

India Inc trusts insiders for top positions

Indian corporate houses prefer internal candidates for top level positions, as illustrated by the leadership changes at Larsen and Toubro (L&T) and the Tata group. L&T recently appointed K Venkataramanan, who has been with the company for more than four decades, as its new CEO and MD. Earlier, the Tata group selected Cyrus Mistry, son of Pallonji Shapoorji Mistry, the single largest shareholder of the group. In both these cases, the selections were made after an extensive search process that included external candidates.

Pallonji Mistry is also planning to hand over the reins of Shapoorji Pallonji group to his elder son and a long-timer at the group, Shapoor Mistry. In January this year, Godrej Properties appointed Pirojsha Godrej as its new CEO and MD. He is the son of the group's chief Adi Godrej. Many large corporate groups with significant family holdings appointed family members as successors for the top post. An insider has better understanding of the company and its culture. He also has a credible relationship with people in the company and is thus a preferred choice to lead it.

Globally, choice of successor is mixed picture. While companies like Yahoo! and HP appointed outsiders to lead the firms, others like Apple and GE trusted insiders for the top positions. However, in India lateral hirings for senior positions are not very high. Choosing an insider for top job also serves as an incentive for talented long-timers. Sanjay Pandit, MD of HR consulting firm ManPower Group says, *"Appointing an internal candidate as the successor also sends out a good message that hardworking people would be rewarded by the company. It is also a good retention tool."*

The recent leadership succession at L&T was viewed with apprehensions as Venkataramanan is already 67 years old and has only three years to retire. K Ramachandran, Thomas Schmidheiny Chair Professor of Family Business & Wealth Management, ISB, commented, *"Given that the company has very ambitious plans for rapid growth and that the entire top team is past sixty, the board should have by now groomed a generation of younger leaders."* He opined that outgoing CEO and MD, AM Naik could have opted to be a chairman emeritus providing grooming inputs rather than continuing to play an executive role that implied indispensability.

Commenting on internal leadership talent, E Balaji, the CEO and MD of HR consulting firm Ma Foi Randstad said, *"Going for an outside candidate to succeed also reflects the lack of talent internally. Companies are focusing on developing internal talent and a deep management bench."*

Source: Express Hospitality, 16 – 31 March, 2012