

## Building a leadership pipeline

Egon Zehnder recently organized a roundtable discussion (on May 27, 2013) in Mumbai with some of the senior professionals in the Chemical Industry in India to discuss the challenges in building a leadership pipeline in the industry. The forum consisted of experienced leaders from the industry across Indian organizations and established MNCs.

The Chemical Industry faces four significant challenges in the context of building a leadership pipeline:

- 1. Attracting talent to the sector:** India produces ~11,000 Chemical Engineers and ~150,000 Scientists (Ph.D. and M.Sc. graduates) but still has challenges in attracting people into the Industry at the entry level. This has been a struggle even at leadership levels, where the Chemical Industry is not seen in a favourable light. This issue is not just restricted to the Chemical Industry. Manufacturing-driven Industries are often losing out to Technology and related industries in the war for talent at various levels as the option set for individuals has expanded significantly in the last few years. And India is not the only country that is facing these challenges. Several developed markets are coping with a shrinking population and a reduction in the proportion of the population getting into the Chemical Industry. A recent survey of MBA graduates conducted by German *Manager Magazin* reveals that only two chemical companies were among the top 100 preferred employers for MBAs. Even among engineers, there were only four chemical companies in the top 100.
- 2. Driving diversity at the top:** Several companies do not have an informed and internally consistent view of diversity. Often the topic is watered down to diversity in gender and nationality. The real goal is often to drive diversity of thought which could include, inter alia, diversity in academic qualifications, professional experience and industry backgrounds. Even if there is awareness, there is often a lack of an aligned understanding of how to drive the agenda in a systematic and sustainable fashion across the organization.
- 3. Trading off technical and business capabilities:** The nature of the industry is such that technical excellence is an important differentiator for companies. Several of the professionals coming into the industry today come from a background in Chemical Engineering and related areas. While these professionals grow in terms of their technical skills, they often find it challenging to transition to business leadership roles, often leading to a void of “well-rounded leaders” in the leadership pipeline.
- 4. Balancing the flows:** Companies often find it challenging to decide whether to hire from outside or build talent internally. We now live in a flat world where there is significant mobility of talent across borders. This adds further complexity to the process of leadership pipeline planning at a country level. Individuals that leave the country for a global assignment often feel that they do not have a “sponsor”; this reduces the attractiveness of a global stint. On the other hand, the challenge of integrating an expat or an individual from outside the industry presents its own set of challenges.

In this backdrop, ten leaders from the Chemical Industry in India convened to discuss how chemical companies could address these challenges in a systematic and sustainable manner. While participants were from the Chemical Industry, several of the lessons would be equally applicable to a range of industries including Automotive and Pharmaceutical that are manufacturing and research driven. Key insights are presented below.

## 1. Create and build awareness around a compelling Value Proposition

It is critical to create a Value Proposition which would lead to individuals including a potential career in the Chemical Industry in their consideration-set. In case of several MNCs, such a Value Proposition does exist at the global level. In such instances, it is critical to focus efforts on building the awareness in the right pockets of talent and tailoring it to the Indian context as appropriate. This proposition could be built along multiple dimensions:

- a. *Highlight impact on society:* An organization could highlight the key areas where it is making a difference to society and how it touches lives further downstream. For instance, in the case of Agri-chemicals, there is an opportunity to link to potentially feeding millions of individuals – a powerful message in a country where agriculture is an important element of GDP and where several people face challenges in access to healthy food. Companies could also undertake visible CSR initiatives which are adjacent to the spaces they operate in creating a sense of purpose around a career in the industry and the company.
- b. *Drive sponsorship from the top:* As the industry jostles in campuses for top-notch talent, it would be critical for companies to carefully engage with the students to create a buzz about a potential career in the company. These are environments where individuals are impressionable and there can often be a cascading effect in terms of how companies are perceived. Getting leaders to invest in student interactions and recruiting at key campuses can go a long way in building excitement among individuals to consider a career in the company and in the industry.
- c. *Emphasize the long-term story:* Often individuals make career choices based on what the starting-point of the career looks like. In the short-term, the Chemical Industry often looks less interesting than a career in say IT or Technology. It is important to highlight what the long-term journey looks like. This could be in terms of what the long-term career path looks like (more specifically the global opportunities that may exist) or in terms of the portfolio of skills that individuals will acquire that will make them valuable as business leaders.

“Armed Forces are a great example of creating a career Value Proposition around societal impact and long-term leadership skill building.”

## 2. Proactively define and drive the Diversity Agenda

The Chemical Industry is perceived both internally and externally as being fairly insular, and there is consensus amongst industry leaders that ‘*diversity of thought*’ must be actively encouraged. Most organizations admit that there is considerable room for progress on this front, which will only be achieved if leaders treat it like a genuine priority and institutionalize specific measures:

- *Clearly articulate and communicate a Diversity Agenda:* Diversity means different things to different people (gender, academic qualifications, nationality etc). It is important for senior leadership to articulate the organization’s priorities to ensure there is a common understanding of the diversity agenda across the team. Certain companies have already included discussions on diversity objectives as part of leadership training initiatives.
- *Create a sense of urgency by setting and monitoring specific targets:* Once the priorities have been established, it is crucial to set targets (e.g. recruitment targets) and monitor performance. A diversity council that reports performance against defined objectives can be an effective tool to ensure that intent is translated into actual outcomes.
- *Over-invest in successful integration:* In the absence of strong support systems for integrating people from different backgrounds, it is very difficult to create genuine “success stories”. Leaders must invest in seeing the diversity agenda through to the integration phase in order to create the critical mass needed to make the agenda self-sustaining.

“To drive outcomes, diversity metrics need to be tracked as seriously as say, pressure levels in a nuclear reactor.”

### 3. Strike a balance between the need for Technical Excellence and Leadership Skills

Given the very nature of the Chemical Industry, there is a strong emphasis on technical excellence in the initial stage of a manager's career. However, as s/he transitions to a leadership role, various other 'softer' skills become increasingly critical. Initiatives that could help organizations strike the necessary balance include:

- *Create and communicate a common leadership framework:* It is important for an organization to lay out a clear leadership framework and ensure that this framework becomes the basis for evaluating individuals (internal and external) and for development planning. A consistent and clear message around "what leadership means for us" plays a critical role in encouraging the right behaviours across the team and in creating transparency around leadership planning.
- *Define a parallel career path for individuals who continue to focus on technical expertise:* Not all R&D / technically focused individuals have the aptitude or interest to make a transition to a managerial or leadership role. However, these individuals may continue to make a significant contribution to the organization through their technical expertise and domain knowledge. To retain and motivate such people it is critical to create a defined career path within the technical function with appropriate compensation and internal recognition.
- *Systematically identify early signs of leadership potential and create "intermediate leadership opportunities":* Assessment tools can help surface which functional managers have the potential to make a transition to a leadership role. These individuals can then be given "intermediate" / limited scope leadership or cross-functional responsibilities (often by way of additional initiatives they are made responsible for) at a relatively early stage of their career, which will help groom them for a broader role going forward. Ideally, such individuals must be supported by institutional systems (such as a mentorship program) to help them make this transition successfully. Such initiatives also give companies an early insight into individuals' non-technical skills which can be a useful input into pipeline planning.
- *Take risks – but make sure a safety net is in place for the individual:* Often the biggest success stories have their genesis in leaders taking a risk and backing an individual for a larger role that requires the person to step up and go well beyond his/her comfort zone. While it is important for leaders to continue to back their judgement and take these risks, it is also critical to establish a clear safety net for the individual, in the event that the new opportunity does not work out (e.g. giving the person an option to return to his/her old role).

**“Not every successful neurosurgeon needs to become the Hospital CEO.”**

## 4. Support global career aspirations despite pressures on local leadership pipeline

Indian managers increasingly have global career aspirations. Given limited leadership pipeline at the local level, it often becomes challenging to accommodate these aspirations. However, most leaders believe that it is important for the organization to create an ecosystem that rewards high performers with international opportunities, while managing the impact locally.

- *Maximize use of short-term cross-border moves:* CEOs must provide long-term relocation opportunities for high performers who aspire to be global corporate citizens. However it is possible to complement this approach with shorter-term temporary moves (e.g. strategic projects of limited duration or exchange programs) that provide executives with exposure to different ways of working and allow them to build international networks.
- *Ensure outward mobility has a clear sponsor / owner within the organization:* Merely creating an opportunity is not sufficient. There must be clarity on who “owns” or has oversight for the individual’s career within the organization after s/he has relocated, to address the common concern around “being lost in the system” after a global move.
- *Manage expectations around ‘repatriation’:* Individuals often look to return to their local market, after a global stint. Given Indian market size limitations, it can be challenging to offer them a comparable role in the local market. Managing expectations on this front is an important component of a global mobility program.
- *Treat outward mobility as an opportunity to build the second line:* Global opportunities are often a reward for high performers, whose exit will create a vacuum in the local team. There is often no clarity on whether/when the individual moving to a global role will return to his/her local office. In such cases, it is important for the organization to have a backup plan in place, built on the assumption that the person will not return. Often, such situations create an opportunity to encourage new talent within the organization.

**“It is better to lose a high performer to your global organization than to your local competitor.”**

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## Global Chemicals Practice

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Egon Zehnder was founded in 1964 with a distinctive vision and structure, focusing on top management and remaining independent of the capital markets. Along with executive search and board consulting, the identification, evaluation and development of senior management talent in companies around the world remain the firm's core activities. Egon Zehnder operates out of 66 offices in 40 countries – with over 400 consultants organized around a single profit-centre partnership. This allows the firm to operate seamlessly when engagements call for multi-office, cross-border collaboration or knowledge sharing. Egon Zehnder started its Indian operations in 1995 and over the last 17 years has successfully executed ~1000 senior management recruitments in India. Today we have a team of 14 consultants operating out of three offices across Bangalore, Mumbai and New Delhi.

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