

ICB on wings



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 **Initiatives of Change**
for Business

'Is profit enough of a measure? If one achieves the bottom line, should everything else be pardoned?'

Posing these queries to leaders from small and medium enterprises, the Co-Chair, Shishir Joshipura, kick-started the first Round Table of the April 2019 Conclave; prompting all present to deliberate on the topic, *Leading Organizational Transformation – Putting sustainability and inclusive growth on top of the agenda*. What ensued was a flurry of thoughts and sharing. These we have covered in the report that makes up this Newsletter.

We feel confident that you will find this report interesting.



Leading Organizational Transformation

Putting sustainability and inclusive growth on top of the agenda

In our April 2019 issue of ICB on Wings, we provided an overview report of the Conclave that was held for leaders from business and industry between April 12 and 14, 2019. In this issue we attempt to cover the highlights from the first of the three Round Table deliberations that was held on the overall Conclave theme, *Meeting Growth while remaining Socially Conscious and Eco-friendly*.

The word, transformation is when we talk about a "from-to" situation. The organization is at one place but wants to achieve something more.

The topic for the first Round Table focused on *Leading Organizational Transformation – Putting sustainability and inclusive growth on top of the agenda*. The discussions kicked off with the Chair, Shishir Joshipura, MD, Praj Industries Ltd., Pune, asking delegates if profit wasn't enough of a measure? He said, 'If one achieves the bottom line, should everything else be pardoned? Why do people then talk about transformation and inclusiveness? This is because, while for most, the sum total for an organization is money, yet the world is full of examples of companies that made a lot of money but cease to exist today.

'The word transformation is when we talk about a "from-to" situation. The organization is at one place but wants to achieve something more.

This journey is what one has to reflect on,' Joshipura surmised, opening the discussions.

A senior businessperson spoke about moving from a paradigm of "either-or" to a paradigm of "and". Therefore, the question in front of the participants was "What needs to change?" The first clue was in the song sung by the father-daughter duet, Dr Amit and Neha Mukherjee, "Me! Me! Me!" That is the most critical element of change. But obviously there are other things that need to change too, for instance "inclusiveness".

The beauty of this kind of transformation however is fear that gives rise to innovation and then innovation leads to zero fear. This is a virtuous cycle.

Every company has a different meaning for inclusiveness. For some, it may be including more female employees; for some it may be including people from all religions, caste, etc. Some companies may talk about including people who are differently abled. So at the end of the day we will be able to hear a segment of our market that we would otherwise not be able to hear. In today's scenario, every company wants to know what the market wants. Therefore, a transformation will call for a move away from a "me too" approach. Somebody is doing it. I'll do the same or I'll do more of the same. This calls for innovation. But where does innovation come from?

A CEO and MD believes that innovation comes from having fear in something. But innovation, of any kind, is the first step for transformation. The beauty of it however is fear that gives rise to innovation and then innovation leads to zero fear. This is a very virtuous cycle.

A lot of times we say that we should learn from our past and that is true. But

should we stick to our past? Doesn't the future hold many new experiences? Therefore, transformation becomes the key lever that allows us to transit from a past to the future. The past is not important, but the learning from the past is important. It is in this context that it would be worthy to note that Japan has many companies that are more than 100 years old.

One participant raised a query: Being the MD or CEO of a company, even if s/he wants to do something on this line, the private equity only talks of profit maximization. We are doing CSR in India and being a listed company, there are some rules that you have to send a certain amount of money. But if I go back to the company and say I need more money to do more activities, they will think that I am not in sync with the company's thought process. So how does one address that?

To answer that, another participant said that one must initially look at activities that do not involve the use of money. As a first step, one can try to bring in change in the mindset of the people in the company. Once the mindset changes, people will begin to understand your conviction and they will realize that in the long run, the company will benefit from this.



Hearing this response, someone said on a lighter note, that he should get his boss here.

An MD from Mumbai shared of how he was looking for a space to set up his warehouse. The person who showed him the place said that he was ready to give it for cheaper than other places. The first question that was asked was where the toilets were. The owner was very confused and pointed at public toilets in the campus. The condition was so appalling that one couldn't go anywhere near them. The MD said that the standard should be such that when my children visit the campus, they should be able to use the facilities. The same standard I apply to my employees. While it is one thing to consider as to how much money we put in, there is another aspect we need to consider and that is the care we show, for which you do not need a Performance Evaluation (PE) to sign off; you do not need a budget; nor a line item. The small steps and communication is what makes a difference.

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An Executive Director from Pune shared how his company also built toilets for their truck drivers. 'I have found that communicating love and care through our policies is important. We are enjoying a zero attrition rate for nearly three to four years. The reason for that is because the job market is bad, but more importantly, we communicate love and care.

Another participant shared how when his fellow-businessman was warehousing his cargo, it was not just him but all the people down the line who spoke the language. 'It is a value system that the leader has had to instill in his organization. So it is important to lead with love and how we integrate that into our organization where ownership has been integrated

to the point that there is zero attrition rate. People don't always understand the term "love" unless they can see it. So we make it as part of our policies. 'For example, the women get six months' maternity leave as per law. But we also give the men paternity leave. We do that because I thought that when my kids were born, I did not need permission since I am the owner, but the other fathers are no less a parent than I am. Since one's family is a stakeholder of the company, we give the fathers one month's full pay leave to take care of his wife and child. However, it is possible that I am able to do this as I am a small organization. The point however is that when the team sees how you convert your love into policies and practices, they understand it.'

But what happens if one is not the owner? Then one's strings are somewhere else.

One private limited CEO said, 'We are a family driven organization and when I joined, I realized that what was missing is a form of empowerment. People did not feel that they had ownership or the empowerment rights to do what is right. Even if they thought it was right, they also wondered what



the owners would say? So we tried to bring a sense of empowerment at every level where it does not need a person to reach the upper end to justify his job, his fear of losing his increment or appraisal. I think that has clearly made a difference in our organization in the last so many years. In the past where people used to sit and wait for somebody else to take a decision, now feel that they can very willingly and happily take decisions. This is the case in my organization. It could vary with different organizations. Yet, it's all about each person in an organization seeing themselves as an owner in the ability to execute that in whatever honest loving way they can.'

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A participant mentioned that he was the third generation in the family business and worked according to what his parents had taught. They had a collaboration about five to six years ago. The gentleman was from Europe so they had their own standards and ethics. Every time he sat with them and they would find something wrong happening, they would give me that look. Initially it all looked natural and obvious to him. But more and more they gave him that look, the more it began to strike him. It began to make him feel in his heart that he was not doing something right. Every time they spoke, he made small incremental changes like paying our labors the minimum wage, the noise pollution that they were causing, etc. So each time he sat and thought why he was doing this. If everybody in the organization was unhappy then he would not get a good performance. So slowly they changed many things. Today, all employees are permanent. There are no contract workers. And they also have a policy for profit sharing. Surprisingly he has noticed that profits have been growing ever since. Changes do not take place overnight. It has taken them six years. 'Today I sit back and think

and people ask me if the factory is taken care of by Managers. I respond that it is taken care of by everybody. I realized small changes make a big difference.'

Another participant was talking from the perspective of a non-owner. The boss is trying to test you. You want to change the boss, first show results. If he is seeking profit, first deliver profit for a couple of years. Then, maybe, he will listen to you and change himself.

Speaking of how people are talking about profits, a senior businessperson said, 'We have heard about working with love. Now working with love does not mean kissing each employ on the cheek every morning. It is all about whether you are in a mindset to GIVE or TAKE. When you love your employees, you care for them, you want to do things for them — training, workshops, developing skills, giving better facilities. It can be in many other intangible forms. In fact these are the more important and tangible forms. But we tend to concentrate more on the latter. To my mind the more lasting rewards are the non-financial ones. So when you talk about making profits,



everybody has to make profits. Matsushita, who founded one of the largest electrical companies in the world, said "it is unethical not to make a profit for a businessman because he cannot grow without it. The question is what do you do with that profit?" Do you use it for yourself? Or use it for the community? Or the people who work for you? Or the stockholders? So it is a question of mindset.'

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that profit?*

It is important to communicate the love and care to the employees. The owner of a 10-year old company shared how they found it very difficult to retain people for a SME business. He found a way for this problem. 'There are many knowledge pockets in small villages, where people are very knowledgeable but do not get an opportunity. So when we started the company, we intentionally went to such villages to recruit people. The biggest challenge for these people was to find a home in Pune. So as part of CSR, we provided them with accommodation. The advantage of this was that they did not have to pay rent and would save on travel costs as it is close to the office. These are not financial rewards but it helps. The environment in the company is such that in all these years none of our engineers have left for other companies where the salary may be more.'

SMEs drive the growth in India to a large extent and most of them are family managed businesses. So when we talk about sustainability, we are talking about organization and how to make a difference beyond. The most important in such businesses is to take the family along and sustain it so that it can be handed over to the next generation. So as a first step, we must have the love, care and communication with our own family. It is only

when we are able to do that, can we spread it to others. You cannot have an unhappy family and a successful business.

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A query was then posed to all:

In a multinational company where the face of the owner is not known; where all communication processes are in place; there is still the challenge of sustainability. This makes us wonder if sustainability has a bigger dimension. For example, when one has to decide to invest in a certain form of technology, would one choose something that is environmentally friendly even if its initial cost is more? Or would the choice be on something that has a lower initial cost though it is environmentally damaging? There is a second dimension on sustainability that we need to think about. We spoke about CSR work where we discussed changing the definition of inclusiveness. The key question here is — when and how does one decide on current/first cost verses lifecycle cost of ownership? We all know that to any decision one takes, there is a cost. One can easily think of this quarter. But what happens when you think of the next year? That is where one starts to think differently and then the dilemma starts. Often the simplest decisions are the most difficult ones to take.

It is often seen in meetings that new things are discussed and once people go out from these deliberations, their juniors ask, 'What happened?' The response generally is: 'It's the usual nonsense.' It is here where the entire energy is

lost then and there. Yet if one goes out positively and is enthusiastic about the new change of ideas that were discussed, the entire ethos will change in the organization. So the essence is what we communicate. Because it is very important to see who is communicating and what is being communicated.

So the question remains what are the challenges one would face if one had to put sustainability on the agenda as well? We always put the capital bazaars, return on capital investment, return on capital employed, pay back periods, IRRs, etc. Yet these are financial measures. Do we need to put something beyond the financial aspects?

A gentleman, who has been working in a 150-year-old company, for about seven years, shared his experience. He, along with colleagues, wanted to install solar panels for electricity since it is environmentally friendly. However, the management in Germany did not approve of it. It was difficult for this gentleman as his company spoke about sustainability and saving the environment but did not practice what they preached. After a year or two, upon finding a partner, they installed the solar panels and paid according to the number of units consumed. So they were not really investing anything. When the management found out about this, they were initially annoyed but upon learning of its usefulness, made it mandatory for all their units globally. This company also plants thousands of trees at different locations around the city on 'World Environment Day'.

A rubber parts manufacturing unit in Pune had to decide which line to choose. Among the many options, the most expensive one was the German line which was about 20 to 30% higher. Initially we struggled as customers had other cheaper options. But in the long-run we benefited as ours was better in quality.

SMEs are grappling with a lot of volatility and disruption in the market. The predictability in the business scenario has changed. Our company realized the best way to deal with this volatility is to be innovative in products, processes or communication methods with customers. This for us is no

longer just innovation, it is a way of sustainability. It is not innovation for fancy, it is innovation for survival. The second problem that we see in the market is disruption. As a result of this, the emotional bandwidth that needs to get built in the company is equal to the financial bandwidth. 'I spend a lot of time talking to my employees about disruption and this is helping them to sustain,' said one MD of an SME. The third challenge is culture of ethics. It is of strategic importance. For example, my wife runs a furniture showroom in the same building where I have my office. I got a call once from the manager there telling me there were ten people who had come to raid the office. On meeting these people, I told them four things: (i) You are a Government officer. Your responsibility is to do your job well. (ii) As a citizen, my responsibility is to help you do your job well. We are a retail outlet therefore our business should not stop. However, we do not mind if your people are at the cash counter. (iii) On humanitarian grounds, your meals will be on the campus. (iv) Before you go around messing my office, let me introduce you to the key people. I then said that I would meet them during lunch to answer any queries. The next morning when we were having a meeting about the previous day's happening, I could see the staff excited just like one is when one has been able to answer all the questions in the examination. So at times when unforeseen pressure comes from outside, over which we have no control, this culture of ethics is a key element to sustainability.

I spend a lot of time talking to my employees about disruption and this helping them to sustain.

Another participant from the software industry shared a very innovative concept they have built. It is an application where one can exchange services for time credits. But organizations wanted to use this application as part of their CSR. Today technology has reached a stage where the price points

have reduced considerably. The ability of even small companies to take big and bold decisions and implement them doesn't involve much capital. Technology can be a big enabler to make innovations happen.

Inclusiveness:

After working for about 10 years in an energy firm, a gentleman went to his own college to recruit graduate trainees. One of the female trainees selected insisted that she works on the shop floor. Many conditions were laid down for her as females are generally not allowed on the shop floor, but finally she was granted permission. Today she is the Chief Designer for the Mahindra SUV. So the idea of inclusiveness always has long term benefits. If she had been restricted to the HR office or communication department only because she is a girl, she would have never got the opportunity to make such good progress. Inclusiveness always has long-term benefits.

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Inclusiveness also includes the differently-abled. A factory in Pune employs 70% of their staff from this section of society. When their clients, which included multinationals like Bosch, were worried about quality and consistency, they were asked to visit and see for themselves. Later the clients realized that these people were more efficient. Others who can be part of the process of inclusiveness are our own people such as our parents, our retired staff, and their likes.

One more such example that was mentioned was when a client called the Company Head to ask for a male Accounts Manager since the one that HR sent was a lady. On denying their demand, the client was very angry. But the Company Head did not succumb to their demands. Finally, they were able

to move past the representative's gender and realize her professionalism. He said, 'if inclusiveness is on top of our agenda then we will take a stand. But if it is just one of the things at the bottom of the list, then we will dither. That is the key!'

Towards the conclusion of the first Round-Table discussions, ICB's Chairman, Sarosh Ghandy, reminded the participants that the main reason for deterioration of the ecosystem was the outsourcing by big companies. He asked how small and medium scale organizations, which the participants were representing, would tackle that. Large companies are financially able to spend green technology or care more for the social side of business. SMEs on the other hand feel they would not be able to sustain if they were to implement these. It would thus be a tragedy if later the SMEs are blamed for the deterioration of the ecosystem. What are the steps that need to be taken?

This question brought about the sharing of another story. A multinational company conducted an independent audit of all their vendors and found that the top ten worst-performing vendors in the world, on code of conduct violations, were all in India. So some of them went around to meet all these vendors. The common reply they got was the cost would go up if they had to abide by the code of conduct. There was a specific timeline given to all the vendors to fix the problems. Some agreed, many did not; but eventually in six months the required results were achieved. The key point here is that SMEs will have to take a stand on being compliant.

The Chair ended the session by thanking everyone for bringing out all possible topics, from changing mindsets to looking at communications as a bridge; the issues and challenges people face about inclusiveness — men verses women, home verses board-rooms. Many important topics like having a culture of ethics in the organization were discussed as well.

Editor's Note: We hope to publish the next report on the second of the three Round Tables in the July 2019 issue.

Asia Plateau Program Calendar

June 2019

- 12 to 15 Heart of Effective Leadership Program for Industries
19 to 22 Effective Living & Leadership Program for Industries



The design of the Effective Living and Leadership programs for industries is prepared for shop-floor workers; while that of the Heart of Ethical Leadership is for middle-level and senior managers. Lead for Change is for young professionals.

Programs mentioned above are subject to change.
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