summary, job challenges, hardship and mentoring are the greatest developmental experiences and they in return grow rapidly.

In many of the businesses that have successfully scaled, one tends to find the silent but invaluable role played by a small handful of senior professionals in building the next layer of leaders.

In general, we find that these few senior professionals end up striking a good working rhythm with the promoters. They know what will work and what will not. They know the limits of their influence. The promoters on the other hand are quick to take decisions or make resources available.

The ones who are considered invaluable are also “taken care of”. It may not be in the form of pay but benefits, support in times of difficulties, flexibility in the way policies are applied to them, access to company resources and so on.

Where needed, promoters are comfortable hiring consultants or domain experts who might have retired from other organisations as advisors. They use them to build or strengthen the function and fill in competence gaps.

The senior professionals as linking pins

These professionals, having earned the trust of the promoters, become the face of the organisation to the

world outside especially when it comes to hiring and developing leaders. What they have received from the promoters, they pay it forward to the people they lead. While the promoters might focus on business growth and expansion, they focus on building the organisation and its leadership obviously with the blessings of the promoters.



A case in point

In this large conglomerate, one of the supervisory board members reporting to the group's Chairman was a natural mentor. Over the long years that he served in his role as the head of multiple businesses, he mentored at least a dozen seniors and helped them achieve positions of leadership within and even outside the group.

He took upon himself, the task of identifying people with potential and giving them opportunities and supporting them with his mentorship.



What prevents promoters from crossing the chasm?

It is our view that the fundamental reasons that holds back one or more promoters in a PL from actually becoming large are that promoters have “developmental challenges”. In other words, entrepreneurs need to develop themselves in a manner that is appropriate to the stage of the PL so that they are able to do what it takes to prepare the PL to achieve its potential.

**the entrepreneur
is the Chief
*Leadership
Development
Officer* for his
business and his
inability to come
to terms with this
need and play
this role is what
we refer to as a
developmental
challenge.**

We would go as far as to say that their inability to build leadership is not to do with resources, money or time or other people but their own development in many areas. So, while entrepreneurs may be deeply involved in making investments in technology and infrastructure and raising money for the same, their involvement in building leadership depth may be missing.

Unlike a large organisation, for a PL, its inability to build the leadership needed to achieve growth can be directly attributed to the lack of stage appropriate development of the entrepreneurs in this area.

We see three dimensions to these developmental challenges:

Intrapersonal challenges:

This can include the promoter's lack of self-awareness (blind spots). It could also include their inability to make personal changes to create space for others and of course, unhelpful ways of thinking about oneself and one's invincibility, about how others need to be like them and so on.

Interpersonal challenges:

Lack of social intelligence, sensitivity, empathy, respect, inability to assert, negotiate, manage conflict, build and maintain relationships can prevent them from gaining the comfort to work with an empowered and competent leadership team.

Know-how challenges:

Not knowing how to deal with the role demands of being the chief leadership development officer is another challenge. This could include lack of specific skills or exposure to how it is done or even knowing how the organisation and its structures and systems need to be geared to facilitate development of leaders.

We will now explore some of the challenges under these three dimensions.

Intrapersonal challenges

The promoter's blind spots

Promoters may not have invested efforts to understand who they are, their strengths, their preferences as well as areas they need to pay

attention to. Given that they don't have real peers and managers, there are limited number of people who are in a position to stand up to them and give them feedback on a real time basis. As a result, their blind spots can impact their style and their effectiveness.

Early success can also lead to their personalizing the reasons for such success and believe that they did it or they have the magic formula for everlasting success.

The promoter's unhelpful ways of thinking

For many small and medium businesses which have been around for a while, their old and set ways of doing things often influenced strongly by the founder's style and preferences and unhelpful ways of thinking can be a huge road block to grooming leaders.

The culture that they have created can breed superstition about the past. They can be seeped in history or stuck with old ways of doing things, or use the past as an indicator of what might happen in the future and so on.

Promoters may have fears about loss of control, about conflicts, about

They may also be hugely worried about immediate short-term business challenges and uncertainties and may be fearful of making any long – term commitments.

breach of trust, about having to give up one's ways of doing things, about their not having the time to make new relationships work, about the cost being unaffordable, about how it is not possible to find someone like them ever and so on.

These myriad ways of thinking all of which are often unhelpful and unfounded can inhibit promoters from building the next level of leaders and instead continue to rely on a small team of loyalists or worse, carry the burden on their own shoulders and pay the price of growth.

Beyond all this, many promoters may find it difficult to share the leadership space with one or more people. They may only want compliance, conformance and for people to fall in line and execute and also hold the view that they know their business the best.

For promoters in a specialist field, their fears are even more acute. They might hold the view that only those from their own industry can shoulder leadership because their context is so unique and they are so different and special that it can only be invented within. They will refuse to take a slightly broader view of

leadership, of the value of functional expertise over domain knowledge at leadership levels and about the dangers of an ostrich mindset.

Interpersonal challenges

A matter of style

The style of the promoter can have a telling effect on the ability of the organisation to build leaders.

Some entrepreneurs are referred to as banyan trees and others as gardeners.

Similarly, their ability to be assertive, be able to have good conversations around expectations and performance, their ability to give feedback, deal with conflicts and so on have a huge impact on the development of leaders below.

Respecting co-founders

In many of the PLs that have been founded by more than one person, a great source of angst in the CEO or MD's mind (the principal co-founder) is often that his or her

Some are able to act in empowering ways and others are not able to and that reflects on the quality of leaders they have.

co-founders have not grown or kept pace the way he as the Principal Founder has. He may feel strongly that they do not share the Principal Founder's world view, continue to be operational and stuck in the past.

In reality, it may be the Principal Founder's dismissive approach

towards them that actually further erodes confidence. Without engaging in a developmental dialogue or relationship to support them, the principal founder may do things that only cause further damage.

He may hire senior talent who have an uncomfortable relationship with the other co-founder or co-founders. As a result, over a period of time the other co-founders get disengaged and leave or stay in a state of resignation, merely because financial outcomes are at stake.

In other words, the inability of the founder to see the growth and development of his co-founders as his job given his position as the first among equals is a huge challenge. This can hugely impair the PL's ability to cross the chasm.



A case in point

Two young professionals came together to start a business. One was older and more experienced. Within six months of starting, the more junior co-founder found himself being bypassed routinely by the senior co-founder. He was being "pulled up" for failures in front of the team and being told that he was not pulling his weight.

After several such interactions, the junior co-founder began to wonder if it was worth his while to stay on and continue to work hard and make sacrifices when there was no positive effort to help him perform better. *If the senior is indeed a senior, what is he doing to help me in a functional way?* was his question.

Inability to deal with entrenched loyalists

One big reason why PLs are unable to build leadership is the dysfunctional role played by entrenched loyalists and the

Some past sacrifices done by them or past hardships faced by them or favors done by them can prevent the promoters from dealing with them firmly.

entrepreneur's inability to deal with them.

Typically, loyalists are a bunch of tenured employees who have reconciled to the fact that certain things will be the way they are and that there is no hope of change and it is in their personal interest to neither exit the system nor voice their opinions vocally. They therefore choose to stay on, not because they feel strongly about a certain cause but because it is convenient to do so.

This group tends to be insecure, not have adequate exposure and lacks functional competence as well as soft skills.

This group can often be a huge stumbling block to progress including the induction of fresh leadership or the development of people different from them and most certainly below them.

Often times, organisations that grow very rapidly can very quickly develop a large number of entrenched loyalists who fail to keep pace with organisational growth but somehow earn the moral right to be there because of what they did in the past, during the founding days. The

existence of a stock option scheme can only make such matters worse.

Entrepreneurs are torn between their useful past on one side and the dysfunctional present on the other side. It takes courage, skill and great interpersonal abilities to deal with them.

**Unfortunately,
many of those who
rise up to leadership
do not see it as their
responsibility to
pay it forward to
the people whom
they lead.**

Not setting expectations about mentoring from the next levels

A large number of employees who have worked with the promoters tend to enjoy disproportionately huge learning by being their protégés.

Many of them were beneficiaries of the huge bets placed on them by the promoters well before “they were ready”. Unfortunately, these same leaders will quickly change the rules of the game when it comes to grooming talent below them.

They will become hugely risk averse, rely on their HR managers or worse still, hire consultants to conduct assessment and development centers to spot talent for leadership development instead of relying on their good

What they may often have, are a bunch of loyalists who have been over promoted over a period of time.

managerial judgment, just the way their promoters did with them.

This is where promoters will need to set the tone by stating their expectations clearly. They may need to make it clear that they expect their direct reports to do what they did for them. They must place squarely on their shoulders the task of developing leaders. The worst thing to do is to continue to hold on to that task, knowing fully well that they are in the process stifling the initiative of their leaders.

Know-how challenges

Entrepreneurs may need access to the right advice, guidance and professional insights to set up the right process, take the right decisions and come to terms with some of their dilemmas and get the philosophical underpinnings right.

Confusing promotions with development

Many entrepreneurs of small and medium businesses deceive themselves by regularly promoting their employees into more senior

positions and then believing that they have senior leadership talent.

Their preference for the known and the loyal within compared to the unknown and expensive from the outside is completely understandable and perhaps the way to go.



A case in point

A medium sized company in the automobile industry had the age-old practice of promoting its employees every three years. This process was followed right from the Assistant Manager level to the Vice President levels.

After a few years, the organisation realized that it had as many GMs and VPs as it had Senior Managers and this was in an industry which was not growing and no new positions were being added.

On the other hand, the organisation often found itself behind competition because it was not able to execute its strategies well.

Their faith in their people and their decision to keep placing bets on them is by itself not a bad thing.

One problem with this approach is that they may fail to use the necessary external standards against which to measure leadership abilities of their team and may find themselves losing out on their competitive abilities.

Another problem with the approach is the belief that giving their people huge job challenges is good enough and people should then automatically grow in competence to measure up to these challenges.

Finally, the benevolent ways of the entrepreneur makes it hard for him to rock the boat or give constructive feedback or take any hard decisions when performance consistently falters but instead keep complaining that despite having leaders, everything comes up to him.

Not promoting internal mobility

While PL companies do have a set of seniors who are very good at what they do, it is also so because

The promoters' hesitation to promote internal mobility for fear of losing specialist know-how leads to a siloed culture and the promoter having to act as the orchestrator of all interactions.

they are groomed that way. In other words, it is common to find individuals in these companies who have been in the same role for ten to fifteen years with a nominal change in titles every few years. As a result, they end up having leaders who are myopic in their views and lack a broader orientation or appreciation.

As a result of lack of mobility, individuals become very important in each function and much is left to their style, their historical knowledge and their ways of doing things and of course their relationship with others. These companies will therefore often complain about huge person dependencies and the lack of a process to get things done.

Given these realities, their leaders will resist internal mobility and the promoters will also succumb to it.

Handing it over to HR

Yet another strange reason why PLs don't build leaders is because there is a huge confusion in the minds of entrepreneurs about the role of HR in these companies.

The pressures and promise of imminent significant growth is often the most potent reason for a promoter to start looking to hire and groom leaders.

It is but natural for these companies to struggle to hire and retain senior HR professionals. So, they end up hiring good mid-level HR professionals.

‘Unfortunately, as soon as there is a HR person on board, the promoter tends to believe that they will do what he could not do and signals his leaders to absolve themselves of the responsibility of developing leaders below them. They have the mistaken view that HR will now do it.

The HR professional will of course struggle to get past the many hurdles he will face in the process of gaining buy-in for any of his proposals and will eventually leave.

It is my view that for PLs, the Promoter and the leadership team need to own the HR agenda despite having an HR person to execute that agenda. It is fallacious to believe that a mid-level person can take on the task of what is the soul and heart of building a large business – developing its leaders. Getting this perspective right is critical.

When does the realization happen?

The all-important question is this – when does the promoter of a PL business realize the need to change? What are the triggers for this realization? When and how does that lightning of realization strike him?

This could include entry into a new business, an acquisition, or huge growth, international expansion or demands from a large client to do more business with them. This is most obvious.

Entrepreneurs who are raising money for growth are also encouraged by the

PE players to build their leadership strength before they can attract investor interest.

At times, when survival is challenged by a spate of problems for which they don't have solutions, they do turn to outside hires for help.

Sometimes if co-founders have a dispute, they may look for a neutral outsider.

Sometimes, when the founding team members grow old and want to take a back seat, they may choose to build leadership, especially where the next generation in the family does not evince interest in the business.



How can we help entrepreneurs of PLs?

Given this context, the journey to building leadership strength is anything but straight forward, at least for traditional PL businesses in India.

If we now believe that the entrepreneur is the Chief Leadership Development Officer, then his development and readiness to play that role is central to the organisation having good leaders and good leadership.

If the entrepreneur is not a believer or visionary himself, and is either a skeptic or exigent in his approach, selling him simplistic solutions like hiring from outside or conducting assessment and development centers, identifying top talent, running leadership development programs, implementing job rotation and so on will fail miserably.

The starting point to any meaningful leader development work in a PL business is the ability of the promoter to work with himself and address some of the intrapersonal and interpersonal agendas.

There is a huge amount of work needed to be done to prepare the ground in his mind before real development can happen.

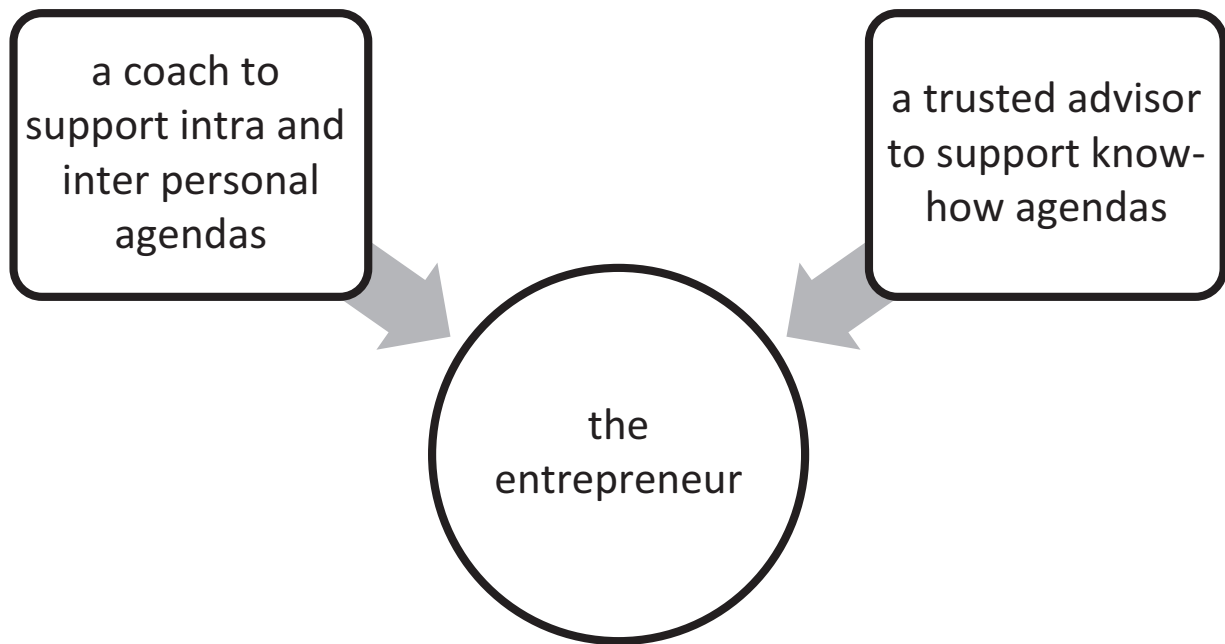
Here are a set of potential steps that can help promoters of PLs move from skeptic to exigent to believers. (not necessarily in sequence!)

Given the three dimensions of developmental challenges that might exist (intra, inter and know-how) help needs to address these dimensions in that order.

Working with a coach to address intra and interpersonal agendas

The Promoter lives alone with his fears, anxieties and dilemmas and often misses a trustworthy person in whom he can confide with ease and comfort. Such a resource can come in the form of a trusted consultant or coach or Board member if there is one.

Such an effort also increases their faith in the power of a developmental relationship.



It has been our experience that promoters who have worked with a mentor or coach are able to reflect about themselves and grow as a person.

Such a personal realization can lead to greater awareness of their style, their preferences, their strengths, aspects that are impairing their effectiveness and so on. Through this they will begin to realize the inextricable connection between their leadership style and the culture and growth of their organisation including their current thinking about getting results through people.

In addition to the promoter, his top few leaders will also benefit immensely from engaging in a developmental relationship, so that they realize the true value and they don't foist their personal theories on the organisation.



A case in point

The MD of a 1000 crore engineering business that was growing rapidly was facing challenges with attrition and the inability to manage growth. He spoke with the partner in an executive search firm whom he respected hugely. The partner suggested that he seeks help from an experienced HR professional and also looks at his own style and its contribution.

The leader soon engaged in a coaching and mentoring relationship with this senior HR professional and Coach. In a few months, he began to make style shifts and encouraged his leadership team to also sign up for coaching, which they did. A year later, he and his executive team invested in two rounds of leadership development programs for the next level of leaders within the organisation.

Access to a consultant who is a trusted advisor for enhancing know-how

The market is full of off-the shelf leadership development products and solutions.

While many of them might be good, they are ill-suited for entrepreneurs who are struggling to make the journey from small or medium to large. They are likely to have several questions, fears and dilemmas along the way and will need continued access to a trusted advisor who they can rely on for constant support and guidance.

They need the assurance that the trusted advisor will teach them and not sell products to them, will help them implement some great ideas well on the ground and support them should something go wrong along the way. In other words, there is need to stay in control and be involved and informed. Most importantly, working with a trusted advisor will make it an educative experience.

A good consultant who is a trusted advisor will start by helping them come to terms with some of their philosophical dilemmas that may be coming in the way of starting this journey. Some of these philosophical dilemmas could include things like:

**A trusted advisor
will guide
entrepreneurs
on placing the
right expectation
on HR, on their
leaders, on crafting
the right policies,
dealing with
resistance and
so on.**

- Should I focus on the present or invest in the future?
- Should I remain in control or let go and trust others?
- Is loyalty more important than competence and commitment?
- Should I groom from within or hire from outside?
- How do I balance loyalty and commitment?

What the entrepreneur can do on his own

The trusted advisor and / or a coach will nudge the entrepreneur to take concrete actions on the job to signal his commitment to leader development.

Whether that happens or not, there are a few things that the entrepreneur can start doing to develop leaders.

Leadership and leader development must go hand in hand

Leadership refers to the task of leading which includes setting the direction for the company, aligning everyone to move in that



A case in point

An entrepreneur who was a huge believer in development and a personal beneficiary of coaching realized that he could make his leadership processes more inclusive and use that to involve and develop the next two levels of leaders.

He embarked on the journey of using the Balanced Score Card as a tool for planning and performance management. In the process, he involved the top two layers of leaders in its design and deployment.

When he had to make a long-term strategic plan, he similarly involved his top two layers of leaders.

Many of the business problems are now solved by cross-functional teams.

After three years, he can feel proud about the fact that his leadership strength is far superior to what it was when he started.

direction and of course managing the commitment and climate of the organisation and its members.

If the task of leadership is not in focus or is managed in an ineffective way or is not inclusive, then investing in development can actually lead to frustration.

Engaging in the task of leadership along with the promoter is in fact by itself a hugely developmental experience for the next level of leaders. These two need to go hand in hand for best results.

Entrepreneurs learn hugely by observing or seeing others do it. Engaging with peers, successful role models, listening to others who have gone through a similar process can be extremely valuable. Having the opportunity to see how others who have benefitted from it and gained from the investment can be extremely reassuring before embarking on such a journey.

Such a process of learning should establish the business case and the returns that one can expect to see within a reasonable period of time.

Complex frameworks, complicated processes and time consuming approaches are likely to be intimidating. There is huge need for simplicity and practicality.

Starting small and keep it simple

Be it hiring from outside or investing in grooming potential leaders from within, it is important that the journey is measured and well-paced and in a manner that the entrepreneur is comfortable with.

Also, small businesses may have difficulty in assimilating new hires or developmental initiatives unless they are well paced.

There are several examples of small and medium organisations that have embarked on a huge hiring spree or an expensive leader development initiative to quickly realize that they were ill prepared to reap its benefits. Such a failed effort can lead to loss of faith and impair future efforts.

Hold the top management accountable

While top management (typically the promoters and their immediate direct reports) must always own the task of leader development, in the case of PLs, it is even more critical to do so.



A case in point

A mid-sized financial services company wanted to invest in developing its leaders because they realized that the organization's growth was being hampered by lack of good functional leadership. In addition to the MD, there were four other seniors in the top management team.

After understanding their needs and designing an intervention and launching it, we realized that one of the top management team members with the largest team was completely opposed to this and was most uncooperative. We soon realized that this was on account of some unresolved grievances he had. As a result, the program ran aground in a few months much to the disappointment of many motivated participants.

This group has significant influence over the style and culture of the organisation and their wholehearted commitment to development is critical for the initiative to succeed.

While such organisations can rely on an HR Professional to facilitate the process, it would be too premature to hand over the onus of championing development on HR. If even one in the top management group does not buy into the initiative, he can easily derail the process and a big part of the organisation would be left out.

An appreciative view to talent

One of the curses of modern leader development is the propensity to over-assess and analyze leaders just because we have the tools to do so.

While large organisations may need access to neutral sources of information that appears objective and arm's length, the same approach may be hugely dysfunctional for a PL.

The greatest advantage of a PL is that the promoters have line of sight about most of their employees at least three levels down. There is a good chance that they have worked with them in close quarters on several large and small projects and have a good sense about their strengths and development needs.

Focusing on what the person can do and his strengths is as critical as identifying the one or two developmental opportunities.

Therefore, it is best to rely on such good judgment rather than a bunch of tools that may leave the leader feeling judged and not understood.

To leave the entrepreneur with the feeling that he has no worthwhile leadership talent is very different from leaving him with the feeling that his leaders are good at a few things and need to work on a few others.

Of course such assessment should help the entrepreneur make a realistic assessment of how far a person can progress and what his limitations are and have the courage to have that conversation.

What about the start-up world

One might wonder why, despite all the excitement about the start-up world, we have not paid attention to their leader development needs.

In general, start-ups may not have issues with hiring functional specialists at any level because they have the funds and the board may be pushing them to do it.

Many of the young entrepreneurs may not have invested in their own development and may therefore not have a first-hand experience of what development can do.

On the other hand, would they want to invest in growing leaders from within for tomorrow's needs? Well, they may not. Start-ups in general have a rather short to medium term time orientation. The goals they pursue include- growth, managing costs and raising money or of course hiring.

Their mind-space or motivation to invest in development may be limited given this short to medium term orientation.

However, where leader development can really make a difference is for the entrepreneurs themselves.

As more young professionals with limited professional experience start founding and running businesses, they do experience the need to look at their role as Leaders and CEOs.

It is only when they face conflicts or large scale separations on account of their style that they tend to turn to professional help.

By paying attention to their role as leaders beyond their roles as entrepreneurs, they will be able to have a much more positive impact on their teams and the culture of the organisations they are building.



In closing

Companies like Asian Paints, Wipro, Airtel, HCL, Thermax, Bharat Forge, HDFC Bank and Infosys and Elgi Equipments to name a few may appear to us as large organisations with decades of sustained business results and generations of great leadership.

But all of them started off as small businesses a few decades ago and when they started, they had the same constraints and challenges that many of the small businesses face today – perhaps more. However, these businesses and many others like them have managed to cross the leadership chasm quite successfully.

With clear guidelines and boundaries, these companies and their entrepreneurs embraced professionalism. They hired and developed them and of course placed huge faith in the judgment of the professionals they had.

They allowed professionals to spend money and invest ahead of time if needed. They gave them huge freedom to operate but with clear controls.

It is our hope that many more such great organisations will emerge in the coming years from India and that will happen when more and more of them start paying attention to leadership and see it as their engine of growth!

Many of them were benevolent and acted in proprietary ways but their larger vision was clear – *Businesses grow when leaders grow.*

They also had as linking pins, senior professionals who paid it forward by building the next generation of leaders.