

indian management

The Journal of
AIMA
ALL INDIA MANAGEMENT ASSOCIATION

FEBRUARY 2022

VOLUME 61 ISSUE 2 PAGES 46

₹60

A SPENTA MULTIMEDIA PUBLICATION





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This year summit will be held on a specially curated digital platform. Live streaming on AIMA's YouTube, Facebook and Twitter channels will also increase viewership by several thousand.

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- Making supply chains more resilient to meet emergencies
- Green Procurement – way forward
- How to make PPP more attractive for quick infrastructure development
- Minimizing delays and disputes in infrastructure contracts
- Plans of governments for modernizing procurement

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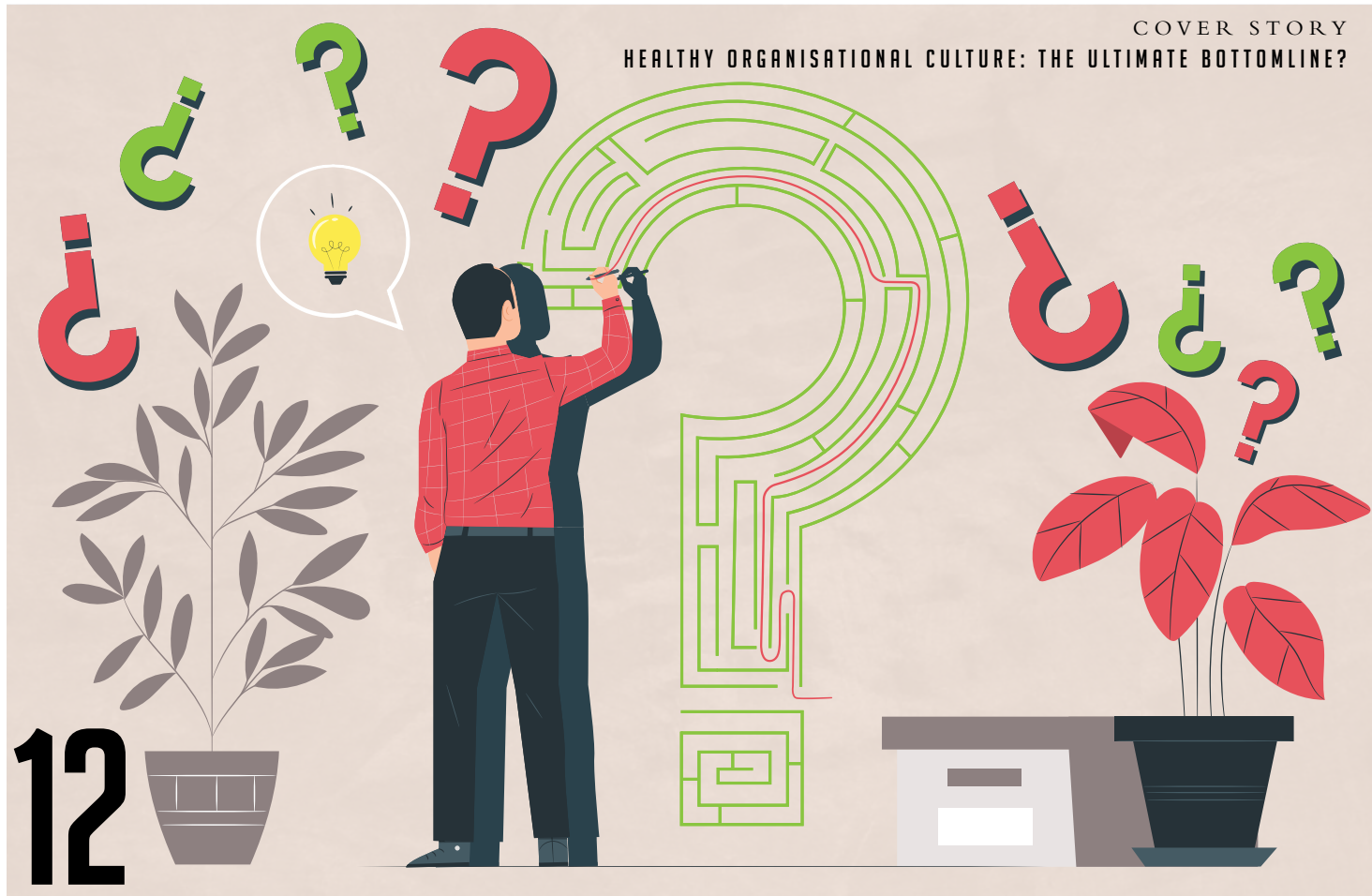
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COVER STORY

THE GOLDEN AND THE SHADOW SIDE

The key elements for healthy leadership and healthy organisations.

- ANNA ELIATAMBY

TECHNOLOGY

DIGITAL LEAP

What exactly is transformed by a digital transformation?

- THOMAS ERL

YOUR'S CYRUSLY

THE LEADERSHIP SWEET SPOT

The makings of a great leader.

- CYRUS MR GONDA

MYTH BUSTER

ADVERTISING'S EFFECTS

Busting myths about the advertising sector.

- JOHN PHILIPJONES AND MARY BAUMGARTNER

CASE STUDY

A NEW LEASE OF LIFE

A public-sector enterprise becomes a global telecommunications major

- DR SHASHANK SHAH

**ORGANISATIONAL CULTURE
IN FOR LEAN**

How to build a lean culture in your organisation?

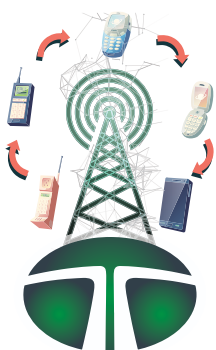
- SANJEEV BAITMANGALKAR

LEADERSHIP

GOOD, GREAT, AND STRETCH

How to motivate your teams to world-class performance?

- BRIAN HARTZER





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Culture is everything

C K Ranganathan is President, AIMA and Chairman & Managing Director, Cavinkare Pvt Ltd.

Culture eats strategy for breakfast', Peter Drucker famously said, and it is hard to argue with that. The everyday experience of running a business highlights the importance of the people's convictions and motivations in making a strategy work. By itself a strategy is merely an intent. And, having an effective culture requires caring for the people beyond their pay and perks.

For an organisation to be efficient, it must have a strong focus on the physical, mental, social, and intellectual wellbeing of its people.

A strong company can be built only with people who are both willing and able. Therefore, the board must prioritise organisation health in the deliverables of the management. Ultimately, one gets what one pays for.

The COVID pandemic has highlighted the importance of looking after the physical and the mental health of the employees. Many organisations

have allocated significant financial

and management resources to facilitate job security, workplace safety, vaccination, and COVID treatment for the employees. Such organisations have earned enormous goodwill that has translated into extraordinary loyalty, efforts, and initiatives by the employees. The importance and value of caring must not be forgotten after the panic is over.

Looking after the mental health of the employees has got some attention during the pandemic. Many organisations have made efforts to ensure that the employees do not feel left alone or left behind during the work-from-home periods. The newfound focus on mental health now needs to be made integral to people management, as it is critical to the productivity and enthusiasm of the employees.

Psychological security is as important as financial security. People in an organisation need to feel safe in their working environment. Often, the leaders end up making the employees feel inadequate while merely trying to make them realise the inadequacy of their efforts. They end up confronting the individual instead of the problem. Another typical leadership error involves building distrust in the organisation in the effort to promote internal competition. When threatened, employees go into a shell; and when manipulated, employees game the system. Either way, the organisation's performance suffers.

To ensure a high level of psychological health in the organisation, it is necessary to regulate the culture of interaction and communication between the bosses and the subordinates. Acceptance of aggressive postures and vocabulary in the name of result orientation ends up damaging employees' social and intellectual confidence. Organisations need to formally train the leaders on the same. Criticism of work must be encouraged but personal slights must be prohibited. Formal channels

To ensure a high level of psychological health in the organisation, it is necessary to regulate the culture of interaction and communication between the bosses and the subordinates.

A culture of continuous learning and improvement not only gives an organisation an edge in the market, it also allows it to attract and retain the best talent.

must be created to allow employees to voice their complaints and a formal redressal mechanism must be created for correcting any wrongs and enhancing the organisation culture. Simultaneously, aggressive victimhood must be contained to prevent the

organisation from getting overwhelmed by competitive sensitivity.

Intellectual health is also critical for a healthy organisation. A culture of continuous learning and improvement not only gives an organisation an edge in the market, it also allows it to attract and retain the best talent. Typically, talented people like to join an organisation that adds to their knowledge and skills and they stay with the organisation only so long as it continues to improve their market value. Such employees also make significant personal investment in learning to work for organisations with a culture of continuous intellectual advancement.

Employee trust in the leadership is central to a healthy organisation. The leadership must offer and demand substantial transparency so that everyone can take initiatives and collaborate without doubt and suspicion. The employee must be able to see and believe the leadership's intentions instead of constantly second guessing the meaning of what is told. A healthy organisational culture requires

the leaders to share good and bad news clearly and show respect for the employee feedback.

Appreciation and reward matter even to the most stoic of the people. Moreover, recognition for the special efforts and achievements signals the organisation's standards and priorities to everyone and nudges individual behaviour accordingly. A healthy level of expectation and endowment of special status for outstanding work vitalises an organisation.

Essentially, a healthy organisation culture is about setting high expectations of mutual care, trust and performance and instituting the commensurate systems of communication, collaboration and coexistence. Focusing on organisation health gets everything else done. 

The opinion expressed is personal.

EDITOR'S NOTE

Dear Readers,

Culture—a collection of values, practices, behaviours, and guidelines—gives an organisation its identity. When a good organisational culture reflects in the conduct of every employee—from the top management to those at the lowest rung—it builds a positive perception in the minds of all stakeholders; it helps create brand image. So, how does one go about building a healthy organisational culture?

When an organisation finds a balance between its business priorities and people priorities, it generally speaks of a healthy culture. Empathising with employee problems, understanding them, and working on actionable solutions that bring out effective results ensure that the employees are in a good state of mind. This, in turn, drives them to deliver outstanding results at work. This has been proposed by many researchers. For e.g., a Grant Thornton LLP and Oxford Economics study reported that, 'executives who say their culture is extremely healthy are 1.5 times more likely to report average revenue growth of more than 15 per cent over three years'*

A healthy organisation can only be formed when the leader is healthy. Anna Eliatamby, author of *Healthy Leadership and Organisations*, in this issue's cover story, opines that being a healthy leader means that you have a good sense of self which guides you, are someone with integrity, compassion truly inclusive, and respectful.'

A healthy leader has an open-mind, the courage to acknowledge his or her mistakes, and the readiness to correct them. This is an individual who can lead the organisation to greatness and leave a lasting legacy.

Do write in with your views to imeditorial@spentamultimedia.com

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Indian Management, the monthly magazine of Spenta Multimedia Private Limited, is published and printed by Mr Maneck E. Davar on behalf of Spenta Multimedia Private Limited. Printed at Spenta Multimedia Private Limited, Plot 15, 16 & 21/1, Village – Chikoli, Morivali, MIDC, Ambarnath (West), District-Thane. Published from 1102, Akashdeep Building, Barakhamba Road, New Delhi – 110001.
Editor – Maneck E. Davar

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Democratising marketing through humour

A funny scene from the movie Rangeela Customer Experience



ABOUT THE AUTHOR

Prof Rajesh K Pillania, MDI, Gurgaon.



ABOUT THE AUTHOR

Prof Jagdish Sheth, Emory University.

Let me share a funny incidence from the Hindi language movie, Rangeela. There is a scene in the movie where the protagonist Munna played by Aamir Khan takes the female lead played by Urmalia Matondkar to dining at a five star restaurant. When the waiter comes for taking their order, Munna asks him to turn on the fan. The waiter looks confused and tell that the AC is on. Munna doesn't know the difference between an AC and a fan and asks to turn the AC towards them. The waiter goes away looking amused and confused!

It is great to give customer a good experience and focus on customer experience but one needs to first understand the customer and he might not be needing or knowing about the experience you wish him to have.

I hope I have answered your question.



Marketing Guru



HEALTHY ORGANISATIONAL CULTURE

THE ULTIMATE BOTTOMLINE?





The golden and the shadow side

How to be a healthy leader and foster a healthy organisational culture.

♦ ANNA ELIATAMBY, AUTHOR, *HEALTHY LEADERSHIP AND ORGANISATIONS*



Yash Chittai

Healthy organisations are successful and need healthy leaders. But what exactly do we mean by this and why does it matter?

What is healthiness?

In this context, 'healthiness' refers to many factors that influence leaders and organisations. These include:

- Synergy between purpose, values, and how we live life, and conduct work;
- Impact of material resources and the environment;

- Open and listening to the incoming future;
- Effect of individual and collective history;
- Well-being, mental health, and physical health; and
- How we live and cope with the shadow side.

While we often include most of these factors, we rarely consider the shadow side when we think of leadership or organisational culture. Yet it is the shadow side that often impedes growth and progress. Which is why it is time to name and explore it so that we find a better balance between the positive and golden and the shadow side. (We based our ideas, described below, on the work of Carl Jung, Robert Johnson, and others.)

Healthy leaders and organisations acknowledge and deal with shadow elements

Being a healthy leader means that you have a good sense of self which guides you, are someone with integrity, compassion, truly inclusive, and respectful. Healthy leadership happens when the individual or the group do their utmost to serve others ethically and respectfully, while acknowledging that there can be negativity and be willing to address it and heal. They remain flexible and open to sensing the incoming future. The converse occurs when leadership uses shadow behaviours such as intimidation, hypocrisy, shaming and is prone to misuse assigned power for personal gain.

A healthy organisation remains true to its purpose, including doing no harm to humans or the planet. The organisation provides a nourishing culture and structure within which people can grow and flourish in their work to achieve the purpose. A healthy organisation works to recognise and address unhealthy elements, is amenable to change, and will consider possible futures. The organisational self is cohesive, supportive, and is reflected in the behaviours and culture. An unhealthy organisation will not care about doing no harm, be unconcerned about providing a healthy culture, and could simply focus on getting the job done at any cost. It may permit negative behaviours such as bullying with little redress.

Leadership can provide reassurance and show, by example, how to be more open and willing to look at both the positive and the shadow sides (including how the organisation changes).

Becoming a healthy leader

First, have an open and in-depth look at yourself, both positive and negative. This journey requires courage and readiness.

Even if our skills and talents are positive, we can be reluctant to be assessed either by ourselves or another. And if someone has been using mainly shadow behaviours, they may not be aware of the need to review, as it is likely that they have not received sufficient feedback on their behaviours and may feel they do not need to change. They may, therefore, be reluctant to explore and consider changing. In which case, it is best for them to wait and focus on becoming ready to explore.

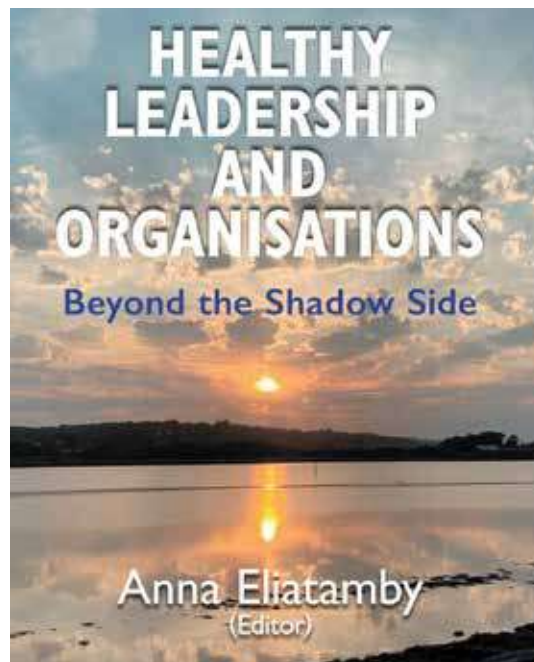
Reviewing yourself can help you really understand what is golden and what is shadow about you as a leader. There are a wide range of approaches available for the review. It is then important to stay with what you have found, reflect, and use it as a steppingstone to the next version of your self. Having learned about yourself, consider how you change.

It is vital to understand your change path, think about the future self you want, and the next steps. Change is usually best if it is slow, with clearly defined behaviours and opportunities to rehearse and practise to embed the new repertoire. Below are some suggestions to consider for your plan to grow.

Fostering a healthy organisational culture

It is easy to provide an answer about what is necessary: for instance, openness, integrity, trust, and respect with compassion, and kindness. These need to be accompanied by related behaviours. When you visit an organisation with a healthy culture, you will feel welcome, see people liking, respecting, and caring for each other and amazing work being done.

However, even the healthiest can have shadow aspects, and these can lead to the destruction



of the positive. Hence, it is important to look, collectively, at the shadow aspects such as a lack of respect for a few, untoward gossip, that some leaders intimidate, probably because of insecurity. A wide variety of formal and informal approaches is available to find out about the positives and negatives.

Reviews can be difficult, especially, if there are those who would not want one. It is best to prepare both leaders and other employees ahead of time and discuss the need to look at both the positive and the negative. Some may feel insecure, threatened as they feel they don't have an alternative way of behaving, some may be concerned about being open.

Leadership can provide reassurance and show, by example, how to be more open and willing to look at both the positive and the shadow sides (including how the organisation changes). Then people usually relax and become receptive.

Having found out, it is worth sharing the findings with all concerned so that they can work with leadership to analyse and build the future organisational self. People will be more likely to adjust if they are included.

The key elements for healthy leadership and healthy organisations

These factors comprise the elements of healthy leadership and fostering a healthy culture. It is important to choose those that are vital, will challenge, and lead to healthy change.

■ **Build self with compassion and respect**

For example, actively praise for demonstrating compassion, respect, and kindness. This can become contagious, especially if it applies to all. Respect the role of history, celebrate it.

■ **Promote well-being, mental health, and physical health**

Look after your self. Ensure a holistic approach to these factors in the workplace and associated practices, more than gym membership and annual health checks. Include those who return to work after mental health problems.

■ **Support emotions, cognitions, physical (body), and relationships**

By example, encourage people to be open (as they want) and care for each other, help people develop healthy work practices.

■ **Aim for synergy with purpose and values**

Work towards synergy but discuss compromise openly if needed.

■ **Material resources and the environment**

Provide the resources needed for work and individual diverse needs. Address sustainability.

■ **Diversity**

Let people be different. Encourage true inclusion, beyond mere presence.

■ **Live with the shadow side**

Help people grow and address the shadow, for eg, regular explorations on building a better balance between golden and shadow.

■ **Administrative issues**

Make sure that the structures, policies, and procedures promote the golden while tackling the shadow. Encourage collective accountability to address shadow behaviours. Have a trusted and confidential internal justice system.

■ **Leadership and organisational interventions**

Use interventions that teach concepts, how to apply them, and look at both the golden and shadow.

The journey for healthier leaders and organisations is not easy, but so necessary for us all. It will help us grow as we celebrate the golden, live more healthily with the shadow side, and leave a decent legacy. ■

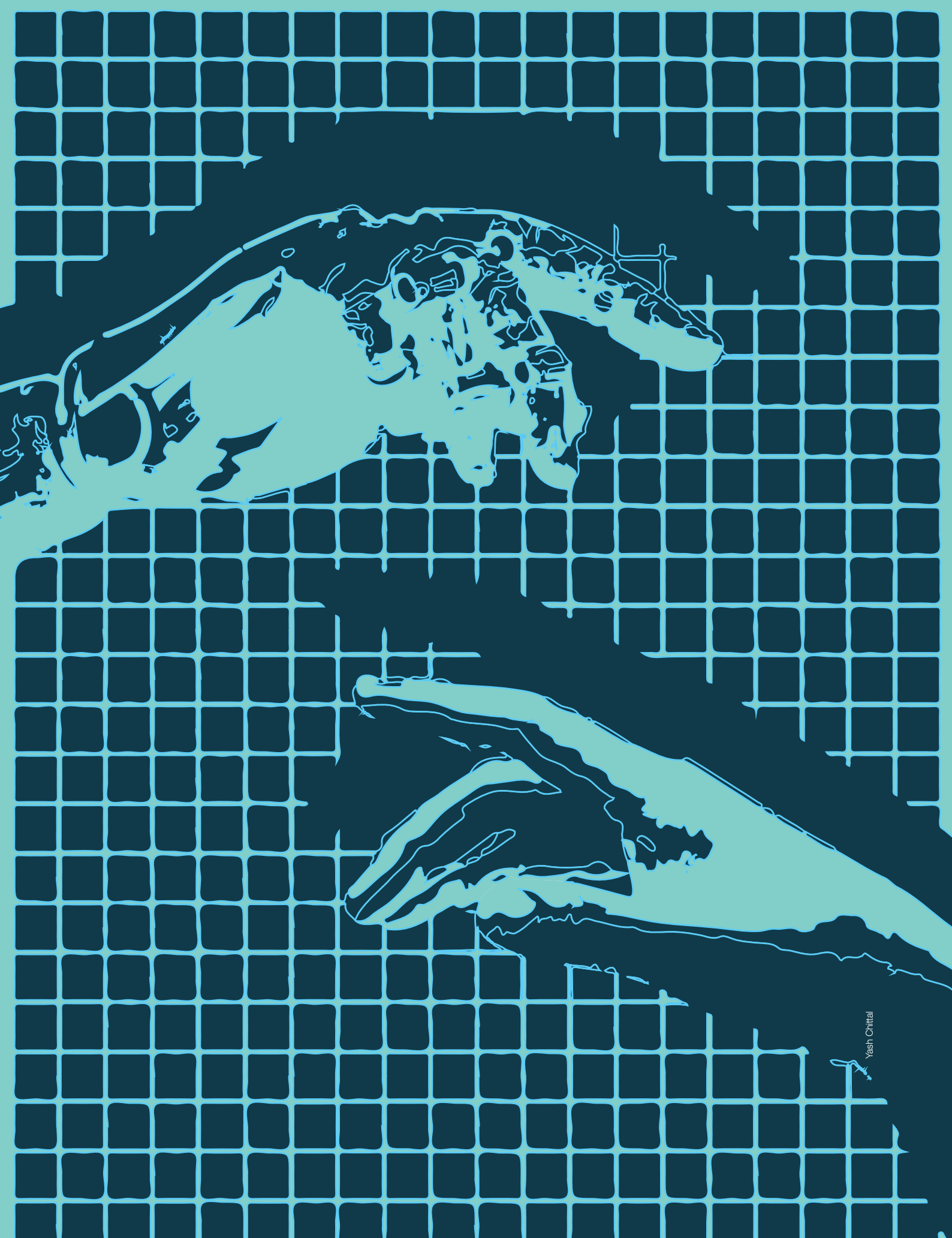


ABOUT THE AUTHOR

Anna Eliatamby

is a clinical psychologist, coach, and workplace well-being expert. She is author, *Healthy Leadership and Organisations: Beyond The Shadow Side*.





Digital transformation provides enormous potential for organisations grow their businesses, albeit, they understand and plans for the prerequisites of the transformation.

♦ THOMAS ERL, AUTHOR, *A FIELD GUIDE TO DIGITAL TRANSFORMATION*

TECHNOLOGY

Digital leap

A digital transformation initiative is a genuine attempt to change, upgrade, and extend an organisation's business models and technologies so as to enable the organisation to:

- Gain value by significantly improving what it has been doing
- Gain value by introducing new things it can do (and to ensure it can do those new things really well)

A digital transformation can introduce:

- A new mindset
- A new culture
- A new organisational structure
- New priorities
- New technologies
- New risks and challenges

A digital transformation will impact an organisation's:

- Business models and processes
- Automation and data science technologies
- Human workers and culture

Specifically, the mainstream availability of a specific set of technology innovations and practices has enabled organisations to transform their businesses through enhanced automation

and data intelligence to achieve greater business value and growth. This transformation results in changes to organisational culture and the positioning and allocation of human workers.

Business, technology, data and people

Although technology innovations are responsible for enabling digital transformation, the motivations, impacts, and influences of an organisation's digital transformation effort go well beyond technology. These factors involve the organisation's business, its data, and its people.

Digital transformation and business

Digital transformation is a genuine attempt to take an organisation's business to a new level of growth and effectiveness by transforming:

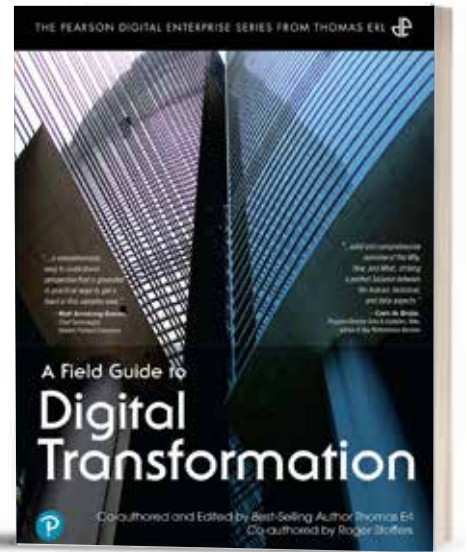
- How the business relates to the outside world (in particular, how customers perceive and inter-relate with the business), and
- How the business operates internally (in particular, how different organisational departments may need to collaborate, and how humans and machines may need to collaborate and inter-relate with each other)

When successfully realised, digital transformation can significantly reshape and enhance many aspects of an organisation's business, including:

- The extent to which the business can make existing products and services available to new customers and new markets
- The extent to which the business can introduce new products and services into new markets
- The speed at which the business can penetrate and develop new markets
- The extent to which the business can leverage data
- The experience that customers have when interacting with the business
- The efficiency with which the business can operate and the level of automation the business can incorporate
- The agility with which the business can maneuver and adapt to change
- The manner in which the business can collaborate with partners

A common, overarching strategic goal of digital business transformation is to instill customer-centricity as being paramount to business models, automation, and the organisational culture.

A successful digital business transformation (including the attainment of a meaningful extent of enhanced customer-centricity) is enabled



by the successful application of contemporary technology and data intelligence, along with the successful contributions of human workers.

Digital transformation and technology

What has made digital transformation possible is a set of technology innovations that enable organisations to carry out significant and meaningful business transformations.

The primary distinguishing automation technologies are:

- Cloud computing
- Blockchain
- Internet of Things
- Robotic process automation

The primary distinguishing data science technologies are:

- Big data analysis and analytics
- Machine learning
- Artificial intelligence

Together, these technology innovations empower business capabilities in two primary areas:

- Improved and new forms of automation
- More meaningful and responsive data intelligence

An organisation's business requirements and goals in relation to its planned digital

Highly engaging leaders demonstrate that they are committed to helping their people to achieve their goals and to grow as people. They take an active interest in their team's learning and development.

transformation will help determine the correct combination of these technologies.

The utilisation of these technologies is driven by the requirements of the business, and they correspondingly generate and process data in support of business data intelligence requirements. Human workers can be further supported by the digital transformation resulting from the application of these technologies. In some cases, the new capabilities introduced by the solutions may allow manual tasks to be automated by the solutions.

Digital transformation and data

Digital transformation leads to automated business processes that are naturally data driven. Data becomes a prime asset that empowers the organisation to develop sophisticated business automation.

The utilisation of contemporary data science technologies as part of a digital transformation can inject an organisation with large quantities of 'data intelligence', meaning the organisation will have the opportunity to:

- Gain meaningful insights into its own operations
- Gain meaningful insights into its market or community
- Gain meaningful insights into customer history and behaviour
- Gain meaningful insights into its existing products and services
- Discover opportunities to introduce new products and services into its market or community
- Enable its systems to learn from historical data to produce improved analysis results
- Enable its systems to assume decision-making responsibilities

Data intelligence can be used to improve automation and increase opportunities to automate manual tasks previously carried out by

humans. Data intelligence can further support human workers responsible for carrying out decisions.

Digital transformation and people

The transformation of both business and technology landscapes within an organisation will naturally augment or reshape traditional organisational structures and change the way human workers contribute and relate to the organisation.

These changes to how human workers carry out new or improved business tasks, work with new technology, learn from new data intelligence, and collaborate and relate to the organisation in new ways, can lead to the formation of new organisational cultures, more integrated with digital capabilities and focused on customer-centricity.

Digital transformation and organisations and solutions

An organisation undergoing a digital transformation will inevitably introduce benefits and impose challenges on its business operations, its technology ecosystem, the utilisation of its data, as well as its relationships with its human workers.

To proceed with a digital transformation, the organisation will need to develop digital transformation solutions, which are essentially applications responsible for automating and/or contributing data intelligence, each of which may encompass one or more related business tasks.

Conclusion

Digital transformation provides enormous potential for organisations to improve and grow their businesses. Some initiatives fail because of too much emphasis on technology and/or data transformation. A key critical success factor of any digital transformation initiative is obtaining an understanding of and planning for all required forms of transformation. **IM**



ABOUT THE AUTHOR

Thomas Erl is founder of and Senior Adviser with Transformative Digital Solutions Inc. He is Series Editor, Pearson Digital Enterprise Series from Thomas Erl. He is also CEO of Arcitura Education Inc. He is author, *A Field Guide to Digital Transformation*.



The leadership sweet spot

Sustainability. Corporate responsibility. Business purpose. Social responsibility. Call it what you like; competent boards can no longer afford to put ESG—environment, social, and corporate governance—issues on the back burner.

Not long ago, these subjects—ranging from freak weather events to demands for a higher minimum wage and the diversity of board members—were widely considered to have no place on a board agenda. Now, however, directors ignore them at their peril.

All great performers need not be leaders, and all great leaders need not be performers.

Of course, it is always good when a leader is also capable of performing well. It adds a lot of value to the team he is leading. But consider a large-sized organisation having around five-thousand employees, or even a thousand employees. How much of a difference can one individual's (the leader's) contribution in terms of individual achievement or performance really make?

Not too much, even if his or her work-related output is phenomenal.

On the other hand, it is the leadership-related achievements—based on leadership qualities, rather than the individual achievements and the personal milestones, that can determine and decide the fortunes of an organisation.

Too many times, the leader of a department or a team or an organisation is incorrectly chosen, based on the individual-level skills and performance that he or she displays. But one needs to remember that selecting a leader to 'lead' others so that these others can offer their best to the team, requires a totally different set of skills as compared to the skills required for individual success.

The reason such poor decisions are taken is that not much thought goes into the selection process as far as choosing an appropriate team-leader is concerned. In most cases, it is assumed that a good performer will, by default, make a good leader—which is an incorrect assumption.

Mahendra Singh Dhoni, former Indian cricketer and captain of the Indian national cricket team offers the best of both the worlds. In Dhoni's case, thankfully, we have a rather rare combination where leadership qualities,

Too many times, the leader of a department or a team or an organisation is incorrectly chosen, based on the individual-level skills and performance that he or she displays.

as well as the ability to perform well in an individual capacity, are found combined in the same individual.

Dhoni's record leading the team, not only in terms of the championship wins but in the other traits of leadership as well, is phenomenal. In fact, it is purely because of his leadership traits—motivating, supporting, leading from the front, taking responsibility for—that Dhoni has been able to lead his team to victories, consistently.

Of course, the fact that he is also skilled with the bat and behind the wickets, makes him even more desirable in the captain's

position. But the thing to keep in mind is that if there is a choice to be made when selecting a leader between two people—one of whom is a great individual performer but not skilled at leadership—and another who is not such a great individual performer but highly skilled at leadership—it is the one with better leadership skills who needs to be selected for the leadership spot.

As commentator Harsha Bhogle rightly points out: "If you're not doing well yourself, you still have to get performance from others. These are two different things."

Mike Brearley is considered to be the finest captain of the English cricket team of all time. He played 39 tests for England in the 1970s and the 1980s, and captained the English side in 31 of them. Out of these 31 tests he captained the side in, he won 18 tests and lost only 4. Of the 19 tests in which he captained England at home, he never lost a single one.

Was he a great bowler?

No; Brearley did not bowl.

Was he the wicket-keeper then?

No; Brearley had the services of one of the greatest wicket-keepers of all time, Alan



© Shutterstock.com

Knott, when he was captain. So Brearley did not keep (or needed to keep) wickets either.

Then he must have been a great batsman.

Wrong again. Brearley did bat, but he could hardly be called great, or even a good, batsman. In the 66 innings that Brearley batted for England in test-matches, his average was extremely modest: just 22.88. This is an average that even tail-enders have today. He never scored a single test century either.

So, if he was such an average performer, why was he occupying a slot in the team in the first place? Because, purely as a captain—a cricketing brain—he was a genius.

It seems amazing that in over 30 test-matches, across many years, he was in the side purely for his captaincy skills alone.

English superstar cricketer Ian Botham, who played many matches under Brearley's brilliant captaincy, said about Brearley: "Without a doubt the best captain I ever played under, a man with a billion-dollar cricketing brain."

Australian record-breaking pace-bowler Rodney Hogg, who played against Brearley's English team, described Brearley as having "A degree in people."

Brearley was truly a master motivator — a leader whom the most talented men would gladly follow.

And it showed in his captaincy record: 31 tests – 4 losses – 17 wins.

Brearley's best-selling book, *The Art of Captaincy*—largely based on his own successful leadership experience—is considered as a classic work; it is a book that needs to be read by every aspiring leader, no matter what field they are in.

An contrasting example to that of Brearley's is Sachin Tendulkar, who, being maybe the best batsman the world has ever seen, himself

declined the leadership role after a short stint, as he realised that it was impacting his batting abilities.

But Dhoni took a different approach, where his batting actually flowered and flourished in combination with his leadership role.

So, on one hand we have players like Sachin Tendulkar—excellent performers—but not suitable for the leadership position. On the other hand, we have cricketers like Brearley, who are by no means performers, but are excellent captains and leaders—role-models for the position.

And then, there are cricketers like Dhoni, who are phenomenal performers, as well as outstanding captains and leaders. This is the sweet spot to be at as far as leadership is concerned. **IM**



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John Philip Jones, author of 23 books and 70 articles, and a veteran in the fields of advertising and brand building and Mary Baumgartner Jones, Vice President for Communications and Public Affairs, Bowdoin College, lay bare myths from the world of advertising and how profits and losses work in this sector.

**MYTH
BUSTER**

Advertising's effects

The vast majority of manufacturers and service providers regard their expenditure on advertising as an important cost of doing business. This spending is significant—normally, between six and eight per cent and their gross income from each brand—a sum similar to its net profit. If ups and downs in advertising have no immediate effect on sales, an increase in advertising will cause profit to go down by the same amount, and a reduction in advertising will cause the same increase in profit.

The problem with advertising is that it is an imprecise stimulus to sales. It is, therefore, extremely difficult to isolate effective advertising from the other influences on consumer buying—price, consumer and trade promotions, retail distribution, and most importantly, the activities of competitors. In traditional campaigns for mass-market repeat purchase packaged goods (also known as fast-moving consumer goods, or FMCG), it is especially difficult to measure the effects of the advertising, and as a result, a number of myths have become widely believed.

However, things are getting better. This is the result of state-of-the-art research, in particular, the technique known as pure single-source. The phrase single-source refers to the individual households from which data on brand buying and the reception of television advertisements for

the brand during the period before purchasing is collected. The calculation calls for laborious work. Every time a purchase of the brand is made in any of the households in the sample, each such household is analysed according to whether or not it had received an advertisement for the brand immediately before; the purchases are also analysed separately according to the day the advertising was received. Sales stimuli, in addition to the advertising (especially promotions), are distributed randomly over the whole sample and are therefore not separated.

This technique exposes two myths: the first two of those listed below.

MYTH 1: Half my advertising is wasted, but I do not know which half

This familiar statement is attributed to two well-known industry figures during the early twentieth century: William Hesketh Lever, the British soap manufacturer whose company (which eventually became Unilever) grew to be one of the largest in the world and John Wanamaker, the owner of Wanamaker's, the Philadelphia department store.

For a start, the overall effect of advertising is less than Lever's and Wanamaker's guesses. According to research based on a massive sample of households that generated 112,000 statistical observations, 33 per cent of campaigns are

successful and 67 per cent are failures. But, on a positive note, it is now possible to identify these successful campaigns, and work on the unsuccessful ones in order to improve their performance.

MYTH 2: Clustering television spots in 'bursts'/'flights'

One of the most remarkable findings of pure single-source research is that advertising can trigger sales from a single exposure; thereafter, it follows a pattern of sharp diminishing returns.

From the inception of television in the 1940s, advertising schedules had been clustered in 'bursts'/'flights' of at least three exposures. (This pattern was based on psychological theory and common sense and not on the measurement of effects.)

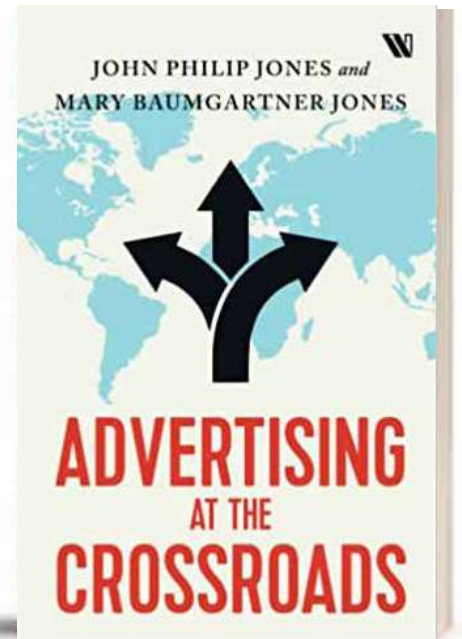
In view of the early onset of diminishing returns, this was easily shown to be wasteful because extra exposures (which all cost the same) produced fewer and fewer sales. It is much more productive to stretch schedules, establishing a lower rate of strike but over an extended period.

This is known as Continuity Planning.

It began to be employed by all major advertisers in the US and many other countries during the 1990s. Data published retrospectively by the Advertising Research Foundation (ARF) demonstrated the significant cost benefit of continuity planning over the previous policy based on the myth of 'bursts'/'flights.'

MYTH 3: The dominance of low-involvement brands

In many countries, national advertising during the twentieth century was dominated by campaigns for low-involvement goods (FMCG), in particular, packaged food and drinks, over-the-counter pharmaceuticals, toiletries and other bathroom products, and household cleaning and



kitchen products. These categories are all highly competitive, and the advertising is searching for buyers of the advertised brand. The advertising is heavily reliant on television which offers few targeting opportunities. It relies on creative ingenuity to attract potential buyers.

In contrast, high-involvement goods and services are expensive, and are rational purchases like cars, computers, household durables, jewellery, travel and vacations, and a range of financial services. Since high-involvement purchases are infrequent and carefully planned, buyers happily study the advertisements for all brands in the field, to help them make the best choices. Buyers are searching for advertising. The advertising media used are targeted, and digital media are increasingly important. In India, digital advertising expenditure in 2019 had already reached \$US 2.0 billion, compared with \$US 3.6 billion on television.

Towards the end of the twentieth century, high-involvement products were growing faster

The problem with advertising is that it is an imprecise stimulus to sales. It is, therefore, extremely difficult to isolate effective advertising from the other influences on consumer buying.

Although sales promotions do generate stronger sales than advertising, the high sales represent fool's gold; they are accompanied by depressed profit.

than the low-involvement ones. Many practitioners believe that, in view of the present trend, high-involvement products represent the future of advertising. In India, 23 per cent of large brands are now high-involvement, but they account for 53 per cent of advertising expenditure. This almost certainly means that the high-involvement brands are bigger than the low-involvement ones.

MYTH 4: As a brand grows, its advertising must be increased at the same rate

In most consumer goods markets, the competitors form an oligopoly composed of a group of large marketing companies. Each is aware of what his competitors are doing, and this is something that elevates advertising expenditure, since each fears that he will be outspent.

The usual pattern for a stable brand is for its share of all advertising in the category (Share of Voice, or SoV) to be approximately equal to its Share of Market (SoM). This is because the cost structure of all brands is relatively similar. Large brands can afford to spend more money on advertising than small ones, although this conclusion must be qualified. On the basis of a sample of more than 600 cases, it is evident that small brands over-advertise, with SoV higher than SoM. This is because most of them are new launches, which require high initial investment. In contrast, large brands that are well-established can afford to under-advertise, with SoV lower than SoM. The amounts involved are often two or three percentage points of SoV: substantial sums that represent economies of scale that go straight to the bottom line. The pressure of oligopolistic competition that elevates advertising expenditure is nothing but a myth that depresses profit.

The fact that large brands can generate advertising scale economies has been described in many media, including *Harvard Business Review*.

MYTH 5: Sales promotions have a much stronger effect on sales and profit than advertising does

Although sales promotions do generate stronger sales than advertising, the high sales represent fool's gold; they are accompanied by depressed profit.

The responsiveness of sales to a change in consumer price can be measured by a number: the brand's price elasticity, a negative figure because an increase in one leads to reduction in the other. The figure is normally high. A sample of more than 600 cases gives a figure of -1.8. In other words, a 10 per cent reduction in price leads to an 18 per cent increase in sales. This is very attractive to a brand manager, particularly, if he or she must achieve a sales target at the end of the year. However, the increase in sales is accompanied by two changes in the brand's cost structure—first, the net sales value (NSV) is reduced by 10 per cent and second, there is an 18 per cent increase in direct costs (which in many cases represent half the total cost of the brand). As a consequence, the brand will inevitably become unprofitable. This situation is different if additional expenditure is put into advertising. Calculated from a large sample of brands, an average advertising elasticity is +0.2. A 10 per cent boost in advertising will generate a 2 per cent increase in sales. Although the sales increase is low, it may well be profitable because the cost of the additional advertising may be less than the profit earned by the extra sales.

The demonstrable danger of promotional price cutting is widely known and has been published in many media, including the *Harvard Business Review*. 



The story of how, in less than two decades, Tatas transformed a sluggish public-sector enterprise like VSNL into a global telecommunications conglomerate.

♦ DR SHASHANK SHAH, AUTHOR, *THE TATA GROUP*

CASE STUDY

A new lease of life

The recent acquisition of Air India, India's national carrier, by the Tata Group was celebrated by a large part of the Indian population. Many called it the Indian civil aviation story coming a full circle. However, several experts cautioned those indulging in superlative speculations on the transformation of Air India into a profitable world-class airline, with some reality check. They highlighted the 'baggage' with which the loss-making public sector undertaking (PSU) is returning to the 'Tata stable' and have listed a series of areas from efficiency to professionalism, and people practices to brand management, as areas of challenge that Tatas will have to deftly handle in their endeavours of transforming the Maharaja to the iconic status it enjoyed in the global civil aviation space under the leadership of JRD Tata, nearly 50 years ago. Several aviation aficionados have provided scenarios of turnaround strategies that the Tata Group might adopt to bring about the much-needed makeover. In this context, it is worthwhile going back in time 20 years, when the Tata Group had acquired another PSU in the telecom sector, and the way in which it was turned around to become a global telecommunications major. There may be several learnings from this story, albeit from a different sector and context, for the team working on Air India's transformation.

In February 2002, the Tatas formally acquired 25 per cent equity stake (with management control) at ₹1,439 crores in Videsh Sanchar

Nigam Ltd. (VSNL) by signing the shareholders' agreement with the Government of India. This was part of the Vajpayee-led government's privatisation initiatives. At that time, VSNL was predominantly an international voice company with a monopoly in India. To gain majority equity control in the company, Tatas purchased the remaining shares of VSNL from the market. The VSNL investment was part of Tata Group's long-term strategy of entering the bustling telecom sector, which had immense domestic and global growth potential. VSNL came relatively cash-rich due to years of earning on every international call made from India.

Soon the scenario changed. Few months after the takeover, the government unexpectedly killed VSNL's monopoly in international long distance (ILD) telephony. Consequently, call rates plunged from US\$2 (₹86) to 5 cents a minute. The Tatas realised that they would have to find new businesses and markets for VSNL that offered better margins and were more aligned to differentiation. They initiated a globalisation drive fuelled by acquisitions and diversification away from the commoditized space of carrying voice, which had contributed 98 per cent of revenue in 2002. In 2003, VSNL opened offices in USA, UK, and Sri Lanka, with the international division based out of Singapore. Let us see what was happening on the other side of the globe.

Internet and IT were gradually seizing the world. Since 1997, global internet traffic roughly doubled every year. In anticipation of making quick bucks on the back of the dotcom

boom, much of the industry was convinced that traffic was doubling every 100 days. This led to investments of trillions of dollars in creating telecom infrastructure to support the supposedly required bandwidth. Andrew Odlyzko, head of the digital technology center at the University of Minnesota, observed that between 1998 and 2002, total transmission capacity increased 500-fold while the demand for transmission capacity merely quadrupled, a rise that could easily be accommodated by existing networks. Consequently, around US\$150 billion were unnecessarily spent to build telecom networks in USA and another US\$50 billion in other parts of the world, especially in Europe. When it became evident that the projected explosion of demand for internet was not going to happen anytime soon, there was a huge fall in market capitalisation of telecom infrastructure and equipment companies. Some like Nortel suffered a fall in market cap from US\$400 billion in 2000 to US\$3 billion in 2002. Others like WorldCom indulged in accounting frauds by falsifying profits to the tune of US\$11 billion.

Tyco Global Network (TGN) was one such global, under-sea fibre-optic network of the Tyco conglomerate. It had invested over US\$3.5 billion in building one of the world's most advanced and integrated network that provided seamless connectivity across 50,000 kilometres of undersea and terrestrial cables across USA, Europe, Africa, and Asia. It surpassed any global network in terms of design capacity. Between 1991 and 2001 under the leadership of the now-disgraced CEO Dennis Kozlowski, Tyco had acquired 1,000 companies at an investment of US\$63 billion. TGN was thus part of Tyco's ambitious growth plans. In November 2003, when Edward Breen took over as chairman and CEO of Tyco, he ventured to sell many commercially non-rewarding businesses of the conglomerate. This included TGN which was bleeding cash and had never made money for Tyco. Tata Communications first came to know of this opportunity through Goldman Sachs



in March 2004. By the time the news became public, eight prospective bidders were eyeing the network including VSNL and Reliance Infocomm from India. The other bidders included Singapore Technologies, California-based Trinity Ventures and US-based Pivotal Private Equity.

Becoming the world's biggest carrier of international phone calls

Tyco and VSNL already had an existing relationship. The two had signed a turnkey supply contract for a 3,100 kilometres undersea fibre-optic system connecting Chennai with Singapore to meet current and future voice, data and internet bandwidth demands from India to South East Asia and to various tech hubs on the west coast of USA. The Tyco acquisition would give VSNL (now Tata Communications) an instant global network and improve its competitive position in Indian markets, where a telecom war with Bharti Telecom and Reliance Infocomm was beginning to unfold. The latter had already acquired Flag Telecom, a US-based company in November 2003 for US\$207 million. Flag had a 27,000 kilometres cable system connecting UK with Japan via India but had filed for bankruptcy in April 2002. Bharti had a 23,000 kilometres advanced fibre optic domestic long-distance network connecting 300 towns and cities across India.

Competition had led to decline in Tata Communications' business within India (which

had till then enjoyed a monopoly) with a 50 per cent fall in revenues in the international voice business between 2002 and 2004. A shift of focus towards data services and global connectivity for providing end-to-end solutions for enterprises and telecom carriers was a strategic imperative. This was a huge business opportunity with India becoming the BPO and IT offshoring hub of the world. The TGN acquisition would provide Tata Communications access to unrestrained bandwidth on the Atlantic and Pacific routes for over a decade and strengthen its competitive position in Indian markets. The board was convinced of the opportunity.

Arun Gandhi, then director at Tata Sons, who led the acquisition process highlighted the uniqueness of this deal. Unlike other acquisitions, this one did not involve buying shares. Instead, it involved acquiring undersea assets at various locations, and 11-12 landing stations in many countries starting from Japan on the Pacific, going into USA and on the other side coming around the globe. It was for the first time anybody was acquiring undersea assets across the globe. After three months of due

diligence, Tata Communications submitted an all-cash bid for US\$155 million. Three months later, in November 2004, Tata Communications finally clinched the deal at US\$130 million (₹585 crores) (with certain technical strings attached) for acquiring a 60,000 kilometres of state-of-the-art undersea cable network in the continents of North America, Europe and Asia.

No acquisition is without its unique complexities. Gandhi recalled an interesting situation in Portugal, where Tatas could not acquire the cable assets under their licensing laws but had to acquire Tyco's subsidiary in Portugal. This happened two days before Tatas were to close the transaction. Compared to acquiring an asset, acquiring a company has its own problems, particularly about any contingent liabilities or disputes. 'In those two days, I had to get done due diligence in Portugal while sitting in New York. Confirmation on assets acquired in Japan also started coming in. When Japan was awake, things were still sleepy in New York. We almost didn't sleep for two days while closing the transaction. We had to have lawyers and people in every jurisdiction of the globe.



They had to be told what to do, what not to do, and what confirmation we wanted, before we could close the transaction and give the cheque,' recalled Gandhi with a sense of excitement.

Just when he thought the transaction was over, a new complication emerged. Tata Communications had to issue the cheque on a Monday morning to Tyco's CFO. Gandhi had informed the Tata team in India about this. They confirmed that they would transfer the money with their international bank's branch in India, and the cheque would be issued by the bank's branch in New York. On Friday evening, Gandhi called that bank's office in New York requesting for the banker's cheque at 9 am on Monday. They refused stating that these cheques were only printed at some place in New Jersey, and by the time the cheque is printed, and the courier brings it to Gandhi, it would be mid-day. An extremely upset Gandhi retorted, 'Look, my money is already with you in your branch, and you can't give me a cheque! I am not accepting it. Give me the name of the senior most person in the bank and I'll speak to him.' He called the bank's senior most executive, 'You have my money and I am not accepting your branch's statement that I can't have the cheque because you don't know when to print it and how it would be delivered. Do whatever you must do, I want this cheque at 9 am on my table.' To his delight, the cheque was on Gandhi's table exactly at 9 am on Monday morning. 'What was the reason for his insistence?' I asked Gandhi. 'I had agreed for a time to close the transaction with Tyco's CFO. I didn't want to call him and say that I am not closing the transaction at the scheduled time because I don't have a cheque! What would he think of the Tatas?' confessed Gandhi.

With the required government approvals obtained in the USA, India and other countries, Tata Communications completed TGN's acquisition on July 1, 2005 through formation of subsidiaries in various countries. Tatas had acquired the entire network with assets worth US\$ 2.5 billion at less than 10 per cent of its

value. Quoting Warren Buffet's M&A principle: 'Buy good businesses at fair prices and not fair businesses at good prices', Gandhi emphasised that buying good businesses at fair price meant knowing fully well why the seller wants to sell the enterprise. Just like in the case of Ford wanting to sell JLR as it was in urgent need of funds, Tyco too was bleeding on TGN's business and wanted to dispose the assets at the earliest. It was also the best time to acquire. Though current markets were down, yet future prospects were bright. Srinivasa Addepalli, former chief strategy officer at Tata Communications, observed that the subsequent surge in demand for bandwidth due to growth in social media, video conferencing and mobile broadband, validated the company's bet on acquiring critical and valuable telecom infrastructure during a downturn.

The deal was a clear steal for Tatas as Tata Communications had cash reserves of ₹1,600 crores at that time. It had also earned ₹880 crores from the sale of two satellites. Thus, it could make the purchase through internal accruals with no debt component. Srinath Narasimhan, then executive director at Tata Communications, who later became CEO, described the deal as 'A major step forward in our drive to offer our enterprise and carrier customers seamless, end-to-end telecommunications solutions that circle the globe.'

With the acquisition of TGN, Tata Communications became the world's largest provider of submarine cable bandwidth. With fast-paced development in global communication, the company invested over US\$2 billion in a series of acquisitions over next few years including Canada-based Teleglobe, and a majority stake in South African communications network operator, Neotel. In typical Tata style, it developed Neotel as a South African company with a local management team. The synergies, scale, assets, and competences gained from these acquisitions created an industry leader across markets. The sales, marketing and customer service skills that were weak during the VSNL years were tweaked post-acquisition. Tata Communications focused its efforts in building a

customer service organisation, creating right skills in employees, and building good processes and systems around it, including investments in IT. Over the years, nearly one-third of its employees were based outside India.

By 2021, Tata Communications became the world's largest wholly owned and most advanced subsea fibre network with a presence in 190+ countries across the globe. It connected four out of five mobile subscribers worldwide and carried around 30 per cent of the world's internet routes. It connected businesses to 80 per cent of the world's cloud giants and served over 7,000 customers globally that represented 300+ Fortune 500 companies. Due to internationalisation of operations, nearly 80 per cent of company revenue was generated outside India. In less than two decades, Tatas had been supremely successful in converting a sluggish public-sector enterprise like VSNL into a global telecommunications conglomerate.¹⁰

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19 TGN had a transpacific capacity of 15360 GBPS, six times more than the combined capacity of its competitors.

20 This included a series of technical considerations including a US\$15 million non-refundable deposit which would be forfeited if Tata Communications did not get regulatory and commercial approvals within 12 months of signing the deal. Tyco capped its indemnity for reps and warranties at US\$50 million.

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ABOUT THE AUTHOR

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In for lean

Sustainability. Corporate responsibility. Business purpose. Social responsibility. Call it what you like; competent boards can no longer afford to put ESG—environment, social, and corporate governance—issues on the back burner.

Not long ago, these subjects—ranging from freak weather events to demands for a higher minimum wage and the diversity of board members—were widely considered to have no place on a board agenda. Now, however, directors ignore them at their peril.

I have often been asked, “How did you build the lean culture?” Simply said, culture is ‘how we do what we do’ or ‘the way things are done in an organisation’. Some also define company culture as a shared set of goals, values, attitudes, and practices that characterise an organisation. A successful company culture is one that can be accepted easily or embraced by the newest member to the MD or CEO. In this article, I will share with you some important things that helped me build a lean culture in my organisation.

Over time, every company develops some sort of culture that may include strategy, goals, etc. But it is really about attitudes and practices that can answer the question, “What does it feel like to work in a particular company?” When people ask me, “How did you change traditional

culture to lean?” it indicates their intent to change or transform from a traditional production company to a just-in-time (JIT) manufacturer or service provider. This transformation is not casual, as a lean company thinks in a manner that is exactly the opposite of a traditionally managed one, when it comes to operational approaches, underlying attitudes, and practices. Traditional companies are structured into departments that make them produce in batches, while lean companies are structured in value streams that enable flow of value to customer on demand.

Two traditionally managed companies might not have the same culture. Yet because of their approach to marketing, production, and functional structure (batch production structure) they may share many similarities. The list of thinking or process examples could be endless, and underscore the point that to become lean the traditional organisation has to change. The challenge is enormous and to build a lean culture, you must first build a lean company.

This massive change is not an overnight job. Building lean culture is not a fly by night operation, it is not about fixing broken down processes or doing some kind of rejig. It is not something that can be subcontracted to middle managers or below. It has to be led by the CEO or business owner from the front. Transforming to become lean is not a mechanistic thing; it is more about people, and hence, it is more

Work starts with the leader who does not have to be an expert, but needs to commit to getting good at it and improve continually.

of a social transformation. It is about developing competence and behaviour in people to see waste, solve problems, and make improvements. This is a new way of conduct and has to be taught by demonstration till it takes root. So, the question is how to do it and where should one begin?

Lead lean from the top

My tryst with lean started when I was reassigned from business development to head of operations, at a time when (we) knew nothing about lean (we called it JIT) back then. I learnt by practising on the Gemba for most part of two shifts every day. Understanding what does not work, failing sometimes, always teaching workmen and staff, leading the kaizens, improvising, focusing heavily on the process and never on the monthly results, learning when to use which tool or technique etc. Demonstrating by example, this not only helped me develop the next level of leaders, but leading by example helped change everybody's behaviour and attitude towards work. Our new work-related mantra,

behaviour, and description itself of the job had quietly changed to:

When any abnormality was observed, it had to be corrected and restored back to standards. We discarded accepting with deviations. Drawing was the master and compliance to it alone was mandatory.

We solved problems every day (kaizen). Solving problem to us meant preventing reoccurrence. We would exchange with each other every day, the number of problems identified and how many were solved. Seeing me leading the kaizen effort, the workmen and staff dived deep into it. That is how high motivation levels were. Once a problem had been solved, we set new, higher standards and went after achieving them, aligned to overall company goals.

In short everybody's daily work was: strictly complying to standards, bring abnormalities back to standards, eradicate reasons that caused problems at their grass root level, setting higher standards and get to achieving them...and we were in a hurry!

Work starts with the leader who does not have to be an expert, but needs to commit to getting



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good at it and improve continually. It is necessary for him to know the principles, philosophy, tools and techniques of lean, and to be able to make conversations on the subject. Success or failure will depend on the leader's involvement. Period. The transformation or change cannot be managed or delegated. The leader needs to be hands-on and lead the change. It is not a talk and instruct thing. Even if people follow the top down orders, it will not change the culture, for instructions may be followed but attitudes and behaviour will not change if there is no ownership. There is an old, Indian Vedic proverb that says ...

यथा भूमस्ति तथा तोयं, यथा बीजं तथा ऽङ्कुरः ।
यथा देशस्तथा भाषा, यथा राजा तथा प्रजा ॥

It means, as the land so the water; as the seed, so the sprout.

As the region, so the language; as the king, so the people.

So, if you want to build a lean culture, the leader needs to think, speak, act, and behave in compliance with lean necessities. Only then will people choose to follow the leader's behaviour, take ownership, and change their attitude that will help build the new culture.

My focus was on developing every person into a leader (however unreasonable or overambitious that might sound), which meant everyone had to learn and master all aspects of lean by imbibing and adapting to lean behaviour.

Communicate and the 'how to'

It is necessary to tell every member about why you intend to become lean and how you intend to proceed on this journey. The goal of lean is not to reduce head count, so it is important to alleviate any fears of retrenchments. When we decided to implement the Just-in-Time system three decades ago, we had a reason why we wanted to become lean. There must be a reason why any company wants to become lean. Explain these reasons to the people, let them know why you are asking for a change. Tell them the broad strategy of how you intend to implement it, when will you start, what can they expect, and what is expected from them. The language

must all be 'let us do this' and not 'you do it'. This communication must come from the leader to the workmen and staff, and must not be informed via a circular or by delegating the job down the line.

There is a subtle difference between showing and telling. Lean is different in values compared to traditional management. The new or different value systems need to be imbibed and exhibited in behavioural attitudes, it is not a speak thing. Leading is by example. In the twelve to fourteen hours I spent on the Gemba every day, I was teaching them to respect the customer by demonstrating the respect necessary to be given to every subsequent process within the product manufacturing processes. By learning to respect the internal customer they began delivering better value. When they saw me believing in their ability to solve problems, and challenging them to do more, they cultivated the kaizen habit and began to do more. They had understood the importance of customer, kaizen, and respect for people. The old blame game had vanished and given way to collaborative and cooperative work. The workmen felt they were a responsible part of the change. Trust had come into existence and teamwork was built. There was nothing to fear, so the lies disappeared, they were not afraid to experiment with new ideas. Truth, honesty, effort, and earnest work and was encouraged and celebrated by all.

Dream, vision, and goals

A dream--a far sighted vision--is necessary to fuel your Lean journey. The adage 'you will believe it when you see it,' here means you need to see the possibilities or the picture in your mind first, then you can achieve it. You will realise the results when you believe in your vision and input necessary work to get there. Then translate this broad picture of possibilities as the goals of the company. Break it down into smaller steps for teams to work on them. The CEO must set these aspirational goals for himself and the company, stretched goals will be good. Focus on

the process and not the results. Remember good process will always get you good results. Result is the consequence of what you do and how, so, focus on changing your processes and the results will follow. It is important that the CEO himself speaks to the workmen and staff setting the goals and leading them in Kaizens showing the way. This is necessary for duplication (monkey see, monkey do).

When my lean journey started, we faced many problems. One of them was that there were no orders despite having very good products. This led to a temporary closure, necessitating a turnaround strategy to avoid longer or permanent closure. I started by setting myself some goals, such as becoming the number one player in the market; reduction of costs by 50 per cent; empowering workmen to be responsible for and in charge of production without intervention of management; inculcate lean or JIT behaviour in all; give new products protection for eight to 10 years; make competition redundant; develop new markets; become India's first true lean organisation, etc. I had a time line in mind, but we were basically in a hurry to outperform ourselves. With these guiding lights, I broke them down to daily kaizen activities on the Gemba in every area from marketing to product development to execution to supply chain, with all this work being done seamlessly and concurrently across all stages of the value stream. I had given my team five 'Zero' goals even if they were inordinate—zero delay in deliveries, zero waste (defect included), zero lead time, zero inventory, and zero accidents. These five good zeros facilitated all goals.

Lean department or not?

My focus was on developing every person into a leader (however unreasonable or overambitious that might sound), which meant everyone had to learn and master all aspects of lean by imbibing and adapting to lean behaviour. So, I did not think it was necessary to set up a special lean department and put them in charge of the education and transformation. I made it everybody's responsibility in his area of work, taught by me initially and later by my value stream managers. To us this job was to be done every day on the Gemba and not in some remote location. We felt happy with every achievement, and yet, were never satisfied as it taught us that more was possible.



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In hindsight we were lucky not to have had people telling us a variety of what to do things. We followed JIT leads from Dr. Schonberger's book *World Class Manufacturing*, which, incidentally, is still a good book today. Seeing me walk the talk built trust. My team saw me in action addressing concerns on all fronts—be it marketing, product, or process design, supplier development, problem-solving, people development, creating a happy trustworthy environment, etc., always talking to them of the next goal and its benefits. My experience is testimony that one can transform without a special department or group being setup for the purpose. The fact is you cannot manage the shift to lean or delegate it, the leader needs to be hands-on in this job.

Social and passion versus mechanistic and intellect

Building a lean culture is not something for which you can randomly cherry pick some tools and make it happen. It is more of a social process; one that is of people development and transformation, that teaches involvement, ownership, and responsible behaviour. Passion and not intellect is the driver for success here. The set of emotions that come with passion are very different from that with intellect. Intellect here is useful in kaizen and standardisation but success will come out of passion. Passion motivates involvement, intellect encourages delegation, and delegation in the beginning is ruinous for success. **IM**



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Leaders who take the goal-setting process seriously, can better engage with their workforce and lead them towards high performance.

♦ BRIAN HARTZER, AUTHOR, *THE LEADERSHIP STAR*

LEADERSHIP

Good, great, and stretch

Most leaders agree that performance targets are a critical part of effective leadership. Whether through a traditional, balanced scorecard of key performance indicators (KPIs), or the more recent OKR (objectives and key results) approach used by many startups, leaders typically devote many hours to setting goals, tracking results, and reviewing performance.

But is it time well spent? Do these performance management approaches really lead to world-class performance?

In my various CEO roles over the past two decades, I have observed several traps that leaders fall into when setting goals for their people:

Too many measures: If the scorecard is more than two pages long, it will be ignored.

Targets are too high: If the performance goals are out of reach, they can demotivate rather than motivate.

Targets are too low: This can undermine performance, with mediocre performers falling into complacency, and high performers looking elsewhere for challenge and recognition.

Targets are too generic: In the interest of fairness, leaders sometimes set common sales, service, or productivity targets for all staff in a given role. If legitimate differences in

opportunity exist (eg, in high-growth versus low-growth locations), this can lead to both of the previous two traps—since targets are too low for those in high-opportunity areas, and too high for others.

Targets conflict: A lack of coordination on goal setting among leaders can mean that teams or individuals fight for similar resources or fail to support each other where needed to achieve their respective goals.

Few leaders have been trained in how to set goals effectively; so most of them spend too much time doing it. Having struggled with this myself over two decades, here are five suggestions that can turn a bureaucratic process into a lever for world-class performance.

■ Explain why the goal is important

The most engaging leaders communicate a clear sense of purpose to their employees about how the organisation contributes in some way to the greater good—for example, by serving customers, colleagues, or the community at large.

Goal setting is a critical opportunity to demonstrate the link between this broader purpose and what people do all day. Why do safety targets matter so much to a mining business? Why are detailed quality checks so important to auto parts manufacturer? If this link is not spelt out clearly, then there is a risk that employees

will not take it seriously. Or worse, if the goals conflict with the organisation's stated purpose, people will rapidly become cynical about your actual commitment to the organisation's mission.

For example, if the purpose is about providing great service but the goals are all about sales numbers, employees will rapidly draw their own conclusions about what the organisation's purpose really is.

■ Distinguish between good and great performance

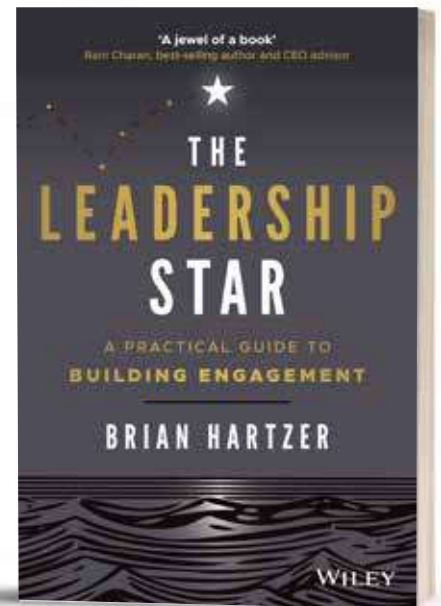
One of the best ways to create a high-performance culture is to set goals that distinguish between good and great performance. Good performance is about meeting the expectations of your role, ie, what are the specific things that the individual should have accomplished in order to be seen by their boss to have done a good job?

'Good' performance should still require significant effort and effectiveness—it is not a low bar. It should be pegged around the level that means that the individual achieves their contractual compensation expectations and enjoys continued career growth.

Great performance is more subjective, but it's equally important to clarify. The idea is to tap into the psychological magic of 'stretch' thinking.

A properly stretching goal is one that, on the day it is set, no-one in the team—including the leader—is sure it can actually be accomplished. Great performance requires you to come up with a different way of doing things to achieve it: a new product or customer angle, a new process, new people in key seats, or the application of new technology.

US President Kennedy's speech to Congress in May of 1961 is a classic example of stretch thinking: "I believe that this nation should commit itself to



achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the Earth."

But how do you determine the right amount of stretch? One question that I have found to be extremely helpful is, "What stretching goal, if we achieved it, would make you immensely proud?"

This formulation triggers the subconscious mind to generate an initial answer that often hits the mark. It connects both the head and the heart. And while some people are reluctant to over-promise, my experience is that individuals generally do step up.

■ Realise that not everything is a target

As Jim Collins, author of *Good to Great: Why some companies make the leap while others don't*, said, 'If you have more than three priorities, then you don't have any.' One of the classic mistakes in performance measurement systems is to translate every aspect of the job description into a performance target, leading to dozens of pages of measures and goals.

Highly engaging leaders demonstrate that they are committed to helping their people to achieve their goals and to grow as people. They take an active interest in their team's learning and development.

If there are too many measures, the employee simply can't keep them in their head. Plus, each specific measure has very little weight—so people tend to spread themselves very thin across each item, thereby limiting their impact. And in reality, not everything is assessable. Many of the aspects of roles are binary: you either do it, or you don't. In these cases, the opportunity for any sort of stretch performance (or poor performance for that matter) can be quite limited.

Rather, assume that people have been screened for their role and understand their job description: Any gaps in the basic performance of their role can be dealt with when they emerge.

■ Clarify lead versus lag indicators

Performance management KPIs often focus on 'lag' output measures, such as profitability, market share, customer service scores, and the like. But to drive high performance, it is important to give people control over their destiny—and many output measures may not be totally within the control of individual employees (for example, where competitive moves affect market share).

Explicitly using 'lead' indicators is therefore part of an effective performance management process. Lead indicators measure activities that are within the control of the individual or team: the number of sales calls made, files that are processed, or lines of code that are written. These measures can generally be tracked, reported, and discussed with the team at least weekly.

I have seen this process work very well to align efforts within a team and move the performance dial. But it also helps to increase engagement, both by giving people a sense of control and by giving them the

positive reinforcement of frequent wins (rather than waiting till the end of a long performance period for the lag indicator to come through).

■ Reinforce a growth mindset

Involving people in setting their own goals helps encourage a 'growth mindset'—the belief that one's intelligence and talents can be developed through dedication and hard work, rather than being 'fixed'—which helps sustain high performance.

People with a growth mindset:

- see challenges as opportunities to be creative
- accept failure as the precursor to learning and improvement
- see criticism as a gift that gives them alternate perspectives
- find value in the process as well as the result.

Moving to a growth mindset requires leaders to think differently around how they motivate people—moving from judgement and criticism to challenging and supporting, which puts the employee in charge of their performance.

Highly engaging leaders demonstrate that they are committed to helping their people to achieve their goals and to grow as people. They take an active interest in their team's learning and development. They set and articulate high standards, demonstrate confidence that their people can get there (with the leader's help where necessary), and hold people to account when they fall short.

There is more to world-class performance than an effective goal-setting process. But leaders who take the process seriously—rather than viewing it as an annoying, bureaucratic process run by HR—will find they are well on the way to engaging their people emotionally, and inspiring them to deliver more than they ever thought possible. ■



ABOUT THE AUTHOR

Brian Hartzler is a financial services executive and leadership mentor. He is also author, *The Leadership Star: A Practical Guide to Building Engagement*.

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