

Leadership in the Industrial Sector

Navigating the Covid Crises



Introduction

This white paper is a compilation of key findings from a series of interactions with various Chief Executive Officers (CEOs) and Chief Human Resource Officers (CHROs) on the Leadership Confidence Index report released by Odgers Berndtson in association with Harvard Business Review Analytic Services¹. The aim of this paper is to share a consolidated perspective on leadership issues that resonate across organisations operating within the industrial sector. It carries key take aways on the crisis being faced by the industrial sector due to the Covid-19 pandemic and the way forward as perceived by industry representatives.

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¹Odgers Berndtson Harvard Business Review Analytic Services. (2020). The Odgers Berndtson Leadership Confidence Index 2020. Odgers Berndtson.

Surviving the pandemic

The pandemic has created extreme exceptional circumstances under which leaders have to run their businesses and ensure their survival. The industry has seen crises situations in the past, but the pandemic caused due to Covid-19 is seen as an exception, wherein revenues, costs, and cash flows have seriously deteriorated.

These are not simple times and do not pose simple challenges in front of leaders. These are times where leaders are being tested in terms of confidence in their strength and knowledge.

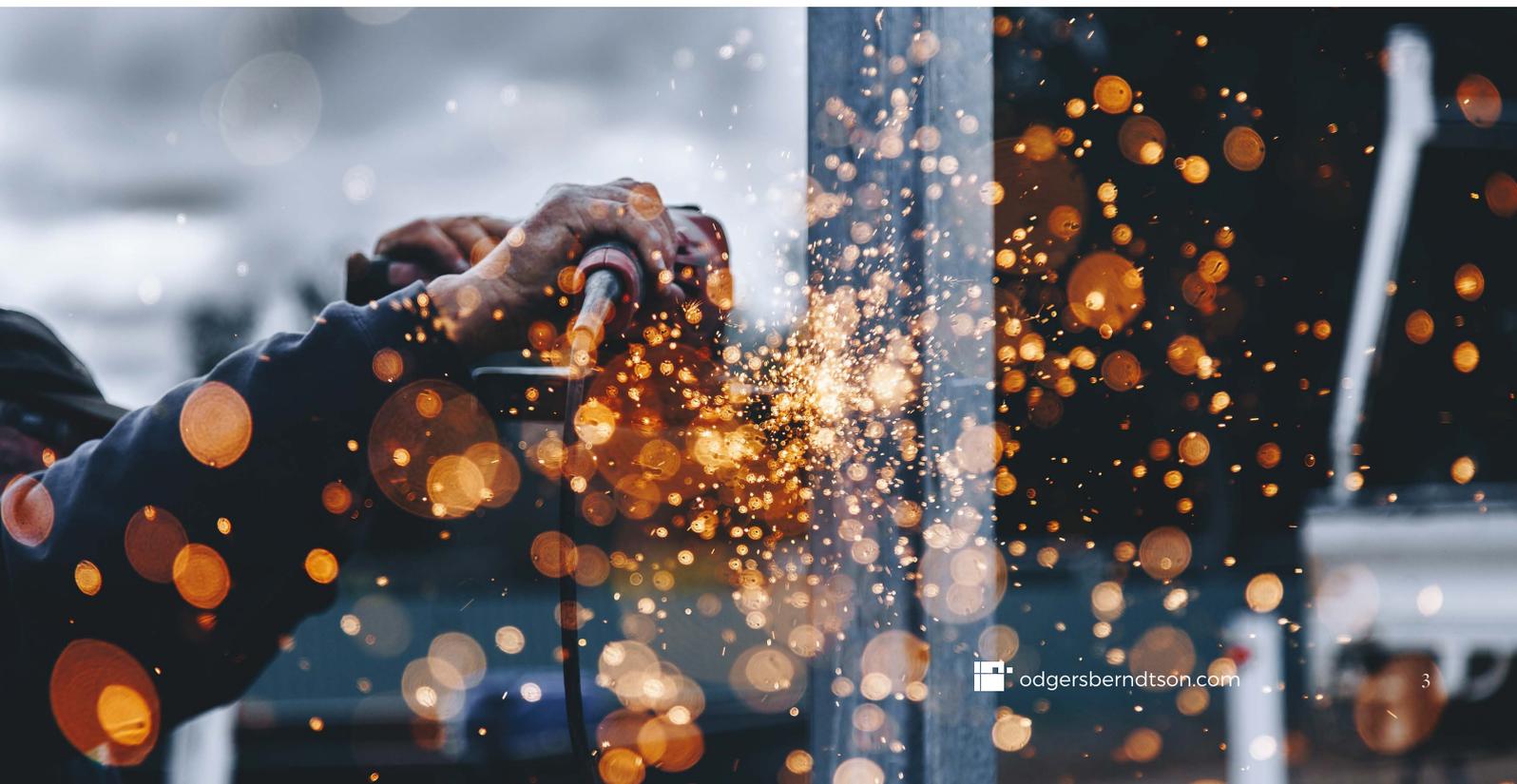
Planning is critical for survival, and leaders must plan to steer their organisation in these times of crisis. But planning cycles have become unpredictable and short. The earlier 5-year or 2-year plans are obsolete. Even early January planning for the next two quarters has become invalid. Organisations are now working on dynamic plans, which are reviewed on a bi-weekly, quarterly

basis. Further, leaders are making business plans based on situation simulation exercises. These exercises involve playing out different scenarios and planning the necessary resources required for each course of action for the year ahead. For leaders having a road map to work on is better than shooting in the dark in these times.

Those organisations that did not have business continuity planning suffered the most under the nationwide lockdown. For such organisations, their IT teams were forced to work under immense pressure and tight deadlines to create an

infrastructure to support a 'Work from Home' environment.

In terms of industry, the workforce is overall impacted. Some plants could remain operational even with skeletal staff with support from automation. For some organisations, most of the staff remained on-site and had to follow regulatory guidelines. At an organisational level, planning to meet the regulatory guidelines on social distancing on-site, such as in steel and power plants, posed its own set of challenges.





The contractual workforce is the most affected under the nationwide lockdown. The country is seeing one of the most glaring labour crises that is affecting nearly 40 million migrant labour engaged in migration back to their native villages from cities.²

Logistics, as part of the supply chain process, poses its own set of challenges in the lock-down. In March-April, passenger trains were not running and road transport was blocked. For ports, the delivery of past orders was getting done. The staff was called to the ports only when required. In the shipping industry, 'Work from home' could be successfully implemented with the support of technology. However, the storage of goods at ports has become a problem as the capacity is nearly full.

The industrial and manufacturing sectors are not early adopters of technology.

Most organisations have built up their infrastructure to enable work from home. However, there are still physical elements involved, such as external field roles, that have to ensure deliveries are done. Manufacturing being a process-driven industry, the entire supply chain must work for successful completion. With some companies not able to conduct operations, storage of by-products such as Sulphur, need to be looked at. Under these circumstances, all such aspects are forcing leaders to think differently, and interesting learnings are emerging.

²Puri, L. (2020, May 24). The migrant worker crisis needs a multipronged response. Hindustan Times. Retrieved from <https://www.hindustantimes.com/analysis/the-migrant-worker-crisis-needs-a-multipronged-response/story-NRCjV7PFFnjJTqI0pi8bYJ.html>

Disruption in Industrial sector in times of Covid-19

With Covid-19, demand disruption has been massive in the industrial sector. This includes Government infrastructure projects which have been delayed.

In the Oil & Gas sector, the first disruption was caused by the price war between OPEC countries and Russia, which resulted in oil prices crashing and impacting the sector across the world. Covid-19 then caused the second biggest disruption in demand. **As per interactions with various industry representatives, demand for fuel in the industrial sector had dropped by 70% in India in the month of April.**

In the Aluminium & Steel business, operating with skeletal staff, the cost of completely shutting down a plant is so severe, that leaders could not have considered this option.

Leaders must study the different kinds of shifts that are happening in the minds of consumers. People have had time for introspection, and there will be a change in consumer

behaviour patterns. In response, companies will have to rebuild their cost efficiency measures, revamp their products, and look at scalable profitability models in order to survive.

Unlike other industry segments, only a deferment of demand is expected in the industrial sector and not a complete decline of demand. The Government will likely push for investments in the construction sector as the sector attracts the maximum labour workforce and gets the wheels of the economy moving. The construction sector contributes to 9% of GDP in India³. Representatives of the industry expect the demand curve to improve July onwards in comparison to other sectors.

The main concern for all leaders in these times is how to maintain a pipeline

of cash flow. This includes concerns on how to make sure that contractors receive money, and more importantly, make payments on time. Companies that are highly leveraged, in terms of large amounts of debt, will be in trouble. Those that have better cash flows will survive.

“ Since behaviour is going to change, automatically businesses will change. ”

B. Anand, Chief Executive Officer, Nayara Energy

³Invest India - National Investment Promotion & Facilitation Agency. (2020). Retrieved from <https://www.investindia.gov.in/sector/construction>



Leadership essentials

These times are a big test of fundamentals at the People, Company, and Leadership level. In terms of layoffs and pay cuts, there is a sharper focus on performance and performance differential within organisations.

People of below average and average performance are being let go. Top leadership in organisations have volunteered for pay cuts and deferred increment in pay-outs. Some organisations can support their employees and are committed to not laying off their staff. These organisations believe that they would require trained staff when the demand curve goes back to normal, and for some sectors, even rises.

The Odgers Berndtson Leadership Confidence Index report reveals a clear crisis of confidence in top global leaders. As per the report, only 15% of the respondents appear confident that their leaders can deliver long-term success amid increasingly

disruptive forces. As per interactions with industry experts, following are essential traits required by leaders in today's time.

VISIBILITY

The visibility of leadership to the rank and file of the organisation is diminishing. This is one of the reasons attributed to the depleting sense of confidence in leaders of the organisation. Senior leaders are often more involved in external forums and are unable to give the required time internally. If this can be changed, then perhaps there would be greater confidence in leadership.

OPENNESS TO LEARNING

There is a need for leaders to come together and have more agenda-less conversations within the organisation. This involves the leadership of the organisation to come together, learn together, and share perspectives about any crisis. Leaders need to informally engage with each other and their teams in order to get different perspectives and come up with unique solutions. For instance, in the case of the oil crisis, organisations could have come together as an industry and learn from each other's perspectives. There is an urgent need to share knowledge and experiences to combat the present crisis.

“ The right leader can anticipate where execution is likely to fail. A true leader can identify those gaps and would know what talent and individual can be deployed to fix that gap. These times are a test of our cumulative experience and leadership. I wish us all great success at navigating through these difficult situations. ”

Dr. Santrupt Misra, Director Global HR & CEO Carbon Black, Aditya Birla Group

ACCEPTANCE

Leaders who lack the strength to accept the crisis, and then who fail to plan for it, will prove to be ineffective in the present environment. If the management of the organisation has a typical mindset of doing business a certain way and is not open to change, then they are leading their organisation towards trouble. No organisation wants to fade away, but some are still operating using old-age methods.

HUMILITY

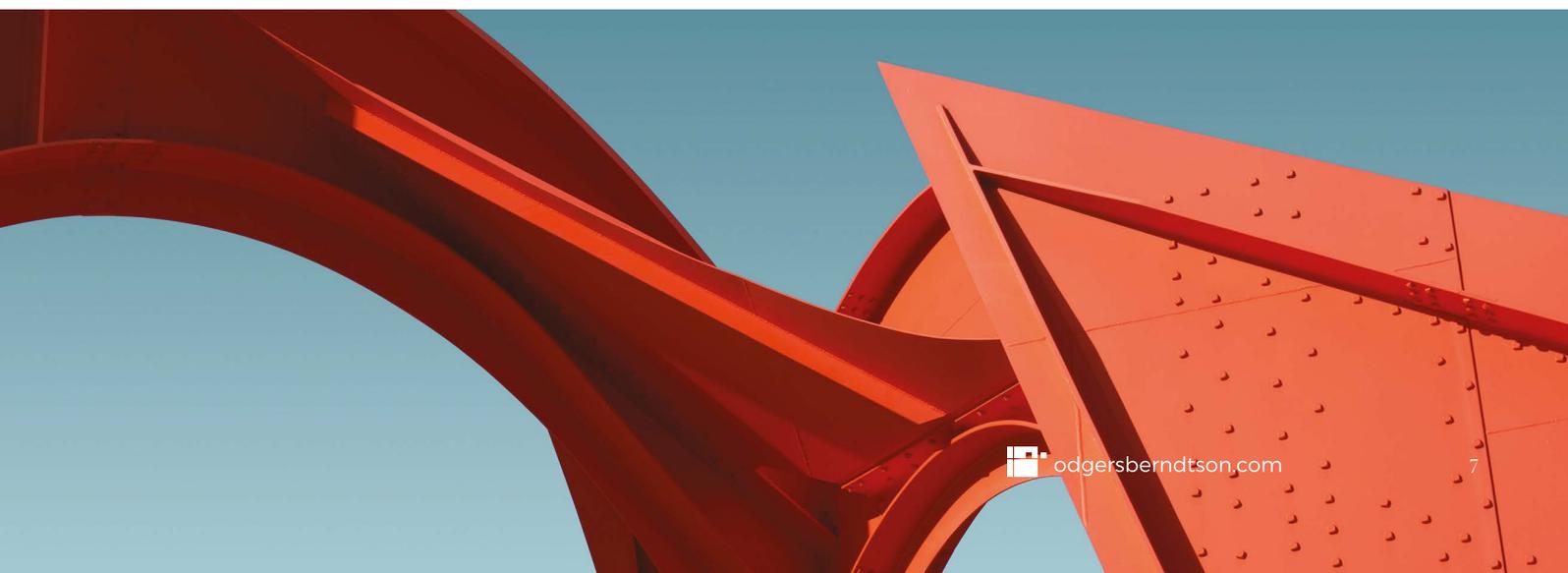
It takes humility from a leader to accept that they don't have the answer to all the questions. In turbulent times, authentic leaders get recognised very quickly. People connect with and respond to such leaders better. Such leaders have the ability to ask the

right questions and can collaborate with others to find unique solutions. The leaders who balance humanity and business are the ones that can connect with people. Moreover, individuals have developed a sense of gratitude for people in their environment who support them every day, enabling greater teamwork.

EMOTIONAL INTELLIGENCE

Emotional Intelligence is one of the most important traits to be displayed by leaders in crises situations. People turn to an organisation's leader, as well their human resource team, who are the first responders in a crises. In these times, extra efforts are being undertaken to ensure the safety and security as well as the physical and emotional wellbeing of people are taken care of.

How to keep all team members emotionally connected, motivated and have faith in their leadership, is a task all leaders, especially the CHRO community, have at hand in the present time. However, looking at solutions that have been successful in the past, will not solve today's new age problems posed by the pandemic.



COURAGE

The biggest constraint with leaders in today's time is the lack of courage. Leaders often lack the courage to make tough decisions. As per interactions, the representatives of the CHRO community state that they have failed to create the environment required to push the board of the organisation, to make hard decisions. Further, they state that it is the responsibility of the CHRO to create a conducive environment in which leaders who have the courage, have the space to take the right action.

Moreover, leaders must equip the team on-ground with the required power to be able to execute the tasks that they have been assigned. Just giving orders virtually and delegating to the ground staff is not going to help in today's circumstances. The flipside to this is having a lot of courage but not exercising enough caution, which can lead to knee jerk reactions or an increase in risk appetite.

Regarding talent management, leaders are afraid to make bold decisions that can affect the status quo, and often do not recruit the right talent as they themselves feel threatened. The aim should be to get the right mix of individuals who bring fresh ideas to the table and can guide and lead the team to success.

CLEAR COMMUNICATION

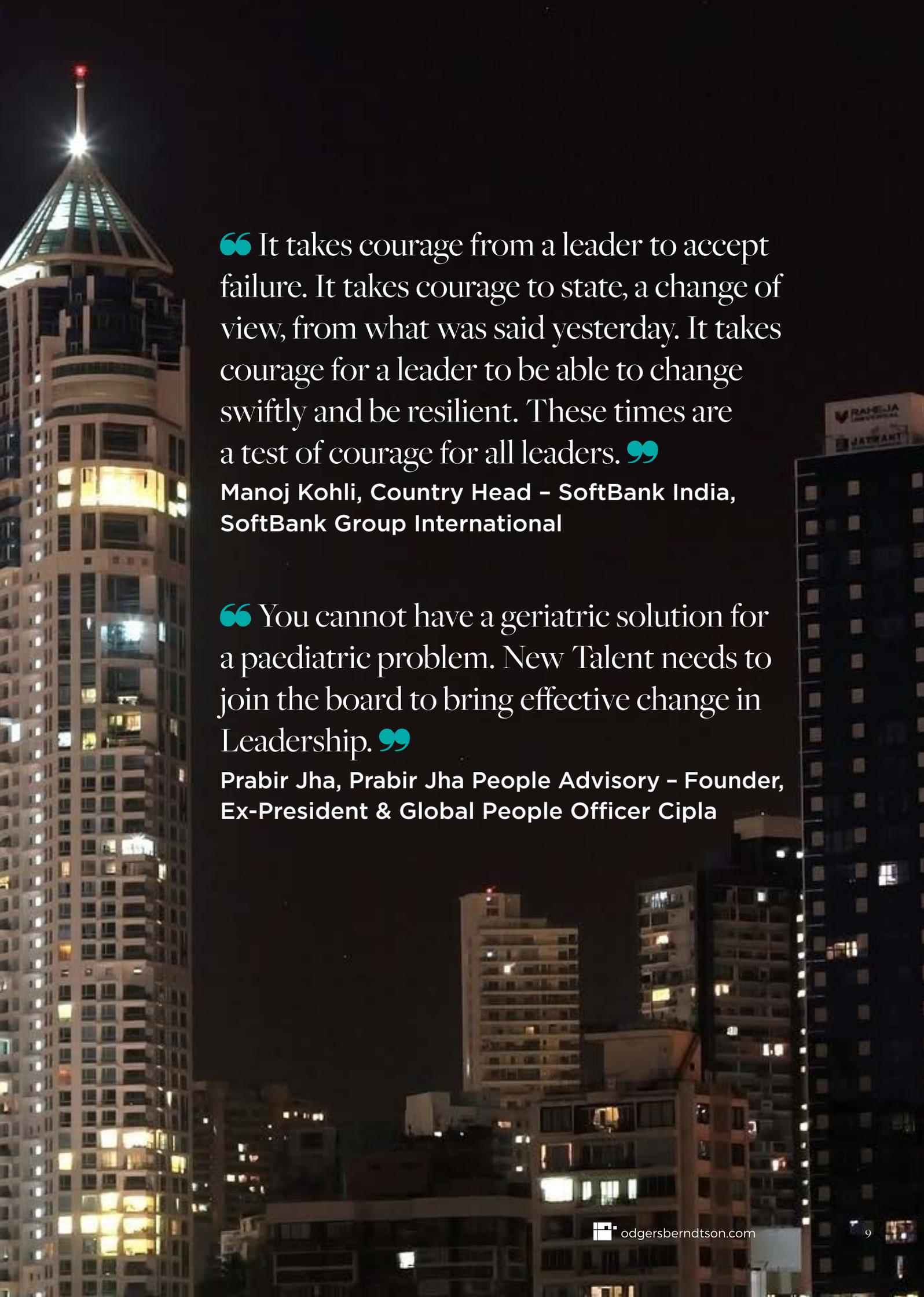
Rapid response teams are being formed in organisations to lead the business through these times of crises. Their action plans are conveyed to the board in a timely manner. However, there are organisations where the boards are not engaged as much and do not communicate effectively. Leaders must tell the truth and not paint a rosy picture to employees that may be far from reality. There is a strong need for honest and transparent communication, even if it involves making tough decisions such as lay-offs or restructuring the organisation.

The key is to have consistent and clear communication with both internal as well as external stakeholders. This includes keeping the local community that resides near the manufacturing plants, informed on actions that may impact them.

AGILITY

Leaders are being called upon to display agility in these times. Agility is an essential characteristic for leaders to be able to drive their organisations in such dynamic times.

The key to managing disruption caused by the pandemic is to know what to learn afresh and what to unlearn to ensure your past experiences do not colour your present actions. It is also essential to understand the context under which a certain solution will be successful.



“ It takes courage from a leader to accept failure. It takes courage to state, a change of view, from what was said yesterday. It takes courage for a leader to be able to change swiftly and be resilient. These times are a test of courage for all leaders. ”

Manoj Kohli, Country Head – SoftBank India, SoftBank Group International

“ You cannot have a geriatric solution for a paediatric problem. New Talent needs to join the board to bring effective change in Leadership. ”

Prabir Jha, Prabir Jha People Advisory – Founder, Ex-President & Global People Officer Cipla

Going forward

The disruption caused due to the pandemic has taken away the complacency built over a period within organisations. Business leaders are looking at costs differently. The steep cost associated with real estate is being re-looked at.

This may result in cost-cutting in terms of setting up permanent work from home structures and investment in external co-working spaces or business centres. Also, leaders are looking at reducing supply chain costs through the support of technology.

IDENTIFYING OPPORTUNITIES

This period serves as the perfect time for leaders to identify opportunities for the organisation's growth and to become more efficient. This includes implementing

practices not just aimed towards survival, but towards enhancing delivery capability, to be prepared when consumer demand increases. Going back to the previous old practices, which now seem inefficient, will not serve any useful purpose. Only those companies that can identify and capture opportunities will survive.

These are times in which people are more receptive than usual; this includes Government departments that are open to collaboration and suggestions. There are many

opportunities and areas of collaboration emerging, for India to present itself as a prime investment destination. Organisations with multinational operations are worried about the impact the pandemic is expected to have on its operations in China due to the changes in perception. Also, organisations operating in the Industrial sector are closely looking at opportunities to bring in new technology, to reduce dependency on imports, and support the 'Make in India' cause.

“ Leaders are called upon to display agility in these times. The leaders that are successful are those who have made an effort to be on top of a context and apply that context to their business. In the absence of this link, such leaders are not able to guide their organisation to its next destiny. ”

Ashok Ramchandran, Group Executive President – Group HR, Aditya Birla Group

WORKING TOGETHER AND RECRUITING THE RIGHT TALENT

With this new working environment, HR professionals are currently working behind the scenes to engineer people to think and work together. They are concerned about how to lift the quality of decision making while at the same time, ensuring the decisions that are taken are a collective one.

With the recruitment cycle itself becoming digitised, recruiting the right talent, especially at the leadership level, is a critical cog to ensure the operational success of the organisation.

REGULATORY UNCERTAINTY AND ITS IMPACT

The implementation of regulatory guidelines issued

by the Government is different in different states, presenting a huge hurdle in supply chain management for the industrial sector. This will ease only with time. Regulatory pressures are also forcing a certain pace of change on individual organisations and will bring to light issues that will need to be addressed by their management. The organisations that plan ahead and get the first-mover advantage, and those that will adapt to the new paradigm, will sail through and come out as winners.

NEW WORLD EMERGING

As per interactions with industry experts, a new world is going to emerge. For the industrial sector, conducting March financial year closing

with a 30% staff strength, or from a work from home environment, could never have been imagined in the past. The financial year closing was successfully implemented across organisations in the sector.

In many ways, the pandemic has taught leaders that a lot of things can be done differently. Looking at the manufacturing cycle with a fresh perspective, new cost structure models, looking at new productivity levels with existing staff, is the way ahead. Studying the trend in China for the automotive sector, the demand curve for small to medium-size cars and the two-wheeler segment is expected to rise significantly.

“A new world is emerging, one in which true leaders can be easily distinguished from the crowd. It is important to continue to make consistent investments in talent management, to ensure a diverse group of leaders are present, to steer the organisation in these disruptive times.”

Prasad Medury, Managing Director Odgers Berndtson India

DIGITISATION IS NO LONGER A CHOICE

With restrictions on staff, leaders have started looking at automation within operations. Though these options were always present, they were never fully utilised. The earlier pace of digitisation was dependent on funds, resource availability, etc. The current pandemic has fast-tracked the digitisation process. Digitisation is no longer a choice for organisations. Those that are quickest to adapt to technology will survive. The important thing for leaders is to know which areas to focus on for digitisation, rather than trying to implement everything together. With automation, efficiency levels have been found to increase significantly.

SUPPORTING SMALL BUSINESSES

Large organisations have come forward to support small businesses and individual skilled professionals both in cash and in kind. Some have engaged with such staff and the local community near the plants and are giving them lessons on how to stay safe and healthy under the present circumstances.

KEEPING HOPE ALIVE

Since consumption behaviour is going to change, leaders need to have courage, identify opportunities, and drive hope and optimism strongly. However, keeping spirits up in such dynamic times is easier said than done. Leaders must ensure that the brand image of their organisations is maintained.

Most important is to communicate effectively to keep both internal as well as external stakeholders, such as investors, informed, and remain positive.

Executive boards must develop focused initiatives to ensure the confidence of the team remains high in their leaders. Organisations must continue to invest in talent management to ensure the right set of leaders guide the organisation in these disruptive times.

History has proven that the human race has resilience and can surely bounce back from the crisis, so long as we have the right leaders to guide the way.

Participants*

We would like to express gratitude to the below representatives for their valuable insights.

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Odgers Berndtson India works with Indian conglomerates, large globalising Indian companies and foreign multinationals to discover and develop leaders with the talent to capitalise on India's growing markets. With a pan-India reach through our offices in Mumbai and Delhi, we pride ourselves on a deep understanding of every aspect of our clients' needs and a focus on a quality candidate experience.

For over 50 years, Odgers Berndtson has helped some of the world's biggest and best organisations find the senior talent to drive their agendas.

We deliver executive search, assessment and development to businesses and organisations varying in size, structure and maturity.

We do that across over 50 sectors, whether commercial, public or not for-profit, and draw on the experience of more than 250 Partners and their teams in 29 countries.

Odgers Berndtson's strength lies in the partnerships we develop to address that need.

We form strong relationships with the most talented people, with those seeking them and between our own teams globally, to bring both sides together.

It is because of our deep, non-transactional and lasting partnerships, that our clients can acquire, develop and retain their strongest leaders.

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