

CIB on wings



March 2018

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 **Initiatives of Change**
Caux Initiatives for Business

Editorial

Two important events took place at Asia Plateau, Panchgani in February 2018. We provided a glimpse of the CIB Biennial International Conference from the eyes of delegates in our last month's issue. In this Newsletter we are glad to share with you a Report of what a group of CEOs from business and industry deliberated on when they gather together for a CEO Conclave. The theme around which they spent three Round Tables on focussed on creating long-term value while managing short-term expectations.

The enclosed report provides highlights of each of the Round Tables that the CEOs were engaged in. Though this runs into a larger number of pages that we are normally used to circulating with you, we feel confident that the business person in you will enjoy gathering some of the precious nuggets of wisdom that were collected in the course of the day that was spent together.

Editor



Deliberations among CEOs

A Report

There are several forums, confederations and institutes that Chief Executive Officers of businesses are associated with, but seldom have they experienced a weekend Conclave where businessmen from countries that spanned three continents deliberated on a theme that required urgent attention—and that not in the form of discourses and lectures but with deep, personal sharing that stemmed from experiences. This is precisely what happened when 24 CEOs gathered together in the serene campus of Asia Plateau, Panchgani for a Conclave that began on the evening of February 2 and concluded by mid-morning of February 4, 2018. CEO's from various states of India deliberated shoulder-to-shoulder with their counterparts from the UK, France, Sweden, Malaysia and Kenya



to learn from each other's experiences in "creating long-term value while managing short-term expectations". It is often said that behind every successful man is a woman; so the presence of four spouses who have been an inspiration to their fellow partners brought the added vibrancy to the deliberations. Two Observers, one from UK and the other from Switzerland who had come from programs of Initiatives of Change with a similar vision as CIB; and were keen to learn some of the successful practices that CIB had been able to employ were also among the numbers.

The Conclave that was Co-Chaired by Sunil Mathur, MD and CEO, Siemens Ltd. for South Asia and Naushad Forbes, Co-Chairman, Forbes Marshall Pvt. Ltd. Beginning the event with a brief round of



introductions that brought to the fore the diversity of rich talent and vast experience that sat around the table; Naushad then asked Sarosh Ghandy, Chairman of Caux Initiatives for Business why he had chosen the particular theme of "Creating Long-term Value while Managing Short-term Expectations" as the topic to be discussed in this forum. Sarosh spoke of how CIB had long desired to conduct such a Conclave for CEOs from businesses around the world. However because each nation would have its own challenges and the working environment would be varied, they needed a topic of discussion that would be relevant for all businesses around the globe. Given the pressures that CEOs face today with expectations from Shareholders and results on a quarter-

by-quarter basis, the role of the Chief Executive which is primarily to focus on the long-term vision has now been made additionally challenging while trying to marry the two. “It was for this reason that we chose this topic, knowing that it is not only relevant for all CEOs, no matter where in the world they may be located, but is a topic that equally demands solutions.” CIB’s USP has always been to encourage other business persons by way of sharing personal experiences and that is precisely how the structure of the Conclave was designed—three Round Tables that deliberated on sub-themes which revolved around the central theme. The success of the deliberations lay in learning the techniques used by others in managing the short-term expectations with the long-term vision.

*Just as cream rises to the top of the milk,
so does problems always rise through the
organization.*

Laying the ground rules that only CEOs could enforce with other CEOs, Naushad said, “Since the form of the Round Tables is through sharing; and we would like many in this room get the opportunity to share their experiences, it would be important that each of us be brief. So as Co-Chairs we discussed the ground rules and came up with the following: If either Sunil or I stand up, then you must recognize that it is time to wind up.” The room burst with laughter. “If both Sunil and I stand up, then it means that you must most definitely stop.” The roar of laughter continued. “And if Sarosh stands up then he is going to leave the room with you.” The laughter went on but the message was driven home effectively. With all the introductions out of the way, the group now focussed on the first Round Table.

Round Table 1:

What are the short-term pressures that you face on a day-to-day basis?

Some of the points shared at this Round Table are as below:

- As a publicly listed company, the pressure one faces is how you balance the requirements of meeting quarterly expectations at the stock market and the shareholders while trying to develop long-term value. Very often there is an apparent contradiction.

- There is a saying, “Trust is good. Control is better.” How does this translate to one’s employees? This involves empowerment;



ownership culture; expecting employees to take strict decisions and live with them while still trusting, knowing that they could fail. All these could affect your P&L yet how does one manage that without being intrusive.

- There are daily contradictions on various issues—environment, bottom-line, labour and people—the latter being the biggest challenge.
- There is the daily pressure to perform; on time and fear of standing up for what is right.
- We are rapidly growing and setting up dealers. However, their ethical standards are not necessarily aligned to ours.

- There is the pressure from the system itself. Harassment and subsequent delays from various government departments take place regularly.
- Constant disruption and the ability (or inability) to get the staff to quickly adapt to the change hampers excellence.



- The time lag between the idea and the finished goal is often longer than one would like. This adds to the pressure, not just on resources.

- There is the pressure of urgent, unplanned tasks that suddenly land up on

your table.

- Long term goals that are important but not urgent are often affected by issues that are important and urgent.
- The constant changing business environment that is often disruptive in nature, it almost always forces all of us in the organization to focus on the short-term pressures for far too long that there comes a point when there is a fear of losing relevance from the long-term perspective.
- Because of the nature of our business, we have had to create a culture in the organization to expect the unexpected. However having said that, we now find ourselves coming under pressure from constantly changing customer expectations.

- Someone once said, “Just as the cream rises to the top of the milk, so do problems always rise through the organization.” Almost always the issues that rise to the top are personnel related. If there are issues related with policy or mechanical or investment, they can always be taken elsewhere but the one that inevitably rises to the top are those related with personnel.

You can fool those in the rank and file above you all the time. You can fool those in the same rank and file as you some of the time. But you can't fool those who are below you.

- Every business has its cycles. When the market is upswing, we often take the Managers for granted and do not pay much attention to how they are performing. However when markets slide and you are confronted with challenging times, the negligence of some of these Managers (who did not take ownership of the problems) comes to the fore. This is when I have found unplanned personnel issues suddenly falling on my table with Managers passing the buck upwards.
- The race to show that your department is producing results can be seen with Managers and VP's and sometimes even Presidents. In order to get a task ticked off on the Manager's KRA, he needs to ensure that it is also reflected on his other team member's KRA. It is in challenging times that the mess comes up and then one is found grappling with the short-term, unplanned issues that suddenly come up to your table.
- The position of a CEO is often a very lonely position. It is therefore very important for CEO's to network with other CEO's from different organizations so that they could share and discuss matters

that can be beneficial to all in the long run.

- Does the CEO need to find his role a lonely one or can it be more inclusive? Companies are now veering toward recognizing that it is better to have a small team along with the CEO involved in the planning and vision rather than just one person. It is more time consuming and it can be frustrating at times but the results are often more assuring with the added benefit that you now have your team's buy-in.

- In capacity building, the greatest time consuming factor is not so much the infrastructure but building personnel. Getting the right people and training them to perform to expectation is one of the biggest challenges I have faced.



- In the medical industry, where hospitals usually have consultant doctors that have to pass on a commission to the referral, it is often challenging because while on one hand there is the desire to provide good, affordable quality treatment to patients there is also the complexity of keeping good doctors. Retaining good nurses and resident doctors is another challenge.
- While it is true that there is what one may call “the mathematical pressures” of running a business, there is also the emotional pressure. Inter-personal relationships, say between your sales head and your dealer may require the CEO of an SME to intervene and douse that

fire because of the size of the account. However it could lead to another fire if the emotional issue of the sales manager is not correctly dealt with. Therefore while there is the intellectual solution to a problem we often do not take into consideration there is also need for an emotional solution.

To wrap up, if one were to try to capture the various reasons of short-term pressures, we would find that disruption is a key issue. The working environment (especially with the government, shareholders and suppliers) is another.

What are one's short-term expectations?



- Stability in the face of disruption
- People related expectations such as Internal harmony, strengthening the culture, giving autonomy while still expecting accountability and

having a team that can be tactical even though there is a strategic vision

- Business related expectations such as looking at not just how to do the job but also looking to how the job can be improved, aligning short-term objectives with compliance in mind, customer satisfaction; all these ties in well with technology developments, disruption
- Ensuring internal organizational satisfaction to facilitate external customer satisfaction.

Round Table 2:

How do these displace or detract from the long-term goals that you would like to achieve?

Having looked at the short-term pressures that detract one from the long-term goals of the organization, the second Round Table now focussed on identifying what these long-term goals were.

- An army General had once said, “You can fool those in the rank and file above you all the time. You can fool those in the same rank and file as you some of the time. But you can’t fool those who are below you.” As CMD, it therefore makes me realise that I am often the last to know what is happening in the organization and am therefore vulnerable.

CEOs must be willing to unlearn and relearn.

- From my experience, I have come to recognize that when you trust those below you, they are often able to do a better job than if you were to have control.
- Here is an example of how trust works. Around two decades ago, there was a time when absolutely no ideas came from the shop-floor of the production department. I realised that this was because in the same period prior, ideas and suggestions from the workers were not only being rejected, but worse, were being ignored. It took time to build that trust again but today, as I walk on the shop-floor, I can see how things have been rearranged and how things operate that are so much better because the workers have been trusted.

- This therefore enables me as CEO to trust in the long-term goals most of the time.
- For me, there are a few long-term goals:
 1. Looking for new markets
 2. Governance of the business where the next generation governs rather than manages the business
 3. Succession planning for the Directors
 4. Investment strategy
 5. Represent our trade association at a much wider international level
 6. To work with a group similar to this present one at this Conclave.
- Some of the short-term pressures that often detract you from your long-term goals are:

1. The immediate challenges at hand. It is like you have a fire. It has to be put out. You have no choice.



2. The sudden, unplanned matters that suddenly land on your table.

3. The short-term challenges can often compel you to compromise in areas that you otherwise would not make. These areas of affected are generally—

- (a) The quality of your work

(b) Interaction with people

(c) Managing and sustaining relationships

4. While focussing on long-term goals—because we are a non-listed company and do not have quarterly pressures and stock prices to worry about—a sense of complacency can creep in. Therefore though it is a bit of a paradox, it is important to have a proper balance.

5. Every time we have to make choices—whether they are your dealers or those within your organization or even those from government agencies, it is important that we let our values serve as our moral compass. This will help us determine when and where to draw a line.

- We must not forget that all of us, though CEO's are still human beings. Our businesses grow only if we grow; and the same applies to all who work in our organizations.



- We are looking for stability in an unstable environment. We are beginning to realize that it is a reality that we must have to live with. There is volatility in prices; high attrition because Gen X, Gen Y and the now recent Millennial's have different aspirations compared to the workforce of the past; and the aggressive intrusion of social media. We need to determine through all this the simple question—“What really are our priorities?”

- We need to constantly ask ourselves: How much of what we do is to manage business today and how much is to keep it sustainable for tomorrow.

- Another pertinent question is: How much time are we spending on people? If we can trust our VPs with making decisions that run into several hundreds of thousands, then why can't we trust them with escalating the business? Since nobody comes with the attitude each morning to see how much damage they can do to the company, it is therefore important to create a right working environment for our people. Each one comes with the attitude to do the best they can within their limitations. It therefore becomes our jobs as CEOs to remove those limitations rather than go around problem-solving.



- We need to rethink: What are our long-term goals? We often do not know where we want to go and therefore are lost as to how to get there. The question we should ask is: Where do we want to (very concretely) take our

businesses 10 years into the future?

- Having the buy-in from the entire workforce is critical to accomplishing our long-term goals. Having the teams know what the business strategy is at the start of each year and how it ties in with the strategy laid out for the next five years helps them to understand the “why”; which in turn enables them to understand the rest.
- Instead of looking at people, who are our inter-dependencies, we tend to look too much at profit. We have all heard the classic comment—“People before profit.” Never before has this had more truth as now. We see this in an environment that is completely volatile; which

is getting increasingly complex; and often completely out of our control.

- We need to recognize that while we talk of empowering our people, our mind-set is that of a controller. People can see through this and could then view us as phony. Therefore at the CEO level we need to undergo a complete change of mind-set.
- With the advent of having to deal with the different way the new generation works, there must be the willingness to hand over to them the baton and ask them to run with it.
- CEOs must be willing to unlearn and re-learn.
- While it is good to ask ourselves, “Where are we taking the business?” it is sometimes important to also ask, “Where is the business taking us?”
- We have moved from the mind-set of wanting stability to the mind-set of adaptability. This is especially in the light of disruptive and volatile times. In some ways, this has taken off the pressure.
- While keeping in mind the long-term goal and the direction the company should be heading, it is important that we do not take our eye off the ball.



- There are times when the short-term challenges help us recalibrate our long-term strategy. During the period when Demonetization and the introduction of GST affected business,

I used that time to look into each account, reset relationships and gave me guidance on our business model going forward. This exercise also helped us recognise that a lot of things that we had taken for granted were not true.

- We should not let our short-term emotion about somebody come in the way of our long-term plans with that person. It is necessary to always keep objectivity before us and distil the emotion from the problem.
- It is necessary to constantly look at short-term results without losing sight of how the market is going to perceive us in the long-term.

I like to think of the short-term essentially as “management” of day-to-day activities and the long-term as providing “leadership” that includes design and strategy of the system.

- While considering the short-term and long-term choices it should not be viewed as ‘this-or-that’ but rather as ‘this-and-that’. Companies that have done phenomenally well have identified a longer term objective and then achieved these through short-term decisions, milestone after milestone.
- We must realise that an employer-employee relationship is no longer a one-way contract. In the past it was always about what the employer must expect from an employee. Today if the reverse is ignored, it is at one’s peril.
- I like to think of the short-term essentially as “Management” of day-to-day activities and the long-term as providing “Leadership” that includes design and strategy of the system.

- With regard to people and motivating them—if we have gone through a process of recruiting people and have done a really good job in choosing the right people to join the company; and then we were to ask at the end of Day 1 how motivated they are to work in the company, chances are that 9 out of 10 will respond positively. If this exercise of asking the same set of employees how motivated they are is repeated six months later, chances are that one may get 5 or 4 or even 3 out of 10 who would respond positively. The solution to this is not to come up with another program for motivation. Just stop demotivating them.

- Often, when one looks at long-term strategies (which include global expansion) and are confronted with short-term realities (which include retrenchment in some factories due to relocation in other countries)



difficult decisions need to be taken. One is often confronted with huge ethical challenges and must be dealt with utmost consideration and humanely.

- Since it is very difficult to predict change, the moment one gets a sense that something is afoot, it is very important to be quick-footed. The more agile we are to adapt the better we will survive. The key to this is building that change capability within the organization. This involves having very few structures in the management system

so that decisions can be taken very quickly.

- Change is another aspect. As human beings we can get very excited about change until there comes the time when “I” need to change. That is different and when everything gets difficult. ‘Fight’ or ‘flight’ in times of change is often not very helpful. What one needs to learn to do at an organizational level is ‘embrace’ the change so that one can adapt quickly.
- In dealing with change we must bear in mind that as CEOs we all take risks. Most of our decisions, if not all, at some level has a risk assessment built into it. If everything was predictable then there is very little risk. So when things change, the one thing that must concern us is: “What happens from a risk perspective?”

We need to ensure that short-term priorities do not displace long-term objectives.

- It becomes very important therefore to determine what can change and what must not change. Values, for example, must not change; but the stories or the examples that can change. So what one needs to figure out is: “How to communicate those values?”
- We need to ensure that short-term priorities do not displace long-term objectives.

The words that encapsulate this session are: Values, Judgment, Growth (of people), Fulfilment, Contribution, Authenticity, Collectiveness, Balance, Purpose, Courage and Creativity are two other terms that could be added to these. Three pairs of words that could also summarize the discussions are: and not or; we not I; and adaptability not stability.

Round Table 3:

What are the ways that you have devised to satisfy or partly satisfy these short-term demands while still keeping your long-term goals in focus?

- The company core value system must ensure that it is strong on business ethics, strong on quality, strong on innovation and strong on independence.

- Recreate trust (or trustworthiness) by going big on compliance and transparency. If we have these in place first, we can forge ahead towards the long-term objectives.



- We try to invest in a few areas irrespective of what happens in the short-term because we know that they have a direct impact on the long-term. These are:

- (a) Invest in customer relationships
- (b) Invest in people
- (c) Invest in products
- (d) Invest in culture
- (e) Invest in other areas like creating a conducive environment—enhancing team-work, create an office of the future where millennials find working easier; Walking the talk by trying to use our own

products internally; Building on the impact business can have to society.

- Empathy is needed if we are to use different ways to arrive at the same target. Listening to your stake-holders and adapting to the need is critical to succeed. This is why in India, a pharmacist is willing to sell even one single tablet instead of pushing the whole strip.

Good practice equals positives and multiplication. Bad practice will result in negatives and division.

- Training, though it involves that people will be away from work for approximately 30 days in a year, it takes care of the complexities that revolves around working relationships—collaboration, mutuality and inter-dependence.
- Trying to keep ahead of the curve.
- Focus on competencies because the requirements of the future are going to be different from those of today.
- Communication, though a very simple thing, is very important to tackling short-term needs while being conscious of long-term goals. Walking our people through the ‘Why’ is very important.
- Standing by the teams and being available for them are important to fix what cannot be otherwise done merely through instructions.
- Genuine appreciation at all times provides them a feel-good factor, ownership and subtle energy so that when a problem arises, they are better prepared for it, having experienced the care they have been receiving.

- Encouraging story sessions with staff where they share their experiences has also helped in cross-learning from the others sharing. After tackling corrective and preventive actions, getting people to share the lessons learnt is useful and prevents recurrence of mistakes.
- We must ensure that the policies we have grows organically. This will not hamper development.
- Good practice equals positives and multiplication. Bad practice will result in negatives and division.

After a days of back-to-back Round Table deliberations, the CEOs took stock of all that was shared, summarised them into do-ables and made a list of their take-aways. The morning session on the next day provided space to do just that.

The end result of these confabulations was extremely positive. The feedback provided by all the CEOs that attended the Conclave showed us how much they appreciated the deliberations and the precious nuggets they were going to take back with them. We hope to share these with you in the next issue. The ambience, the care and fellowship and the tranquillity of the campus were other factors that helped make the CEOs leave with a sense of feeling refreshed.

