

# Shortage of quality leadership talent – a ticking time bomb?

Shortage of quality leadership talent in India Inc. is a hot button issue and we have seen several debates on the severity of the crisis. To put this in perspective, let's go back to the market scenario in the early to late eighties. Consider a fresh graduate passing out of one of the IITs or IIMs. No doubt, he/she got a job from the campus, but what were the options then? The chosen or available options those days were Hindustan Lever, ITC, Tatas, Crompton Greaves, Asian Paints, Tube Investments, and BlowPlast amongst others (many of them not worth a mention here) for management graduates with the odd one's going into a few multinational banks present at that time like Grindlays or Citibank and for Engineering graduates of those days, the chosen organizations were SAIL, BPCL, L&T, ONGC and the likes.

Cut to 2008, most of the companies which ruled the roost in campuses in the past have been relegated to day 3/ day 4 slots or have altogether stopped hiring from the top campuses and some of the consumer product companies are barely managing to hang in there. Some of the industry sectors like Advertising which used to be amongst the sought after sectors have very few takers. Public sector companies no longer are the favorite destinations for budding engineers. Today the campuses are ruled by investment banks, strategy consulting firms, private equity firms and technology companies edging out the old favorites. The story is the same for some of the top engineering companies with most bright Engineers pursuing a career in management. Confronted with multiple options and entry level compensation reaching stratospheric levels due to intense competition to hire the brightest of them, the times could not have been better for our fresh management graduates and engineers. Due to these factors, the quality of entry level talent available to these companies have suffered significantly and further with the advent of dual careers, industry and factory locations have no takers.

Most large organizations in the past have relied on a 'bottom up' hiring strategy to develop in house leadership talent. With the unprecedented economic growth opening up a plethora of opportunities for our managers, most companies have bled talent at middle and senior management levels and their well-crafted succession plans have gone awry! With deteriorating quality at the entry levels and the attrition at middle and senior levels it is a double whammy for several traditional businesses.

For example, in one of India's largest and premier Engineering companies the average age of the management team is over 60 years and the current CEO, in his late sixties is forced to extend his tenure in the organization with no successor in sight! The same is the case for several traditional business houses in the manufacturing sector.

In such a scenario, with a rapidly growing business and global ambitions most companies are forced to look for lateral senior management hires, which in turn has led to unprecedented increase in CXO attrition. According to a recent EMA study, India Inc. witnessed a 66% CEO attrition in the top 100 corporates surveyed. Compounding the issue further is the shorter shelf life of CXOs and increasing pressures on performance and accountability which affects longevity. With the burgeoning demand, senior executives opt for job switches when the going gets tough!

What are the after effects of shortage of leadership talent on corporations?

- Single company careers are passé and companies are resigned to the fact that CXO tenures will be shorter. In these times, a 4 year stint in a company or a job is a 'long stint'.
- Unrealistic and unsustainable compensation levels as the war for talent intensifies resulting in higher costs, lower productivity and lack of continuity.
- Compromise candidates affecting performance and growth of business. Changing age profile of CXOs. The average age profile of CXOs in India Inc. dropped by 7-10 years for most sectors according to a recent EMA study.
- Extended tenures for senior executives who are retiring due to lack of successors in the pipeline.

Well, it indeed looks like a ticking time bomb, but how are companies coping with the situation? Successful companies have responded well and created strategies to attract and retain talent. Relying on generous compensation and wealth creation as the only 'magic pill' for attracting and retaining your key resources is a sure shot recipe for disaster. Then what is it? There is an interplay of multiple factors which makes the organization the preferred destination for top talent and creating a long term sustainable employee brand. As we have seen, the best employers are often not the best paymasters.

First and foremost, is to create a sense of ownership and belonging to the organization. Successful organizations have a culture which supports and encourages entrepreneurial behavior, the freedom to make informed business decisions and above all, eliminating the fear of failure.

An ambitious business leader is constantly evaluating headroom for professional learning and growth and it is critical that the organization is capable of creating such opportunities. This keeps senior managers motivated with fresh challenges all the time.

Job rotation across multiple businesses, functions and geographies prepare managers to take on new roles with ease if there is an exit. This is also critical when the organization is rapidly growing. The company needs hi potential stars for their new initiatives and also need to back fill positions vacated by the current incumbents who are moving on. Larger organizations with multiple businesses and multiple geographies have the ability to offer exciting career growth opportunities to their managers and offer them newer challenges to keep them fresh and charged. This is a great retention tool.

Also another innovative retention strategy is to create a unique operating culture and reward exceptional performers with larger responsibilities. Keep your stars ahead of the market curve and give them bigger roles, which your competition cannot offer!

Finally, as organizations realize, employee churn is inevitable given the market forces and as long as it is healthy, it also provides opportunities to rising stars at the top of the pyramid.

So after all, the talent issue will perhaps not boomerang on your organization provided you plan well ahead and create the right environment for your stars to thrive and perform!