

ICB on wings



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 Initiatives of Change
for Business

Editorial

'If you are a commercial organization, what is the purpose of your business?' This poser was put forth to Managing Directors of Small and Medium Enterprises in the second of the three Round Tables that were part of the April CEO Conclave held between April 12 and 14, 2019. The deliberations that ensued were both inspirational for its quality and depth as well as for the fact that, like the other sessions, helped delegates to take away these learnings to their own places of work.

The ICB Working Group met at Bangalore and as part of our endeavour to keep you updated on our activities, we have posted a brief report in this issue.

Finally, we have provided you our new addresses, both website as well as Email. We hope you could use this information to update your contact book with our new details.

A Win-win Paradigm

Partnering customers, suppliers, employees and society

The second Round Table discussion of the CEO Conclave held at Panchgani between April 12 and 14, 2019 was about partnering customers, suppliers, employees and society with a win – win paradigm.

A question put forth to the participants by the Chair was, "If you are a commercial organization, what is the purpose of the business?"

The first parameter is that businesses are here to make profit. But can this be the sole purpose? Alternatively it can be put as business is here to maximize value. Values can be perceived from different perspectives, dimensions and viewpoints. But profit alone does not matter.

The first parameter is that businesses are here to make profit. But can this be the sole purpose?

The Chair then mentioned examples of two popular companies. In the first 20 years of its existence Amazon made no profit. But they came to be valued very highly because they had a very heavy positive cash flow. So if profit was a measure, then they were not doing too well; but on the cash flow they were valued very high.

People would also wonder why Apple is valued so high. It is not because of its product, profit line or top line. In fact they are in a very dangerous business zone. 97% of Apple's customers are repeat buyers they are not able to add new customers. But they get valued for only one thing that

is a continuously flowing cash flow which is equal to 3 months of their sale. Apple pays its suppliers on the 90th day and their inventory number is 2 days. So 88 days of cash is in hand. This is what makes them so valuable. So there has to be a value maximization dimension that is in play. In many ways measures for business needs to redefine itself beyond the single dimension.

The third point is: size of the business doesn't matter; whether it is in service, business or components. Organizations are in a continuous race to be Number 1. But the reality is that we are in the race not to be number one but to be unique. Very few companies who want to be number one have survived the test of time in the world. Partnering with suppliers is one of the key factors in doing well in any of the businesses because you are then one step ahead of your competitors.

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Good relationships with your suppliers can carry you forward during tough times. It is at times like these when the vendor can be a huge support. But if they are treated just as suppliers, then you will be left with no friends and supporters.

One of the members at the table mentioned a life changing incident that took place in his Company. They supply a component to Honda and there was one supporter problem that was escalated to the owner. Unfortunately, they were not able to fix it and within a week they got another problem. They tried again but could not get it right. The same thing was repeated the next month. Material kept coming back. They were shipping out new material, batches were coming back and for some reason they were just

not getting it right. They had been supplying to Honda for a long time but something was going wrong. This unfortunately went on for three months and Honda kept sending it back to them. In the third or fourth month the owner had mentally written off that account. But somehow within five months they got it right and things stabilized. Later when the owner met the people at Honda and asked them why they stayed with him, the purchase and materials managers told him that it is written in their guideline that they cannot leave their supplier when the supplier is in problem. They said, "We have to work with you as partners to solve the problem." For the company owner it was at that time that he understood the real meaning of partnership with the customer and supplier and the real meaning of win-win.

Another CEO shared an incident from his company when they were undergoing a transformation and there were a lot of price pressure on margins. One of the suppliers continuously came to ask for a price increase. The owner then asked the supplier to allow him to go to his company and try to do the same things that he had done with his own company. The supplier agreed and changes were brought about gradually in their



organization structure and family structure — in terms of how his son was being groomed. This change made a huge difference in their professional and personal relationship.

A CEO spoke about supplying to Amazon and he mentioned that Amazon does not give an option of holding back any information. But he realized that when one is supplying to majors there is a certain framework according to which they work. The only win-win situation here is that they get the information and product they want and we get the business.

Discussions carried on, where in a manufacturing environment it's not about supplier or the customer but about working together to find the solution. Most organizations go to the supplier with that approach. Companies like Honda make sure you do the right thing because they also have investment in this process and they would not obviously like their investment to go waste. Some companies may be different but eventually it is a win-win situation because they both get business.

There are many companies in today's world that talk about Code of Conduct before talking about business. That for many is the starting point.

"When we work with big brands their stakes are different compared to a smaller organization," said one CEO. He spoke about an incident about 3 years ago. "There was a major fire in Bangladesh. A multi-storied garment factory had burnt down. About two years before that there was a smaller incident. That factory which was producing a component to be fitted on a garment was sold by HNM. Though the latter was nowhere in picture, a Swedish newspaper published that they were not taking care of their people and the company lost 10% of their market cap because of that headline. Therefore, we see that bigger brands are always under more

scrutiny then smaller companies."

"There are many big companies in today's world that talk about 'Code of Conduct' before talking about business. That for many companies is the start point to talking to the suppliers on the business side," recounted an MD of a medium enterprise who was reminded of his experience with Volvo when they came to do business.

Another very important aspect of any business is the other partner, the employees. One leader from business shared how once a month they disclose the financials with their employees. Initially they didn't quite understand it but they were trained and today the owner shares his gross margins openly with his employees. This has helped in increasing the overall gross margins.

The Chair of this Round Table then mentioned that the bedrock for any relationship is trust. He spoke about trust as reliability where, "if a company places an order he is sure that the quality will not be compromised. The other aspect of it is the human trust. When one has sat across his customer, looked him in the eye, got to know him better and then when there's a



bond of trust which gets developed, the willingness and ability to open up on information also substantially changes."

A question was then asked: Is it wrong to expect your employees to just do their work as part contract? Why does the owner need to share information with them?

Is it wrong to expect your employees just do their work as part of the contract? Why does the owner need to share information with them?

This question was very well answered by one of the MDs who said that everything that one builds for his company — the organization's growth, the strategy, the vision, mission, doing unique things in the marketplace — are all to be done by the employees. So if they are not on the owner's side and if they do not feel they are being taken care of the organization cannot succeed. Therefore the partnership with the employees is the most important partnership that all organizations need to realize. "I have been trying it in my own company in various ways like communication programs, engaging with the employee's families and enhancing people skills," he concluded.

Other interesting cases are that of the very popular food delivery agencies like Zomato. "Here the aggregator wants to set up his own kitchen," said an agitated hotel owner. "They want you to take a franchise of Zomato to sell food to them; they want a charge of 20% on delivery and 25% on rent, so the owner is pretty much left with -20%". In a lot of industries right now because of technology one does not know who the customers are. Another example that he mentioned was that of Oyo where it has ruined many three-star and four-star hospitality industries in India and the world.

Another participant who was present mentioned about his company where their business encompasses all the disciplines of engineering and all the activities it takes. They are the manufacturers, the producers and the service organization. They come across many customers who demand for different requirements at different stages for the same product. He mentioned that in his business they are being pulled into different directions. On one hand the first customer demands an extremely low price structure for which one has to deliver a product to justify the competition while the end users demand an extremely robust and dependable service from the product. So they are torn apart between who is the customer to justify; who is the long term customer they have to be looking at; and how should they bring about a balance.

A very interesting question was raised by a delegate at the CEO Conclave. This was the case of Astral Polytechnic Company that makes pipes. Initially they found it very difficult to do business because of the existing famous companies. So they decided to bring about change and started doing sessions and workshops with plumbers who were actually influencing their market. So the question here was, "Who exactly the customer is as the plumbers were just influencers?"

Are we who are in business only satisfied with compliance? I believe most people are, and this in my view, is the problem.

The ICB Chairman, Sarosh Ghandy mentioned a generic angle to the discussions. He asked if we in the business are satisfied only with compliance? He mentioned most people are; and in his view this is the problem. Mr. Ghandy says that as long as one's threshold is at the lowest level you will always try and cut to get something below that and that again lands us in trouble. He says it is also a question of mindsets. What is

one's approach to business? Is it only to comply or is it because you want to do something? Is it compliance or commitment or responsibility?

To answer the question a Managing Director mentioned that first and foremost it is compliance. Then if one is able to convince the company, they take a step forward. He went on to give an example of his own company where as part of the CSR mandate they are supposed to spend 2% of the previous three year's profits. They identified eight schools around the region where they would sponsor scholarships to students; engage with students on career initiatives; and upgrade facilities such as clean drinking water. But this year they decided to take a step forward beyond just compliance and tried to create an Industry-Academy interface. He shared that they would train people in their industry which is a foundry industry. They looked for tie-ups and have finalized an institute in Ranchi that would offer this help.

There was still so much that one wanted to discuss, but as always, time was not sufficient. The deliberations had to be concluded with the assurance that one would have more to look for in the third Round Table discussions



which was to focus on one's personal challenges as a business leader.

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

ICB Working Group Meeting

A Report

As part of the efforts to prepare for the events taking place in early 2020 as well as review decisions that need to be taken on other matters, Luis Gomes from Goa and Charles Fernandes from Panchgani travelled to Bangalore to meet with ICB Chairman, Sarosh Ghandy and work with him between May 27 and 28, 2019. Torrential rains on the evening of their arrival on May 27 threatened to divert their airplane to another city. Fortunately, this was not to be and though delayed, both at landing and while enroute from the airport to Sarosh's place — trees had fallen on several roads forcing diversion of traffic — it was far better to be in Bangalore as this would have thrown all logistics and planning out the window. Gracious host that Sarosh was, he stayed up past midnight to receive the duo who reached at his doorstep.

During the working group meeting, the April 2019 CEO Conclave was reviewed. Feedback from the delegates were looked at both holistically and City-Chapter wise so that one could then examine the way forward.

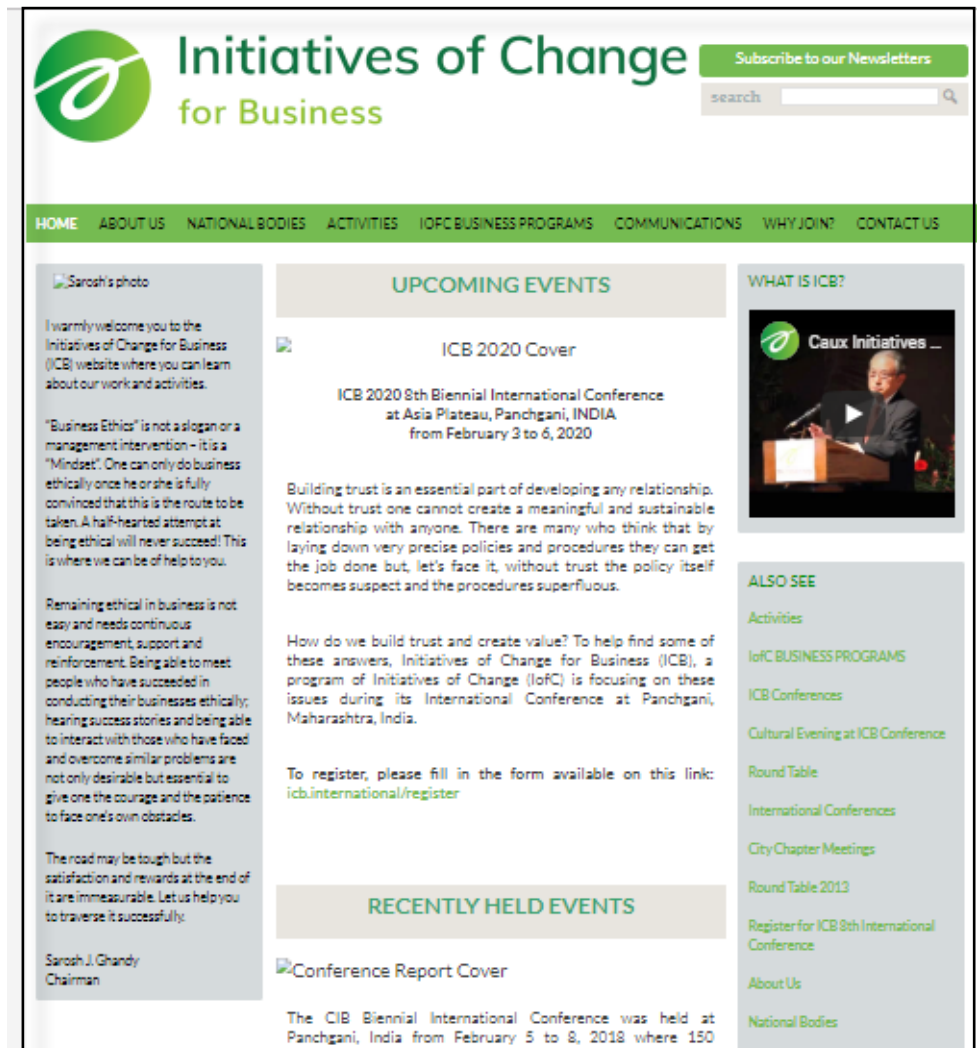
The International CEO Conclave that is being planned between January 31 and February 2, 2020 as well as the Biennial International Conference which is to follow soon after, between February 3 and 6, 2020 was then brought between the cross-hairs. Invitations to Conclave CEOs, Plenary speakers and Conference delegates were looked at both from India as well as the various countries that ICB has its presence. The draft of the Conference Invitation card was finalized and dispatches were left for the Secretariat to work out. A draft template of the Conclave and the Conference was prepared and reviewed to build on and finalize and finally a broad schedule was prepared for the in-between meetings that should take place during those days so that optimum benefit could be derived from those who would be travelling long distances to be at Panchgani in early 2020.

Other matters were considered, mails and responses were taken up and a date for the next meeting was suggested and inked before Luis and Charles said goodbye to Sarosh, each leaving for their respective cities. Sarosh had made their stay at his home so comfortable, single-handedly playing a wonderful host (his wife was out of the country), it stood out experientially, as always, what Sarosh keeps proclaiming — that only love is real.

Our New Address

Following the decision in August 2018 to revise the name from Caux Initiatives for Business (CIB) to Initiatives of Change for Business (ICB), it naturally required making a few changes, especially with our website, email addresses and other stationery. That step was taken last month.

We are therefore happy to share with you our new addresses, both website and Email, and would be grateful if you could update your address book to incorporate the same.



The screenshot shows the homepage of the Initiatives of Change for Business website. The header features the organization's logo, name, and a search bar. A navigation menu includes links for Home, About Us, National Bodies, Activities, IOFC Business Programs, Communications, Why Join?, and Contact Us. The main content area is divided into three columns. The left column features a quote from Sarosh J. Ghandy, Chairman, about business ethics. The middle column highlights an upcoming event: the ICB 2020 Cover, which is the ICB 2020 8th Biennial International Conference at Asia Plateau, Panchgani, India, from February 3 to 6, 2020. The right column includes a video player for 'Caux Initiatives ...' and a list of 'ALSO SEE' items such as Activities, IOFC BUSINESS PROGRAMS, ICB Conferences, Cultural Evening at ICB Conference, Round Table, International Conferences, City Chapter Meetings, Round Table 2013, Register for ICB 8th International Conference, About Us, and National Bodies. A 'RECENTLY HELD EVENTS' section at the bottom features a 'Conference Report Cover' and a brief description of the ICB Biennial International Conference held in Panchgani, India from February 5 to 8, 2018.

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