

**Leadership for India Inc: Practical Concepts and Constructs**  
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**Week – 03**  
**Leadership for Sustainable Growth**  
**Lecture – 14**  
**Global Leadership**

Hi Friends, welcome to the NPTEL course on Leadership for India Inc. Practical Concepts and Constructs. We are in week-3 discussing Leadership for Sustainable Growth. In this lecture, we will consider Global Leadership.

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**Global Leadership**


Notwithstanding certain recent trends of protection and the shock of pandemic Covid-19, globalization is a structural fact of global economy, now as well as in the future. No country can be fully self-sufficient or self-reliant.


Different countries at different stages and states in terms of development, market size, demographics, and resources.

Material resources are unevenly distributed across the globe with high concentrations in a few countries in respect of many critical resources


Consumption markets are unevenly distributed across the globe with populous emerging countries offering great potential

On the other hand, technologies, financial resources and means of production are concentrated in certain developed countries.





In this paradigm of uneven distribution of factor inputs, production outputs and consumption markets, globalization is an essential part of global economy. If at all, globalization will be based less only on cost arbitrage and more on logical flow of materials and products with high quality standards, and appropriate risk mitigating methodologies.



We have focused on five factors which are considered to be beyond and above what we think as physical and financial performance of the company. These drive the leadership behaviours of the highest order, one – technology, second – climate, third – resources, fourth – globalism, and fifth – crisis leadership. We have considered in the previous three lectures, technology, climate, and resources.

In this lecture, we will consider global leadership. Despite the trends we have seen of certain degrees of protection on the part of certain developed countries and the shock of pandemic COVID-19 which has served to stop international travel, we cannot say that

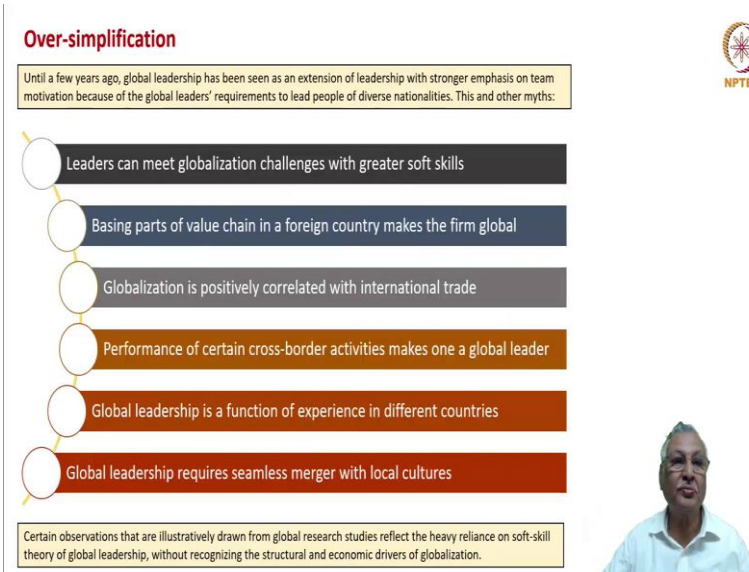
globalization is addressed. In fact, no country can ever be fully self-sufficient or self-reliant, and globalization as a systemic concept of industrialization will stay on.

Different countries are at different stages and states in terms of development, market size, demographics and resources. Material resources as we have seen in the earlier lecture are unevenly distributed across the globe with high concentrations in a few countries in respect of many critical resources. At the same time, consumption markets are unevenly distributed as well while developed markets offer a flat level of consumption market, emerging markets offer great potential of growth.

On the other hand, technologies, financial resources, and means of production are concentrated in certain developed countries as well as in certain fast developing countries. In this paradigm of uneven distribution of factory inputs, production outputs and consumption markets, globalization is the only phenomenon that can ensure an equitable development over a long term.

It is therefore, an essential part of a global economy. If at all globalization of the future will be less on cost arbitrage, and more on material and product flows with high quality standards, and with nations taking certain measures to mitigate the risk of excessive dependence on one or two countries.

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**Over-simplification**

Until a few years ago, global leadership has been seen as an extension of leadership with stronger emphasis on team motivation because of the global leaders' requirements to lead people of diverse nationalities. This and other myths:

- Leaders can meet globalization challenges with greater soft skills
- Basing parts of value chain in a foreign country makes the firm global
- Globalization is positively correlated with international trade
- Performance of certain cross-border activities makes one a global leader
- Global leadership is a function of experience in different countries
- Global leadership requires seamless merger with local cultures

Certain observations that are illustratively drawn from global research studies reflect the heavy reliance on soft-skill theory of global leadership, without recognizing the structural and economic drivers of globalization.



Until a few years ago, global leadership was seen as an extension of leadership, but with stronger emphasis on team motivation and the ability to manage multiple national cultures. But this is too simplistic a definition of global leadership.

While leaders can meet globalization challenges with greater soft skills that is not the only requirement. For that, we need to understand how a global cooperation gets into being, how a global cooperation is lead, and what are the advantages and disadvantages, risks and opportunities facing global corporation.

In this lecture, we will go through those facets with specific examples. Basing parts of value chain in a foreign country makes the firm global that is also another simplistic thought process, another simple way of looking at globalization that it is positively correlated with international trade.

Performance of certain cross border activities makes one a global leader. Global leadership is a function of experience in different countries, and also a corporation or a leadership, which merges with local cultures is a global leadership, but all of these statements are oversimplification of the paradigm of globalization and also global leadership.

Certain observations which are drawn in this lecture from global research studies reflect that while there is heavy reliance on soft skills theory of global leadership, there is also the need for structural and economic drivers of globalization to be part of the global leadership paradigm.

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## Generic Global leadership Skills Important but not Sufficient

Harvard Business Review identified top leadership competencies based on a survey of 195 global leaders in 15 countries over 30 global organizations. It short-listed 10 top requirements based on a set of 74 generic leadership competencies.



### The Top 10 Leadership Competencies, Grouped Into Five Themes

When 195 global leaders were asked to rate 74 qualities, these rose to the top.



SOURCE: SUNNIE GILES

© HBR.ORG

Source: Sunnie Giles. The Most Important Leadership Competencies, According to Leaders Around the World, Harvard Business Review, March 15, 2016

These ten competencies are further organized into five buckets based on proximate nature of certain factors. The focus of the respondents is as much on developing leaders as on contributing individually as leaders.



But first, let us look at the soft skills. There was a study which came in Harvard Business Review which looked at 195 global leaders in 15 countries and 30 global organizations. It shortlisted top 10 requirements based on a list of 74 generic leadership competencies. And of these ten, five buckets of factors emerge.

One – strong ethics and safety; second – self organizing capability of the leader, efficient learning of the leader, ability to nurture growth, and connection and belonging, these are considered the five important soft skills for a global leader.

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## Global Generic leadership Skills Grouped

The earlier cited global leadership competencies are brought together in five key themes as follows. All the five reflect the softer sides of leadership, essentially dealing with people relationships and individual development (more like LMX theory!).

Ethics & Safety	Empowerment	Belongingness	Ideation & Learning	Growth
The leader creates a safe and trusting environment for the followers	The leader provides clear direction but also enables followers to self-organize	The leader provides caring and connection, enabling the followers develop "roots"	The leader provides freedom to ideate, learn from successes and mistakes	The leader enables development of followers
Demonstrates compliance to core values; makes team members feel safe	The ability to "let go" and develop leaders to excel by themselves	Frequent and open communication between the leader and followers	Demonstrates his or her own desire to learn, serving as a role model	Creates a bench of next-generation leaders
Communicates to develop a mutually trusting environment	Requires the leader to work on oneself while developing the followers	Leverages the human psychological longing to belong and be attached	Provides a culture of risk-taking and collective learning	Leverages the innate desire for growth in individuals

Source: Sunnie Giles. The Most Important Leadership Competencies, According to Leaders Around the World, Harvard Business Review, March 15, 2016

While global leadership is challenging, given the multitude of diverse factors and spread of teams, and elevated risks, the above five themes, though very helpful and necessary, do not describe global leadership in its totality.



If you look at these five top skills, you can identify certain key drivers of each of these skills. One, if you look at ethics and safety, the leader has to create a safe and trusting environment for the followers that becomes very important when a company operates in multiple geographies and multiple cultures, and also when people of different cultures join the multinational corporation or a global corporation.

The firm which is operating globally must demonstrate compliance to core values and also the national systems, so that the team members feel safe. It also has to communicate a mutually trusting environment. As far as the empowerment is concerned, the rules are the same as in any other model, clear direction, but enable the followers to self-organize, ability to let go the team members to develop a few things on their own, but also allow them to excel by themselves through some kind of mentoring and coaching.

It requires the leader to work on oneself while developing the followers. Belongingness is exemplified by caring and connection, enabling the employees develop roots, frequent open communication, and leveraging the psychological needs of employees to belong. Ideation and learning, because the company is operating in several regions of the world, there are huge opportunities to learn and develop for the employees.

Similarly, there are also opportunities for the leaders to learn from the experiences of different countries and jurisdictions and the ability to demonstrate as a leader the need for learning and development through personal example as also providing structural enablements for the other employees that is key to ideational learning.

And as far as growth is concerned, development of followers on the career path, development of the next level of leaders and also leveraging the innate desire in an individual to develop oneself that is important. These are all good leadership skills. And they are brought into focus to a greater degree in a global context.

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## Activity Based Global Leadership Approach

Spencer-Oatey Helen, a researcher on global leadership identifies ten things global leaders do as follows. She also cautions that 'national difference' alone does not constitute leadership. The activities identified by her are:

SN	Global leaders...
1	Work with colleagues from other countries
2	Interact with external clients from other countries
3	Interact with internal clients from other countries
4	May need to speak in a language other than their mother tongue at work
5	Supervise employees who are of different nationalities
6	Develop a strategic business plan on a worldwide basis for their unit
7	Manage a budget on a worldwide basis for their unit
8	Negotiate in other countries or with people from other countries
9	Manage foreign suppliers or vendors
10	Manage risk on a worldwide basis for their unit

Source: Spencer-Oatey, Helen (2020) Global Leadership: Key Concepts and Frameworks, in E.Jordans, B. Ng'weno and H. Spencer-Oatey, *Developing Global Leaders: Insights from African Case Studies*, Palgrave. [https://warwick.ac.uk/fac/cross\\_fac/globalpeople2/companies/gpatwork/globalleadership/](https://warwick.ac.uk/fac/cross_fac/globalpeople2/companies/gpatwork/globalleadership/)

While global leaders may be doing activities such as the above, even collectively the suggested 10 activities do not constitute global leadership. It is far more than regular leadership competencies or cross-border activities.



But, we need to look at the activity based approach as well. Global leaders typically work with colleagues from other countries. There are bound to be certain similarities and dissimilarities, which they must understand how to manage. And this is more than just national difference or a cultural difference. It is the perspectives with which the leaders come from, if a leader is from a growth oriented company which is used to be doing things in a frugal, but an agile manner.

For example, a country such as India, the leader is likely to be quite different from a leader who comes from an evolved, mature, western organization style wherein everything is taken step by step, and with the due analysis and with the due safety measures. So, there are going to be differences. And these differences cannot be called national differences, these are differences related to the economic environment in which those companies have come about.

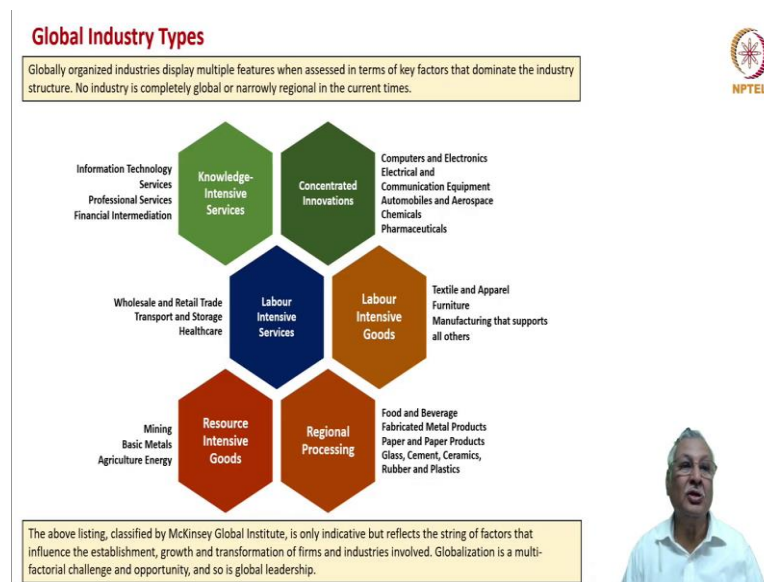
Global leaders understand how to interact with external clients from other countries as also internal clients from other countries may need occasionally to speak a language other than their mother tongue at work. They should be able to supervise people of different nationalities. And in doing so understand the body language and the cultural moorings of communication, develop a strategic business plan on a worldwide basis for their unit. Manage a global budget, although it is allocated for the unit.

Negotiate in other countries or people from other countries; manage foreign suppliers or vendors; be open and be accepting of one vendor across the world for each specific

activity, because the one firm concept operates; manage risk on a worldwide basis for their unit, there cannot be differences on how let us say cyber security is handled in an Indian unit vis-a-vis how it is handled in a US based unit. Therefore, the standardization that happens in the activities is one of the important aspects of global leadership.

And global leadership typically tries to elevate the common multiple to the highest level rather than seek something which is very easy to adapt, that is where the challenge of working with different nationalities, different regions, different governments comes about.

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But as I said, these soft skills, these soft activities, these leadership approaches are relevant to some degree. But, we also need to understand; what are the typologies of global industries to understand further the impact on the global leadership.

We can classify all the industries in my opinion in six particular types of industries. The first is the knowledge intensive services, services which deal with information technology, professional services, financial intermediation, for example, industries which have concentrated innovation, computers, electronics, electrical and communication equipment, automobiles, aerospace, chemicals and pharmaceuticals, these are driven by high level of innovation on a continuous and constant basis.

We also have labour intensive goods, that is; where in spite of the progress in automation and mechanization, human factor is extremely important in developing the products and in designing the products. And of course, in manufacturing them in cost-efficient way, textiles and apparel, furniture and manufacturing that supports various other industries these become the labour intensive goods type of industries.

We also have labour intensive services, which is wholesale and retail trade, transport and storage, and healthcare. There are some research intensive goods which are mining basic metals, agriculture, energy which we have seen in the previous lecture.

Then we have regional processing. There are some activities some industries that are best located in the consumption markets or as well as in the production regions, food and beverage, fabricated metal products, paper and paper products, glass, cement, ceramics, rubber and plastics, these belong to these classes.

This classification was developed by McKinsey Global Institute. And, I have partially modified it. It is indicative, but reflects this string of factors that determine the type of each industry.

As you can guess, the leadership requirements of one type of industry are somewhat different from the leadership requirements of another type of industry, although certain common hard skills and soft skills are required. Hard skills are likely to be much more industry specific, whereas soft skills are likely to be much more generic in terms of cross industry application.

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**Globalization is Driven by Six Economic Factors**

A quest for access to various factors of socio-economic growth has been a prime driving force for countries seeking globalization. Globalization has been an evolved form of international trade, except that the commodity to commodity or commodity to cash exchanges got substituted by multiple factorial combinations, making globalization very complex.

Establishment of factories and running them is dependent on factor advantages (land, water, taxes, people, incentives) as well as the ease of doing business in a jurisdiction.

Talent levels, cost levels and pool sizes determine the attractiveness of a particular region for cross-border movements of outsourcing options.

Companies enter into cross-border technical collaborations to enable a strong product-market platform.

Countries and companies enter into cross-border arrangements to control mines and other material resources.

The arrangements vary from 'government to government aid programs' to companies seeking investments or investors investing into companies.

Beyond import-export trade, access to domestic markets is achieved through domestic ventures formed based on foreign direct investments and minority/majority joint ventures.

In this paradigm of uneven distribution of economic factors across the globe covering production and consumption, globalization is an essential part of global economy. Enabling access is one of the policy instruments the governments do have to promote mutual exchanges between nations – for example, opening up of markets for investments.

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Globalization basically is driven by six economic factors as this slide presents. The first is access to technologies, access to natural resources, access to finance, access to consumption markets, access to workforce and access to factories.

When India started developing one of the first globalization moves done by the government and of course, the industry was to access the technologies that are available in the developed world. Be it the United Kingdom, United States or in later times Japan and that is the pathway in which global corporations also enter an emerging market.

So, technology is one of the most important and relevant bridges between different types of countries and different types of markets. Access to natural resources is a powerful driver for multinational corporations to spread their wings across various geographies. Many reasons for Indian companies going into other regions or other companies getting into India was driven by the access to natural resources.

Access to finance is also another important aspect of globalization. With economic liberalisation that has taken place from 1992, we have seen huge foreign direct investment flows into India. Today, we have record levels of foreign direct investments into India, which has happened because the country has been opened up for foreign direct investments.

And investors globally are also looking for stable markets, markets which are growth oriented, and markets which can be relied upon, that is why investments flow into Indian green field companies, brown field companies and also into the stock markets.

Another powerful driver, a driver as powerful as finance and technology and resources is the consumption market that exists in a nation. Beyond import export trade, the strength and size of the consumption market verily determines the entry of global behemoths into a particular nation.

Amazon has entered India because of the huge market that the country offered for electronic commerce and the company foresaw that few decades earlier. Walmart also entered subsequently, because they felt that there is a huge untapped market in e-commerce in India.

Access to workforce, the work patterns in developed countries have changed over time. People are more oriented towards service and less oriented towards production. People are more oriented towards liberal education than on STEM education. As a result, global companies require workforce which is very strong in STEM skills that is science, technology, engineering, and management skills.

And also workforce which understands quality standards, but could offer those standards at lower cost levels. So, access to workforce, talented working pool is an extremely important driver of the globalization. Establishment of factories and running them is dependent on other factor advantages like land, water, taxes, people, and incentives as well as ease of doing business in a jurisdiction.

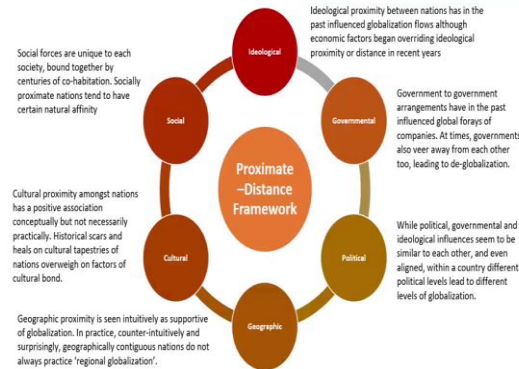
In this paradigm of uneven distribution of economic factors across the globe covering production and consumption, globalization is an essential part of global economy. Enabling access is one of the policy instruments governments the world over have to promote mutual exchanges between nations.

Enlightened governments always think that we should not foreclose options for access. The more we give an access the more we also can get access to what other nations can offer. So, opening up of markets for investments, for example, has helped India receive foreign investments, but also enable stronger manufacturing base, stronger development base which could again produce goods and services for the global partners. So, it is a kind of virtuous paradigm of globalization.

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## Globalization Has Non-Economic Factors Too

Beyond production and consumption factors, there have been (and will continue to be) several other factors influencing globalization. These are not necessarily economic factors. In fact, Pankaj Ghemawat's CAGE framework considers some of these. A broader Proximate-Distance Framework explains the concept further.



The six economic factors considered earlier (technologies, natural resources, finance, markets, labor and factories) and these six non-economic factors (ideological, governmental, political, geographic, cultural and social) constitute a complex paradigm of globalization. Which of these act as enablers and which as disruptors is not easily understood.



But globalization has non-economic factors also, Pankaj Ghemawat has developed what we call the CAGE network, which considers a broader proximate distance framework to explain the concept that there are certain non-economic factors. Of course, one of the cage factors is economic; however, there are other factors.

The proximate distance framework says that there are ideological factors, that is ideological proximity between nations is extremely important for globalization which is one of the reasons why certain countries do not receive the level of investments and the level of technology, or even the entry of foreign corporations due to ideological considerations.

Then we have got governmental considerations, government to government arrangements have been in the past instrumental in enhancing the level of globalization. The relationship India had with former USSR and the other Eastern European Companies have been phenomenally helpful in developing the industrial base, and promoting the first leg of globalization for the Indian industry.

So, government to government relations are extremely important. India's relationship with the Japanese government for example is opening up the bullet train systems for entry into India. Then the political configurations, political ideologies can bring economies together, but also can separate economies.

Geographic considerations are important, but they are important relatively with reference to certain product types. Certain products can be shipped all across the world without any

issue and without any risk to the shelf life. On the other hand, for certain products, it may be irrelevant to try to ship them through long distances. For example, water for injection which is a small vial having sterile water would it make sense to produce that in a far off country, and then ship it to another far off country. Therefore, there are certain geographic considerations.

Border nations need not necessarily mean that trade can be very easy across the border nations. In fact, there are restrictions on border nation investments because not all border nations are friendly to the country. Then we have cultural proximity. And it is not necessary that we should have cultural proximity to form a trade block or regional block, BRICS is a block of different countries Brazil, Russia, India, China and South Africa.

And the cultural differences are very strong, the geographic distances are very strong, but there has been some economic rationale and development rationale that are underlined the establishment of BRICS as a trade block. It was a non-regional trade block.

Social forces are also unique to each society because each society is bound by centuries of cohabitation. So, the six economic factors that have been considered earlier to repeat technologies, natural resources, finance, markets, labour, and factories. And the six proximate non-economic factors that are considered now ideological, governmental, political, geographic, cultural, and social together these 12 factors constitute a complex paradigm of globalization.

To believe therefore that the soft skills of a leader can make a leader a global leader and that a global leader can make a cooperation a global cooperation would be a facile viewpoint of globalization and global leadership.

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## What Constitutes Global Leadership

Against the backdrop of the twelve factors defining globalization individually and collectively, global leadership may be defined as leadership that helps firms achieve or respond to globalization, dealing with global corporations and agencies.



Global leadership requires not only a set of generic industry- and firm- level leadership skills but more importantly a whole set of ten very important globally relevant leadership attributes as above. The expectations on a truly effective global leader are indeed very high although the leader may fulfill some through his or her leadership team.



So, to be able to be an effective global leader, we need to have business acumen as well as relational acumen. Business acumen gets reflected in terms of the technological savviness which a leader possesses. The resource sensitivity which a leader possesses, the financial agility he is able to bring to the business. The customer centric approach, the people oriented approach and the value additive to nature of the leadership, these are extremely important to add strength to the business acumen which a leader must have.

From the relational point of view, the leader must be pragmatic. He or she should be compliant with different jurisdictions. The leader should be apolitical. And the leader should also have strong socio-cultural moorings of respective regions. It is not a generic industrial level or a firm level capability; it is something that transcends all these industry, firm level or even national level differences.

But a set of deep dwelling competencies that could enable globally competitive and globally sustainable products and services, then only a corporation can grow globally. And that needs to be fulfilled through the organizational network which global leadership can develop within the country as well as across nations.

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**Global Leadership – Being Technology Savvy**

Being technology savvy is one of the important requirements for a leader to establish and lead a globally competitive and globally sustainable firm. Technology provides the foundation for global leadership. The case of NVIDIA illustrates.

JENSEN HUANG cofounded NVIDIA in 1993, focusing on a single niche: building powerful computer chips to create graphics for fast-moving video games.







While video games drove growth relentlessly, Jensen Huang began investing billions of dollars in R&D for high-performance computer chips.

Technology and business vision enabled NVIDIA get to market, by mid-2010s, AI-focused chips that began to dominate this nascent market.

NVIDIA chips now power several futuristic products such as autonomous vehicles, robots, drone aircraft, and dozens of other high-tech tools.

Jensen Huang was voted to the top spot in HBR's list of best-performing CEOs in 2019, not only for financial performance but also for corporate responsibility.

Jensen Huang's leadership trajectory brings forth the whole set of twelve very important globally relevant leadership attributes, led by technological foresight. The truly effective global leader is also a technology leader.

So, let us consider each of these factors in some detail. Being technology savvy is probably the basic foundation for global leadership. A leader can establish and lead a globally competitive and globally sustainable firm only with technological edge. Let us take the case of nVIDIA, Jensen Huang co-founded nVIDIA in 1993 with the focus on a single niche which is building powerful computer chips to create graphics for fast moving video games.

While video games drove growth relentlessly, the founder began investing billions of dollars much ahead of the times in R&D for high performance computer chips. As a result, the chip player became very strong player in the computers and computing devices.

Technology and business vision enabled nVIDIA to get to market by mid, 2010 ahead of today's hype on our artificial intelligence AI focus chips. They began to dominate the nascent market. Now, nVIDIA chips power several futuristic products such as autonomous cars, robots, drone aircraft, and dozens of other high tech tools apart from smart devices.

He was voted consistently to the top spot in various surveys and in HBR's list of best performing CEOs in 2019. He was rated not only for the financial performance, but also for corporate responsibility. So, technological savviness of the founder of nVIDIA has enabled, nVIDIA become a technology leader and also a global leader in its chosen business path. The truly effective global leader is one who is also a technology leader.

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**Global Leadership – Lessons from Global Technology Leaders**

NVIDIA's example illustrates that global dominance in high-end products and services arises from leadership that recognizes technology as a growth driver. Several global firms owe their ascendance to similar emphasis on technology.

Global leadership requires fundamental innovations that not only meet the needs of the emerging horizon but also create completely new horizons. Google's parent Alphabet, Amazon's Blue Origin and Tesla's SpaceX reflect similar pursuit of technological and business mega trends.

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So, what are the lessons from global technology leaders? I would be talking about one example of each of these supporting drivers for global leadership, and then talk about the takeaways we can take from such global leadership demonstration. One – the leader must be able to identify the nexus between technology and business which nVIDIA has done. And also invest in technology for mega trends.

Long before computing chips became important, the founders started investing in them; and long before artificial intelligence became important, he started investing in AI driven chip. So, invest in technology to cater to the future mega trends.

Collaborate upstream and downstream. It became a huge B2B success story, because it was able to negotiate, discuss and have win-win alliances with end product makers as also material suppliers on both sides of the manufacturing chain. Invest in manufacturing infrastructure because once you hit it right, you require these things in millions and billions. So, you have to invest in high quality, top of the class manufacturing infrastructure. And this process never stops.

You need to identify the next technology and business mega trends, so that there is a continuous upliftment of the technological foundation as also the business direction and growth potential for the company that is the lesson we get from the global technology leader. Google's parent Alphabet, Amazon's Blue Origin, Tesla's SpaceX, they also reflect similar pursuit of technology and business megatrends.

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**Global Leadership – Being Resource Sensitive**

GE is a leader in industrial products globally. GE's leadership took the lead a few years ago to begin embedding the concepts of circular economy not only in its operations but also how its equipment can be operated with sustainability by its users.

The diagram is divided into four horizontal sections, each representing a different stage of the product lifecycle. On the right side of the diagram, there are 12 numbered objectives corresponding to the four levels.

- Build Equipment with secondary materials:** Includes icons for Sourcing, Design, Production, Safety, and Customer Site. Objectives: 1. Minimize production byproduct and waste with a digital value stream map; 2. Reduce production waste through advanced analytics and defect anomaly prediction.
- Operate Equipment while optimizing resources:** Includes icons for Execution, Material processing, Transport, and Production processing. Objectives: 3. Maximize production waste through closed-loop partnerships; 4. Optimize energy and utilities usage through analytics and operational models.
- Service / Circulate Equipment & Parts:** Includes icons for OOH, Repair/DC, Parts, Equipment, Crew, and Refurb/return. Objectives: 5. Maximize equipment utilization and lifetime with predictive, prescriptive maintenance; 6. Translate maintenance requirements into repairable actions.
- Circulate Materials:** Includes icons for Asset, Recovery Depot, Component exchange or sale, and Dispose. Objectives: 7. Predict and forecast waste/byproduct as input to next generation equipment; 8. Connect across value networks for post-directional flow of material, information, and financials required for circular supply chains.

Source: <https://www.ge.com/digital/blog/industry-40-changing-world-could-circular-economy-save-it>

The above graphic demonstrates how hardware and software can be combined in engineering industry to support sustainable materials management throughout the product lifecycle, from design to final disposal.

The other aspect of global leadership is being resource sensitive. I have demonstrated here how General Electric does that in the industrial products arena. He took the lead a few years ago to begin embedding the concepts of circular economy not only in its operations, but also how its equipment can be operated with sustainability by its users.

In this graph, you can see which is of course, sourced from GE, you can see how you can have four levels. One – the equipment which are built with secondary materials; two – operating the equipment while also operating the resources, how we can service circulate equipment and parts, and finally, how we can circulate materials. You can see this circular economy operating in each of these levels and amongst the four levels that circular economy for you. There is a busy slide; you can spend more time to go through this further.

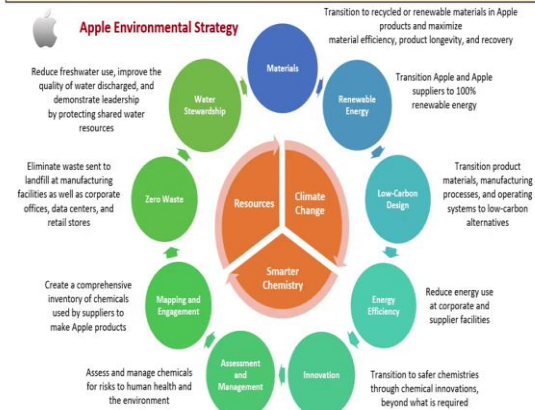
So, hardware and software can be combined in the engineering industry to support sustainable materials management a topic which we studied earlier, but this gives one very specific example of an established industrial corporation deploying sustainable materials management all across the product lifecycle from building of the basic equipment, to its use, and the underlying material cycle from design to final disposal so to say.

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## Global Leadership – Lessons from Global Resource Leaders

Apple has set up for itself a comprehensive resource-sensitive agenda which can serve as a role model for any firm developing, manufacturing and marketing consumer and industrial products.



Source: [https://www.apple.com/environment/pdf/Apple\\_Environmental\\_Responsibility\\_Report\\_2019.pdf](https://www.apple.com/environment/pdf/Apple_Environmental_Responsibility_Report_2019.pdf)

The company began publishing 'Environmental Responsibility Report' from 2019 giving product-wise the environmental responsibility performance. The Report provides specific metrics of performance and future targets.



So, what are the lessons we get from my global resource leader? We should be very clear about resources, we should be open about controlling climate change, and we should deploy smarter chemistry. So, Apple's environmental strategy is a great example of how a global resource leader would function. From 2019, Apple began publishing the environmental responsibility report.

And if you go through that report, you will find many ways in which Apple as a technology leader is also trying to be a resource leader. And at the core of this is a focus on resources, a focus on climate change, and use of smarter chemistry. So, as far as materials is concerned, Apple is transitioning through recycled or renewable materials, so that productivity can be maximized and also material efficiency, product longevity and recovery can be maximized.

Renewable energy is used, so that Apple and Apple suppliers can transition to hundred percent renewable energy at some point of time. Low carbon design of its products and components is another feature of the resource leadership. Energy efficiency, reducing the energy use at corporate and supplier facilities.

Innovation; in terms of transitioning to safer chemistry, safer materials, and chemical innovations much beyond what is required. Assessment and management methodologies that is even if you have to use chemicals, you use them in a very safe and human healthy manner that is important. And also take care of environmental empathy while doing the

entire production cycle. Mapping and engagement - create a comprehensive inventory of chemicals used by suppliers to make Apple products.

Zero waste policy, eliminate waste sent to landfill at manufacturing facilities as well as corporate offices, data centres, and retail stores. Landfills are one of the sources of long term pollution of the earth resources. So, landfill is not a good solution. Zero waste is the solution; which companies must aim at.

Similarly, water stewardship - reduced freshwater use, improve the quality of water discharged, and demonstrate leadership by protecting shared water resources. So, Apple is seen as a leader in iPhones and other products, but the leadership is also seen in the environmental responsibility and resource responsibility.

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**Global Leadership – Being Financially Agile and Fit**

Ranking of global companies (Forbes or Fortune) lead to different interpretations on the financial criteria to rank global corporations; typically different firms rank higher on different criteria. Even the Top 3 vary in terms of constitution.

Ranking	Company	Market Cap (Approx)
Top 3 Global by Market Cap (Approx) (as of August 1, 2019)	Microsoft, US	USD 2058 billion
	Apple, US	USD 859 billion
	Amazon, US	USD 769 billion
Top 3 Global by Market Cap (as of March 31, 2019)	Walmart, US	USD 514 billion
	Sinopec Group, China	USD 415 billion
	Royal Dutch Shell, Netherlands	USD 397 billion

Source: <https://www.gfmg.com/global-data/economic-data/largest-companies>

The CEOs who led the market capitalization rankings have been in HBR rankings of the Best CEOs in 2018 and 2019. Providing financial fitness and agility to the global corporations is a big task of global leaders.

The third aspect of global leadership is being financially agile and fit. I have given here six companies which are top 3 Global by Market Cap as on August 1, 2019; and top 3 Global Market Cap as of March 31, 2019 Microsoft – US, Apple – US, Amazon which are all in the range of thousand-billion-dollar market cap are led by leaders who have demonstrated financial agility and fitness in their corporations.

Companies which are similarly placed in other fields that is trade, then SINOPEC group, and in oil and energy you will find that similar capabilities exists. Although they are mid range compared to the mega range which the technology companies have. The CEOs

who lead market capitalization rankings have been amongst the top ranked HBR leaders in 2018 and 2019.

Providing financial fitness and agility to the global corporations is a big task of global leaders. There could be vary in terms of the constitution and characteristic of the industry, but the ability to ensure financial strength for the companies is one of the tasks because the more global you become, the more vulnerable you would be to different types of risks. So, financial fitness and agility is extremely important.

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**Global Leadership – Lessons from Global Financial Leaders**

Financial agility is a characteristic that defines global leadership because of the multiple jurisdictions the global organization operates with cross-movement of materials, products, financial resources in an environment of volatile exchange rates.

- Financial Resilience**
  - Risk management, including cross-border regulatory compliance
  - Currency expression and hedging for international transactions
  - System efficiency integrating diverse countries and work practices
- Analytical Intelligence**
  - Integrating financial and non-financial data
  - Deploying advanced data analytics
  - Harnessing digital innovation for capital productivity and efficiency
- Business Partnership**
  - Maintaining healthy independence while partnering the CEO and COOs in operations and transformations
  - Balancing accountability to the Board and CEO
  - Communicating finance organization-wide in business and operational terms
- Agile Talent**
  - Strengthening finance talent with digital, business and analytics edge
  - Fusing rigorous transaction accounting with development finance
  - Deep knowledge of global financial markets

Source: <https://www.forbes.com/sites/workday/2018/03/20/global-finance-leader-study-four-priorities-defining-the-future-of-finance/#102c6d71ed7>

Global financial leadership requires global leaders who possess a wide spectrum of new-generation deep-finance skills. Being financially agile while being financially fit is a paramount consideration.



And what are the lessons we learned from global financial leaders? One – financial resilience including risk management, cross border regulatory compliance, currency expression, and hedging for international transaction, system efficiency in integrating diverse countries, and work practices. Analytical intelligence - understanding both financial and non-financial data, tax data, having advanced data analytics, and harnessing digital innovation for productivity.

Business partnership - maintaining healthy independence of CEOs and CXOs, parent and regional CEOs and CXOs, accountability between the board and the CEO, and communicating finance organization wide in business and operational terms.

And agile talent - talent that is not only finance savvy, but also capable of being business partners and analytical in the approach, fusing rigorous transaction capability and

accounting with development finance, and deep knowledge of local as well as global financial markets. These are the capabilities of global financial leaders.

They should be able to handle in financial terms the cross movement of materials, products, financial resources and people resources in an environment characterized by volatile exchange rates. When you have materials sourced from one currency jurisdiction, manufacture them in another currency jurisdiction, export to multiple currency jurisdictions across the world, the translation of revenues and other costs into the balance sheet, one singular balance sheet is a challenge.

How you do that, and how you protect your financial resources against the vulnerability of exchange and trade volatility is a great leadership task for financial managers. So, they should have a wide spectrum of deep-finance skills.

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**Global Leadership – Being Customer-Centric Leaders**

Customer-centric leaders develop models which appeal to customers globally, enabling them build their firms into global corporations. This is a concept that is much broader than fulfilling the demand requirements of customers. It involves understanding the unknown, unexpressed and/or unresolved issues of customers and providing novel solutions for them.



"People don't know what they want until you show it to them."

Steve Jobs

At Infosys, the company he founded, Narayana Murthy articulated, designed and implemented a Global Delivery Model for IT services outsourcing from India, serving global customers seamlessly.

N R Narayana Murthy

Global leaders such as Steve Jobs at Apple, Satya Nadella at Microsoft and N R Narayana Murthy at Infosys made their companies more global by adopting customer-centric product and service models.



Another important aspect is being customer centric. Global leaders and global firms have global customers. They should understand what customers need and not what the legacy ordered us to do. Satya Nadella of Microsoft has been a great customer centric leader. He realized as soon as he took over that the customers have gone beyond desktop systems. They are looking at mobile operating systems or even cloud operating systems to be able to perform.

And also proprietariness of the operating system provides only limited licensing fees, but the real success lies in making the operating system seamless across multiple devices and multiple technologies that is what Satya Nadella began implementing. And as a result Microsoft moved up the market capitalization table as also in terms of the overall valuation table in terms of technology classification, that is one thing which he brought in terms of customer centricity.

As far as Steve Jobs is concerned his customer centricity is legendary. And he believed that people do not know what they want until you show it to them. So, he thinks that the leadership responsibility is to imagine what the customers really wanted, but had no means of expressing that need, let alone asking for it to vocally.



Global leaders such as Steve Jobs at Apple, Satya Nadella at Microsoft, and N. R. Narayana Murthy at Infosys were phenomenal in understanding the consumer needs. The way N. R. Narayana Murthy read the requirements of the multiple clients across the world for efficient and seamless understanding of the projects and provision of solutions led to the global delivery model which we discussed in an earlier lecture. It is customer centricity.

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**Global Leadership – Lessons from Customer-Centric Leaders**

Customer-centric leaders have multiple ways in which they develop unique solutions for customers; they are highly imaginative (as Steve Jobs was), and are not constrained by the legacy (as Satya Nadella has not been) and made life easier, simpler and more productive for the customers. The model of customer-centricity can be further expressed.

From mimicking the nature to synthesizing novel, customer-centricity offers a whole spectrum of solutions. The more universal the solution is, the more global the sponsoring company would become.



So, what do we take from these global centric leaders and others as our lessons? Thinking and acting like a start-up is one of the hallmarks of customer centric leaders. They experience the customer's life. They identify customer's known and unknown

problems. They make technologies solve the identified problems. And they deployed design thinking, so that these problems can be discovered or the needs can be discovered and solutions can be developed.

Aligning and galvanizing the entire organization passionately around the problem and the solution. And also develop a triad of desirability, feasibility and viability; it should be desirable for the customer; it should be feasible for the company to manufacture; and it should be viable for both the company as well as the firm to be able to do that, then only entrepreneurial success would take place.

And for big corporations' global corporations to be successful, this type of entrepreneurial thinking which is customer driven is extremely important. When we say customer driven as Steve Jobs emphasizes, it is not necessarily expressed in open terms by the customers. Customer centricity is understanding beforehand even before the customer can discover what the customer needs.

So, from mimicking nature to synthesizing novel products, customer centricity offers a whole spectrum of solutions. And the more universal the solution is the more global the cooperation can become.

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**Global Leadership – Being People Oriented**

The Business Roundtable issued a statement on August 19, 2019, "the purpose of a corporation," arguing that companies should no longer advance only the interests of shareholders. Instead, the group said, they must also invest in their employees, protect the environment and deal fairly and ethically with their suppliers.



Chief executives who are members of the Business Roundtable, include, left to right, front row: Julie Sweet of Accenture North America, Brian Moynihan of Bank of America, Tim Cook of Apple, Robert F. Smith of Vista Equity Partners of Austin. Back row: Jeff Bezos of Amazon, Mary Barra of General Motors and Larry Fink of BlackRock.

Source: <https://www.nytimes.com/2019/08/19/business/business-roundtable-crow-corporations.html>

Global corporations which emphasize innovation and markets are crucially dependent on people to reach their global scale and scope. This statement reflects the engagement of global leaders with employees to press on with global aspirations.



The other aspect of global leadership is being people oriented. There is a Business Roundtable which comprises the leaders who head large global corporations they are

displayed here through this image. The Business Roundtable issued a statement on August 19, 2009, what is, that is called the purpose of a corporation.

It argued that companies should no longer advance only the interests of shareholders, instead the group said they must also invest time and effort in their employees, protect the environment, and deal fairly and ethically with their suppliers.

Global corporations which emphasize innovation and markets are crucially dependent on people to make that happen which means that people orientation is an essential aspect of global leadership. Global leaders as reflected in this statement engage seriously and empathetically with their employees to press on with their global aspirations.

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While standard aspects of people oriented leadership is common across local leaders as well as regional leaders and global leaders, the difference is that real people oriented leaders make the people self-reliant and self-assured.

They do not provide only incentives, they make people learn and earn the incentives by themselves, so that they are confident that they can undertake the job and also have rewarding careers. So, they assured economic and social security for the employees that is the fundamental you know base line activity.

Then most importantly they invest in learning and development of employees, so that employees feel confident. And irrespective of the transformations technology undergoes

and the industry itself undergoes, they would be in a position to leapfrog into those aspects, then building communities of employee habitats because developing roots is extremely important.

Employees who jump from one company to another continuously take away lot of institutional knowledge with them willy-nilly. So, if you support the communities in which employees leave, you will be able to develop the roots and also bonds between the communities and employee habitats, and of course, the firm itself.

And we should just as we provide for the future generation of leaders, future generation of managers in our own corporation; we should also help the employees have future development in their families. So, encouraging critical skills in students is extremely important. So, taking up stem education as an overall objective is one of the important aspects of people oriented leadership.

Then letting the company accept huge number of apprenticeships and internships besides on the job training helps the company connect globally with the various types of interests, not only the student interests but also the academic interests, governmental interests, and not for profit interests.

It also enables operator level excellence which starts coming from the student days itself, and workforce diversity is increased when open apprenticeship and open internship bring in students of different categories. And at times these internships could be also for experienced people. When they come in the diversity level in the organization increases and people learn from each other.

So, people orientation apart from whatever soft skills and human relations aspects we saw in the earlier discussions, focus on making the people and the communities self-reliant and self-assured through that bonds are developed between the communities and the company, employees, and the communities, and the company in a very robust manner.

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## Global Leadership – Being Value Accretive

Companies become global by not only international trade and overseas joint ventures/subsidiaries but also by mergers and acquisitions. Many global leaders build scale and scope both organically and inorganically. The litmus test is whether such initiatives are value accretive or value dilutive. This is particularly relevant for mergers and acquisitions (M&A).



The other aspect of global leadership is being value-accretive. Along with global leadership and global cooperation come the phenomenon of mergers and acquisitions, because the opportunity exists in various parts of the world to acquire. At times you need to acquire newer companies to enhance your market reach or specialization depth.

The case study of Procter and Gamble which is a diversified FMCG product company, and Gillette which is the men's grooming products company is an excellent case study of how merger and acquisition aspects could be value-accretive. Many times M&As tend to be value destructive.

This particular case represented one of the largest M&As effected in 2005. At that time Gillette was about just one-fifth of P&G; and stock price was 84 percent of P&G that is relatively it was valued better. It was a USD 57 billion deal. And P&G paid 20 percent premium to Gillette stock price. However, after the acquisition P&G stock price reached a high of 128 that is double price, because the acquisition built value.

Each company recognized what the other company could do, and let that company enhance their capabilities in that core domain, and also offer products which strengthen their business profile. So, these are some of the aspects of the strategy that was at work post M&A.

So, the P&G is competencies in women care products, and Gillette competencies men's grooming products were combined to make sure that P&G could have a broad spectrum of personnel products for the entire population spectrum. So, it was just not cost

synergies, the value synergies, strategic and operating synergies were aimed at in this particular case.

So, deciding to do an M&A for global growth is just only one aspect of a global leaders' responsibility. Generating the real value from the M&A activity happens when you choose the right M&A target which has the best complementarity and best fit, not have a standardized playbook to implement the M&A. Not have only cost savings as the focus, but also have value accretion as the focus, these are the guiding principles for an M&A being successful in a global context.

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**Global Leadership – Lessons from Value-Accretive Leaders**

Value accretion is more than EPS (earnings per share) accretion. A study of successful and not-so-successful (and even the many failed) mergers and acquisitions points to certain core principles for value-accretive global leadership.

- M&A must provide complementarity (product, market, talent) and also gain from mutual leveraging
- M&A must provide scalability in size and expandability in scope to create new growth horizons
- Financial superstructure of M&A must rest on strong strategic and operational foundations
- The acquiring company must preserve and grow the value of the acquired company, rather than lose the assets (including people assets) in the name of cost savings
- Tailor the methodology of acquisition (bolt-on, complementing, consolidating, transformational, opportunistic) to the purpose that is sought to be fulfilled
- Supplement with organic capabilities to manage the exponential growth that M&A can provide

Companies such as IBM, Cisco, Pfizer and Gilead, regardless of the domain and prior core strengths added great value by a series of acquisitions, particularly in their transformative periods. IT and pharmaceuticals emerge as industries whose structural factors offer a great play for value-accretive global leadership, organic and inorganic.

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The lessons we learned from value-accretive global leaders is that we should look for complementarity, product market talent, and gain from mutual leveraging, produce scalability in size, expandability in scope, both scale and scope must grow out of M&A financial superstructure of M&A must rest on strategic and operational foundations.

Many times M&A value propositions finally are reduced to EPS calculations that this is my EPS pre-merger both companies EPS. And after merger, the combined EPS would be this much. And this is the increase the CAGR or the x times they increase, but that financial superstructure has to rest on solid strategic and operational fundamentals. Otherwise the EPS calculations won't work out.

Very importantly, the acquiring company must understand the culture of the acquired company and preserve and grow the value of the acquisition it has taken. It is not merely the physical assets the company is acquiring; it also is the people asset. And they should never be dispensed with in the name of cost savings.

Tailor the method of acquisition, it could be bolt-on acquisition, complement acquisition, consolidating, transformational, opportunistic, whatever the name you give to the acquisition, it must be a purpose full and purposive acquisition. And the organic capabilities must be supplemented with the acquisition, so that the exponential growth that the M&A deal targets is actually achieved. So, value acquisition is more than a EPS calculation.

We need to look at companies such as IBM, Cisco, Pfizer, Gilead which belong to different domains, but have used M&A as an appropriate tool to enhance business scale and scope by a series of acquisitions.

Of course, the companies differ in the way in which they have been able to build value-accretive M&A transactions, but the overall secular direction of growth and value accretion through global leadership remains. IT and pharmaceuticals going forward seem to be very good areas where there could be global leadership through value-accretive M&A play.

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**Global Leadership – Being Pragmatic**

Pragmatism is defined as the approach of evaluating anything based on practical realities and conducting oneself accordingly. Pragmatism is a good leadership factor but becomes a greater virtue in the global leadership context.



 <b>Warren Buffett, Berkshire CEO</b> <ul style="list-style-type: none"><li>• Simple and focused approach to investments</li><li>• Practical approach to succession, grooming deputies</li></ul>	<b>Generating wealth with ease but channelling wealth towards philanthropy</b>
 <b>Satya Nadella, Microsoft CEO</b> <ul style="list-style-type: none"><li>• Transformation from proprietary to shared approach</li><li>• Overcoming desktop legacy for aggressive Cloud move</li></ul>	<b>Making Microsoft products friendly and adaptive to global business requirements</b>
 <b>Tim Cook, Apple CEO</b> <ul style="list-style-type: none"><li>• Assuming more inclusive global market outlook</li><li>• Moving from 'small is simple' to 'big is better'</li></ul>	<b>Integrating markets perceived to be difficult such as India to develop broader marketing and manufacturing network</b>

Pragmatism in strategy and execution involves reappraising these vital components of growth based on practical realities and without getting burdened by dogmas and constraints of the past.



And global leadership must also be very pragmatic. Pragmatism is the approach of evaluating anything based on practical realities and conducting oneself accordingly. Pragmatism is good leadership behaviour. A leader who is dogmatic and dogged in his or her views is unlike to be a good leader even less or a good global leader. So, there is great virtue in the global leadership context for being pragmatic.

Warren Buffett, Berkshire CEO, he has got a very simple and focused approach to investments and very practical approach to succession and grooming deputies, as a result he could generate wealth with ease and could channel wealth towards philanthropy.

Satya Nadella who is the Microsoft CEO, we talked about him earlier also. He could transform from a proprietary to shared approach the corporation. He could also overcome the desktop legacy for aggressive cloud move. He therefore, he made Microsoft products friendly and adaptive to global business requirements which began to experience different types of competitive offerings. So, he reasserted the Microsoft USP through his openness towards the emerging environment.

Tim cook who is the Apple CEO, he assumed a more inclusive global market outlook. Steve Jobs for example, thought that India was a market, which need not be looked at by Apple because it has got its own cost and price stringency. On the other hand, Tim Cook when he took over as Apple CEO felt that India is too large a market to be ignored and too helpful market to be ignored.

So, he made India a big part of his globalization approach. And he also moved from the legacy of small is simple to big is better. As a result, he could integrate markets and market segments and customer clusters which are perceived to be difficult such as India in terms of market cluster and people who look for large sized connectivity devices into the Apple market base.

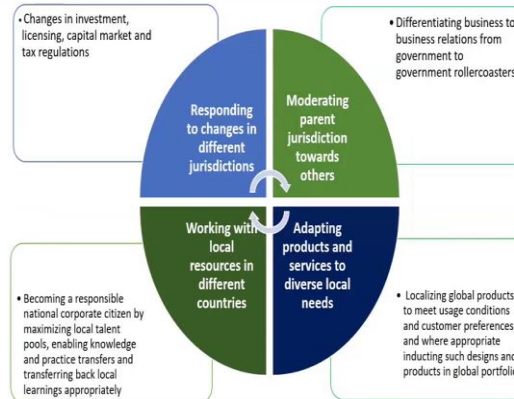
So, the marketing and manufacturing network accordingly widened. So, this is global leadership. So, pragmatism in strategy and execution which means reappraising the vital elements that drove the strategy and execution thus far is an important aspect of pragmatism for global leaders.

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## Global Leadership – Lessons from Pragmatic Leaders



Pragmatic leaders have a seamless way of bridging the past, present and future. They also have a knack of overcoming the vicissitudes of global operations, with adaptive leadership without compromise to core purpose and values.



Several Japanese companies in India exhibited remarkable patience and understanding to develop businesses in India, meeting the above criteria. Global leaders at helm in those countries made the difference.



What are the lessons from pragmatic leaders? They respond to the requirements, changes in different jurisdictions. There could be changes in investment requirements, licensing, capital market and tax. They moderate parent jurisdiction towards others, they provide more independence to the subsidiaries, more responsiveness to the local conditions.

They differentiate business to business relationships from government to government roller-coasters. They work with local resources in different countries. They become national corporate citizens. They become responsible corporate citizens in different geographies.

As a result, local talent is utilized as much as possible, expat managers are reduced in count as well as preponderance as much as possible. And they enable knowledge and practice transfers across regions, so that there is opportunity for even the parent corporation to learn from the local learnings that happen. They also adapt products and services to diverse local needs.

Localizing global products to meet usage conditions and customer preferences has broadened the product spectrum. GE could do that effectively in its medical devices. And Japan could do it effectively in the automobile designs when they came in to India. So, remarkable patience and understanding to develop businesses in the local nations is extremely important for global corporations. Global leaders at helm in those countries did make difference for all such companies.

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**Global Leadership – Being Compliant**

Global compliance requires a leadership that ensures the quality of a global ethics and compliance programme, appropriate organizational culture, corporate citizenship and responsibility, robust governance, and clean reputation. Tata Steel and Wipro are two Indian companies that find a place in Ethisphere's ranking of the World's Most Ethical Companies.

Industrial Manufacturing: 3M  
Steel Manufacturing: TATA, TATA STEEL  
Non-Profit Business Services: AARP  
Information Technology: wipro

Ethisphere's proprietary Ethics Quotient®, the World's Most Ethical Companies assessment process, includes more than 200 questions on culture, environmental and social practices, ethics and compliance activities, governance, diversity and initiatives to support a strong value chain.

An operating framework to capture and codify the leading practices of organizations across industries and around the globe	A belief that financial performance and ethics go hand-in-hand continues to be validated by the "Ethics Premium"	Tata Steel and Wipro are among 128 honorees representing 21 countries and 50 industries as the 2019 World's Most Ethical Companies
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"Leading CEOs and organizations continue to prove our long-held hypothesis that conducting ethical business is the key to maximizing profits," explained Ethisphere CEO, Timothy Erblich. Ethisphere's annual practice of tracking how the stock prices of publicly traded honorees compare to the Large Cap Index found that listed 2020 World's Most Ethical Companies outperformed the large cap sector over five years by 13.5 percent.




Global leadership – being compliant; global compliance requires a leadership that ensures the quality of global ethics and compliance programme, we need to have an appropriate organizational culture, corporate citizenship and responsibility, robust governance, and clean reputation.

It is almost similar to the ESG concept we have talked about earlier. Tata Steel and Wipro are two Indian companies that find a place in Ethisphere's ranking of the World's Most Ethical Companies and that shows the way for more Indian companies to participate and also get recognized.

Ethisphere's proprietary Ethics Quotient is the World's acknowledge ethical survey methodology, it is an assessment process having 200 questions plus on culture environment, social practices, ethics and compliance activities, governance, diversity and other initiatives which support a strong value chain for a company. It reflects on a strong operating framework of the company, a belief that financial performance and ethical performance must go hand in hand. These are the bedrocks of the ethical survey.

There were 128 honorees representing 21 countries and 50 industries in the 2019 World's Most Ethical Companies list. And in that Tata Steel and Wipro figured; not only that a company from the mining industry figured in this list. Normally, mining is considered to be very labour intensive and not particularly helpful in terms of being seen as a governance oriented industrial infrastructure.

However, the fact that a mining company entered ethical ranking that too at the topmost level globally indicates that irrespective of the nature of the industry and irrespective of the legacy practices that were prevalent in that industry, it is possible for companies to become ethical and be compliant regionally as well as globally.

And the Ethisphere's CEO says that leading CEO's and organizations continue to prove our long held hypothesis that conducting ethical business is the key to maximizing profits. The large cap index was exceeded in terms of performance by the ethical companies that were chosen as part of the Ethisphere Ethics Quotient Survey.

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**Global Leadership – Lessons from Compliant Companies**

Highest standards in ethics and compliance management represents an ultimate benchmark for global leadership, that cannot be easily attained. Yet, Tata Steel featured in the rankings for the ninth time, underlining 'Ethical Synergy'

Climate Compliance  
Ethical Compliance  
Green Leadership  
Risk Management  
Sustainability Leadership  
Workplace Safety

**Ethical Synergy of Tata Steel**

"At General Motors, we are determined to lead the automotive industry in creating a world with zero crashes, zero emissions and zero congestion, and to doing it with integrity," said General Motors Chairman and CEO, Mary Barra.

**GENERAL MOTORS**

Entry of a mining corporation into the list seconds the above. "Operating with ethics and integrity is at the heart of Fresnillo plc purpose: 'To contribute to the wellbeing of people through the sustainable mining of silver and gold', which is why we are proud to be named for the first time as one of the 2020 World's Most Ethical Companies," said Fresnillo CEO, Octavio Alvidrez.

NPTEL

So, I talked about the entry of the mining company into the ethical ranking. General Motors says that at General Motors we are determined to lead the automotive industry in creating a world with zero crashes that means safest automobiles, zero emissions, and zero congestion, and to doing it with integrity that is the statement from General Motors chairman and CEO Mary Barra.

Only when the leader at the helm of the corporation sets a standard that is difficult to emulate, but one that must be aspired for can you drive compliance in an organization to the highest level. So ethical synergy of Tata Steel we can see in terms of the six factors; one – climate compliance, second – ethical compliance, third is green leadership, fourth is risk management, sustainability leadership, and workplace safety, these are the six factors that drive any ethical cooperation and also any ESG cooperation.

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**Global Leadership – Being Apolitical**



Globalization cannot happen without being present in multiple countries which have multiple political systems. The bigger the corporation, the greater the likelihood of interface between the corporation and the governments. A Thesis:

Global corporations control rather than compete in markets. Their control of their markets is salient to how they express their economic interests, as opposed to having these constrained or dictated by market forces. This is a key reason why they should be viewed, first and foremost, as political actors. Their home states and regions are the geographical source of their political power, just as their market control is its economic source. This suggests three key implications.

With the evidence that markets are neither free nor competitive but controlled by global corporations, it is possible to go further than identifying global corporations as more accurately political than market actors, and declare them anti-market actors.	The second implication is that they are more accurately seen as national or multinational, rather than transnational or global, political actors. These differing institutional contexts are not just contained within state borders, but are now projected and compete on the world stage between states via their global corporations.	The states where global corporations are headquartered bear responsibility for modifying or controlling their political power. Allowing them the unfettered freedom to potentially increase their discursive power only serves to enhance, rather than moderate, the considerable instrumental and structural power they already possess.
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Source: <http://www.internationalaffairs.org.au/australianoutlook/the-political-power-of-global-corporations/>

The thesis of the book "The Political Power of Global Corporations" as above is that it is important to re-embody them as such to understand their power. John Mikler, the author states "it is also important to re-territorialise them as national in their identities and regional in their operations, as opposed to global in their interests."



It is also important for a corporation, particularly for a global corporation to be a political. This book Global Corporate Power and also another The Political Power of Global Corporation provide very interesting insights into how global corporations could try to control than compete in markets.

Global corporations when enter new markets with the basic view of serving those markets. But over a period of time when the global corporations big in the countries, they became controlling interests. They start expressing their economic interests through lobbying for public policy changes. To be a true global corporate citizen global companies and global leadership needs to be apolitical.

They should avoid the interface between corporations and governments which could have any trace of political bias. All interactions must be for professional considerations and for enhancing the value of the government of the nation, of the society as much as the value of the company itself. So, this is a book which people who are interested in political economy are encouraged to study further.

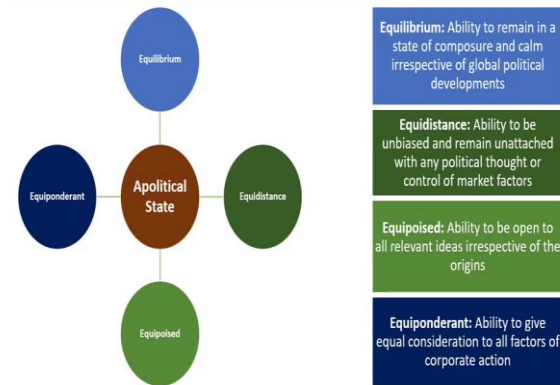
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## Global Leadership – Lessons from Apolitical Corporation



The thesis of corporate political power expressed by John Mikler (captured in the previous slide) is so powerful that global leadership has a challenging responsibility to ensure that global corporations do not politically control markets.



It would be appropriate for corporations to limit themselves to open, transparent funding of political institutions (if they must) through legal instruments such as electoral bonds.



The lessons from their apolitical cooperation are and an apolitical state looks for equilibrium, equidistance, equipoised, and equiponderant. The corporate leader who is running a corporation in apolitical state must be looking for equilibrium that is the ability to remain in a state of composure and calm, irrespective of global political developments.

He or she should also have a policy and capability of equidistance; ability to be unbiased and remain unattached with any political thought or control of market factors. The leader must be equipoised; ability to be open to all relevant ideas irrespective of the origins irrespective of the regions.

Equiponderant, an ability to give equal consideration to all factors of corporate action; when corporations limit themselves to this kind of objective and apolitical functioning, they would be true global corporate citizens and it is an objective which is well-worth following for global corporations, so that they will become respected citizens

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## Global Leadership – Being a Socio-Cultural Corporation



Global corporations may legally be in different national jurisdictions but they are parts of different societies and diverse cultures. Social behaviors, linguistic and non-linguistic communication and cultural approaches will radically vary. Hindustan Unilever represents a shining example of a multinational corporation becoming a part of Indian socio-cultural phenomenon.

**Hindustan Unilever Limited**

**Tapping India & Bharat**

**Project Telecalling For Urban Areas**  
Tap uncovered outlets via telephone calls and deliver ordered quantity  
Reduce cost of additional salesmen to reach such outlets

**Project Columbus For Rural Areas**  
Expand distribution reach to over 150 million rural consumers in 2013

**Why the projects**  
To boost sales and volume, milk volume growth has been declining from 14% in March 2011 to 5% in June 2012  
Milk trying hard to spruce up distribution network and increase products accessibility & availability to local needs

**4 million** Outlets HUL plans to directly reach through the two projects

**7.2 million** outlets in HUL's retail network, the largest in India

**5.6 million** retail outlets covered by F&C

**2 lakh crore** Worth of Indian consumer sector

**Local Talent** → **Local Supply Chain** → **Local Marketing Mix**

Hindustan Unilever is a perfect example of a global corporation understanding the indigenous socio-cultural factors not merely at a national level but in terms of every state and every region, segmented from rural and urban perspectives too. From the early 1950s itself, the company became an Indian corporate citizen.



Another important aspect of global leadership is being a good socio cultural cooperation. It is not only running ethically, running through environmental empathy and running through good corporate governance. But also being felt as one local entity as part of the entire national milieu.

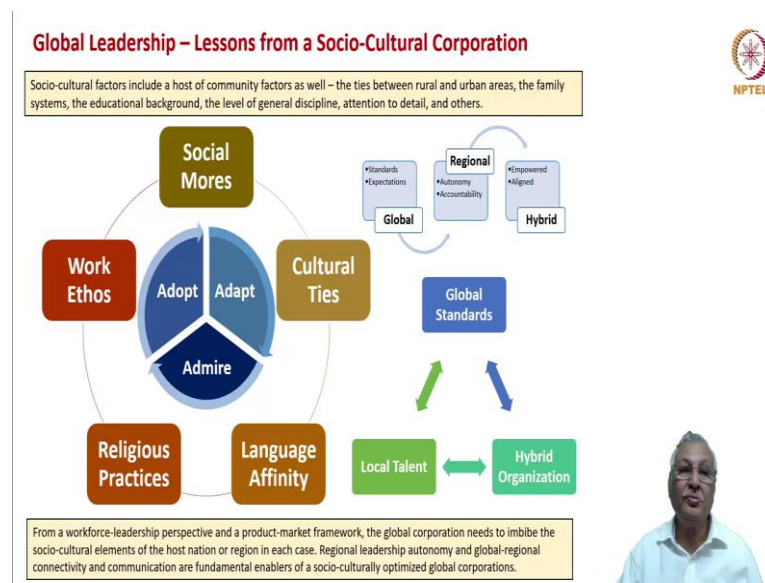
Hindustan Unilever Limited is an excellent example of a foreign corporation that became more Indian than Indian corporations using local talent for expansion, using local supply chain, using local marketing mix including communication methodologies. Hindustan Unilever became more Indian as I would say than any Indian corporation.

Socio-cultural commonality and socio-cultural bonding is extremely important for global leadership. From the early 1950s this type of development took place in Hindustan Unilever and more companies of course are following. And to be able to tap both India and Bharat in this vast country, the company needed to innovate and several technological and managerial approaches.

For example, project telecalling was used for urban areas, project Columbus was used for rural areas that is expanding the distribution reach to over 150 million rural consumers in 2013.

And the projects were not merely to boost sales and volumes, but to become part of the community through widespread visibility and providing accessibility and availability of its products. And in many cases as the CSR began taking roots they also became partners in the community outreach programs.

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So, from the socio cultural cooperation what are the lessons we can learn? We should be able to adopt certain practices, adapt ourselves to the practices, and also basically admire what the national culture, what the local culture represents. The greatness of the culture must be adopted rather look for straight jacketing in a one firm concept different regional and local cultures.

And that involves recognizing this social mores, understanding the social mores, recognizing the cultural ties and deepening them, understanding the affinity that could be developed with the language be respectful of religious practices and sentiments, understand work ethos and work through them, so that the local work ethos can be utilized appropriately to ensure greater strength and wealth for the corporation.

So, from global standards and expectations to regional autonomy and accountability, there seems to be lot of difference. However, these two can actually be combined to have hybrid organizations which are both empowered and aligned. So, global standards when merged with local talent, you get a hybrid organization, and that is what a good social-cultural cooperation which is part of the local community and local society does.

From a workforce leadership perspective and also from a product market framework, the global corporation needs imbibe the socio cultural elements of working. At times these could be even greater determinants of the success of a global corporation than any of the factors we discussed so far.

Of course, having those strengths, obviously, leads to a better social cultural positioning in the regional economy and regional society, to be able to do that we should provide appropriate autonomy for the regions, and appropriate linkages with the parent cooperation. We should also provide appropriate cross communication between the parent and the regions and also movement of people from different regions to the parent and vice versa.

I have talked about the illustration of Hindustan Unilever's movement of Indian leaders to global positioning that ensures better understanding of the socio cultural requirements at a headquarters level or at a parent level, that is more than just utilizing the capabilities of Harish Manwani or Paranjape. It involves understanding the socio-cultural phenomenon because the local regime or the local market, gets a voice in the distanced parent headquarters through such movements.

Similarly, when an expat manager comes and works hand in hand with the local managers, both parties understand the different strengths of parent as well as the regional subsidiary. So, socio-cultural unification, standardization and hybridization is a challenge of global leadership.

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**Global Leadership – Globally Networked Corporation**

The ultimate evolution of global leadership lies in the creation of a sustainable globally networked corporation that combines the best of parent country's standards and expectations and the host countries' creativity and aspirations.

A globally networked corporation needs to cover the six economic aspects of Technology, Resources, Capital, Markets, People and Value and four relational aspects of pragmatic, compliant, apolitical and socio-cultural behavior. The responsibility for global leadership lies in sustaining a global competitive advantage for the firm as well as the nations.

NPTTEL

So, what is a globally networked corporation? A globally networked corporation is which is at once global and also at once local, which is combining the best practice of

both the corporations global and local into one singular corporate structure, and systemic philosophy.

They have specialized design clusters but they have diffused manufacturing facilities. They have networked supply chains. They have cross cultural talent base. They believe in green growth and sustainability. And they vouch themselves for ethics and compliance. These are the hallmarks of a globally networked cooperation.

They covered the six economic aspects which we have discussed and also illustrated through specific examples, that is technology, resources, capital, markets, people and value on one hand; and the four relational aspects which we also discuss pragmatism, complaints, apolitical behaviour and socio-cultural behaviour.

The responsibility for global leadership lies in sustaining a globally competitive cooperation through the application of these factors. So, 10 factors, 6 economic and 4 relational determine how global leadership can be sustained in corporations.

Thank you.