

It's raining salaries: Mirror takes a look at the cash-rich corner offices of corporate India

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PHOTO BY GETTY IMAGES

In India Inc, it's no longer just the owners of companies who draw nine-figure salaries, but also the professionals who run it for them.

A few years ago, shortly after completing the Mumbai marathon, Tata Sons Chairman N Chandrasekaran (then head of TCS) had said: "For me, running the marathon is about discipline, preparation and the ability to focus and stay in the zone for a sustained period of time, no matter what the distractions. In that sense, running the marathon is like running a business." Chandrasekaran, a serial marathoner, had told this reporter that training for events around the world had "inculcated in me this ability to maintain the energy and be on the edge, while also staying calm and patient. It's a very hard combination". Clearly, he's cracked that combination in the context of the corporate world. In February 2017, Chandrasekaran became Chairman at Tata Sons, the holding company of the group — a post left vacant by a very public falling out between Chairman Emeritus Ratan Tata and his once-anointed successor Cyrus Mistry.

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The Court accepted that it would be the epitome of transparency, good governance and accountability; and integrating technology unto court rooms would give the viewing public a presence in the court room and educate them about the workings of the court.

And one that several corporate heavyweights who were allegedly considered for it, refused.

But 20 months on, Chandrasekaran has proved more than capable. Despite some senior-level exits, he has put restructure and recruitment plans in motion, and tried to bring in a more performance-oriented culture. For his efforts, Chandrasekaran has been rewarded (as made public earlier this month) with a salary that has almost doubled since his TCS days, going from Rs 31.15 crore to Rs 55.11 crore, and is more than three times what his predecessor, Mistry, was making.

This moves Chandrasekaran several notches up in the rarefied group of India's highest-paid professional CEOs (executives who run a company owned or founded by someone else) to land at No 3. The list is led by TechMahindra's CP Gurnani and Larsen & Toubro's AM Naik, whose remunerations (as of March 2018) stand at Rs 146.19 crore and Rs 139.8 crore respectively. Even a decade ago, nine-figure salaries were usually reserved for owners of companies and their kin, who inevitably held all the top posts. CEOs like Gurnani,

Chandrasekaran or even Saugata Gupta of Marico are, technically, only employees. But it looks like India Inc is now betting big on such employees, and paying them huge, globally-calibrated salaries (Gurnani, for instance, gets more than Apple CEO Tim Cook, who took home \$12.8 million, or Rs 93 crore, last year).

“Compensation in corporate India has gone up manifold in the last couple of years,” says Arun Das Mahapatra, India chairman and partner-in-charge at Heidrick and Struggles. “The VP of a large multinational, who once received Rs 18 lakh, now gets a minimum of Rs two crore. The functional head at a mid-sized firm is up to Rs one crore from Rs 30 or 40 lakh some years ago.” CXOs at medium-sized companies get upwards of Rs one crore today, while those at large conglomerates start at Rs four crore or more, he adds. “One crore has become the lower end of a decent pay package,” Das Mahapatra says. “And this is scary because in the US, a senior executive may get \$200,000 or Rs 1.5 crore, and that would be considered good money. In India, that has become the average CXO pay.” And, Das Mahapatra says, since people change jobs every three years or so, they usually move with a 30 per cent jump, pushing the band on pay scales further up.

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Political cost of the CBI feud

Alok Verma, the CBI director, and Rakesh Asthana, the agency’s special director, had been at each other’s throats since October 2017.

CEO salaries are going through the roof in India. “There’s just one word for it: talent,” says Ronesh Puri, Managing Director of Executive Access. “There is such a paucity of it at every level, that you want to attract the best you can get and hold on to him or her.

Compensation will have to go up accordingly.” And organisations, especially family-run ones, when they hire a CEO from the outside, want everything in the same person.

“Competence, a great track record, great values, vision, a hunger to grow, the ability to solve problems – these are all a given,” says Puri. “Today, chemistry counts. Can the CEO work with the owner-promoter? Do they have compatibility and a similar mindset and outlook about things? That’s what matters the most in the end. And so, when companies find someone with all of these qualities, they are willing to pay anything to bring him or her on board.” Vishal Sikka, former CEO and MD of Infosys, learnt the hard way that being on the same page as the founder is critical. When he quit in 2017, Sikka made it known that his exit was because of differences with cofounder NR Narayana Murthy. There are, of course, enough examples of great promoter-CEO friendships, even in smaller-sized organisations like Indiabulls (founder Sameer Gehlaut and MD Gagan Banga get along famously)

But while CEOs are getting paid more, salaries at the mid and lower levels haven’t increased by the same progression, which creates a huge disparity. According to a recent business report C-suite executives get paid almost 243 times the average employee in an Indian company. Another says that while pay packets of CEOs have gone up by about 19.3 per cent in the last three years (average corporate earnings grew by 13 per cent, in the same period), employees’ wages have increased by only 10 per cent. The CEOs’ hefty pay has had no impact on the average salaries of staff even in a company that has been performing well.

Sonal Agrawal, Managing Partner at the executive search firm Accord India, says: “The disparity is reflective of the skills, competencies and deliverables of the different roles. Employees at the lowest end would be doing fairly basic tasks, while the complexity of business and risk that a CEO has to manage is significantly higher. Having a good CEO on board can make or break the company.” CEO salaries are also marketdriven and benchmarked; and while their base pay stays largely unchanged, it is the variable component that pushes up the figures. These could range from stock options and commissions to annual benefits such as bonuses, gratuity and all sorts of perks (house, cars, club membership), adds Agrawal. “The variable pay goes up and down depending on how the company is doing,” she adds.

There is even a gap between the salaries of the CEO and others in the CXO bracket. “As a thumb rule, most companies pay the CEO 50 per cent more than the next level of reportees and they, in turn, get about 40 per cent more than the next level down,” says Kris Lakshmikanth, CEO of Head Hunters India. Other developments have also led to this widening gap. “Cognizant recently sacked 200 managers at the VP level, putting the role of the manager itself under a scanner,” Lakshmikanth adds. “Earlier, project managers in software companies had 15 reportees. Now they have 100. And thanks to automation, fewer manager are needed, which is also adversely affecting mid-level salaries.” On the other hand, the demand (and consequently the pay) for specialists and individual performers like the CEO is going up. “The entry-level pay of a software engineer has been Rs three to five lakh in the last six or seven years. But the salaries of CEOs have shot up, widening the gap,” says Lakshmikanth. But Puri doesn’t think it’s a bad thing.

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Lamb to the slaughter

Julen Lopetegui, sacked by Real Madrid, is a scapegoat. Those who think otherwise didn’t look at his playing career, managerial record or at Lopetegui himself.

“About 30 per cent of the candidates we interview don’t want to be a CEO anymore,” adds Puri. “They feel it’s a thankless job, with greater risk and more demands on your time. They would much rather remain in the second tier. So the 50 per cent pay gap gives people in the second rung something to aspire to.” It makes succession planning within the organisation easier as well, he adds. Professional CEOs getting paid well also indicates a shift in ethos in India Inc. Company owners are now beginning to realise that keeping it all in the family doesn’t always work. So in many cases, the CEOs are paid even more than the promoters. “Mukesh Ambani has reduced his salary in the last two years.

Gurnani probably gets more than Anand Mahindra, and CEOs running the Birla Group subsidiaries most likely get more than Kumar Mangalam Birla. Bill Gates takes home a salary of \$1,” says Lakshmikanth. “Asian Paints was started by two or three promoter families, and in the last 15 years, has been completely managed by professionals. As has the Murugappa Group in the south. Familyrun enterprises which did not hand over the reins to outsiders, found this crippled their businesses.”

The one pay gap that is rapidly beginning to close, however, is the compensation offered to CEOs here and abroad. “The Indian head of a global MNC probably gets paid more because of the unpredictable and volatile market he or she has to operate in,” says Agrawal. “CEO wages in India do approximate that of the West. European companies would prefer to have a local head their Indian operations and manage the complexities of the market.” In fact, in businesses of a comparable size, chances are the Indian CEO might even be paid more than his or her Western counterpart. “Nobody knows better than Indians how to operate in a VUCA (volatile, uncertain, complex and ambiguous) world,” says Das Mahapatra. “And that’s worth the big bucks.”

(All figures as of March 2018. Compiled by ET Intelligence Group)



PHOTO BY DEEPAK TURBHEKAR

N Chandrasekaran

Chairman, Tata Sons

₹55.11 crore

Chandra, as he is often called, is a marathoner who participates in events all over the world. He also completed his first 30-km cross-country run last year

Saugata Gupta

MD & CEO, Marico Ltd

₹ 21 crore

Gupta is a hands-on family man who loves to travel. He once said that he tries to take off as often as he can, and is particularly partial to beach holidays

Satish Pai

MD, Hindalco Industries Ltd

₹ 21 crore

On a visit to his alma mater, IIT Madras, some years ago Pai who used to be a footballer, said he still occasionally plays sports such as badminton

A M Naik

Non-Executive Chairman, L & T Ltd

₹ 139.8 crore

Despite his millions, Naik is an advocate of frugal living and high thinking. He claims to own only six shirts and three suits, and plans to leave most of his money to charity

C P Gurnani

MD & CEO, Tech Mahindra Ltd

₹ 146.19 crore

A movie buff who is also active on Twitter, Gurnani is something of a turnaround man, having nurtured and grown several tech companies

Mohit Gujral

Whole Time Director & CEO, DLF Ltd

₹ 27.26 crore

Gujral is a hugely successful architect in his own right, having founded (with his father, artist Satish Gujral), and run, his own outfit before joining DLF

Om Prakash Manchanda

Whole Time Director & CEO, Dr Lal Pathlabs Ltd

₹ 27.11 crore

Manchanda started out by studying to be a vet, but later dropped out to do his MBA